

Company No: 18417-M

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Reports and Financial Statement  
for the financial year ended 31 December 2014**

Company No: 18417-M

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Reports and Financial Statements  
for the financial year ended 31 December 2014**

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## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Directors' Report for the financial year ended 31 December 2014**

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Investment Bank Berhad ("the Bank") for the financial year ended 31 December 2014.

#### **Principal activities**

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

#### **Financial results**

	<b>The Group</b>	<b>The Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit after taxation	<u>32,093</u>	<u>30,606</u>

#### **Dividends**

No dividend has been declared by the Bank since the end of the last financial year.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2014.

#### **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.

## **CIMB Investment Bank Berhad**

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### **Directors' Report for the financial year ended 31 December 2014 (Continued)**

#### **Issuance of shares**

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

#### **Bad and doubtful debts, and financing**

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

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

#### **Current assets**

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

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

#### **Valuation methods**

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

#### **Contingent and other liabilities**

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

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

# **CIMB Investment Bank Berhad**

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## **Directors' Report for the financial year ended 31 December 2014 (Continued)**

### **Contingent and other liabilities (Continued)**

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

### **Change of circumstances**

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

### **Items of an unusual nature**

In the opinion of the Directors:

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

### **Directors**

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

Dato' Sri Mohamed Nazir bin Abdul Razak (appointed on 25 September 2014)  
Dato' Zainal Abidin bin Putih  
Habibah binti Abdul  
Puan Nadzirah binti Abd Rashid (appointed on 15 September 2014)  
Tengku Dato' Zafrul bin Tengku Abdul Aziz  
Dato' Hamzah bin Bakar (retired on 25 September 2014)  
Zahardin bin Omardin (resigned on 5 May 2014)

In accordance with Articles 75A and 75B of the Bank's Articles of Association, Dato' Zainal Abidin bin Putih and Puan Nadzirah binti Abd Rashid retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

## CIMB Investment Bank Berhad

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### Directors' Report for the financial year ended 31 December 2014 (Continued)

#### Directors' interests in shares and share options

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

	Number of ordinary shares of RM1 each			As at 31 December
	As at 1 January	Acquired/ granted	Disposed	
<b>Ultimate holding company</b>				
<b>CIMB Group Holdings Berhad</b>				
Dato' Sri Mohamed Nazir bin Abdul Razak*	52,175,981	883,513 (a)	(318,470)	52,741,024
Tengku Dato' Zafrul bin Tengku Abdul Aziz	-	331,358 (a)	(82,829)	248,529
Dato' Zainal Abidin bin Putih**	111,857	3,288 (b)	-	115,145

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

	As at 1 January	Acquired	Disposed	As at 31 December
Dato' Azlina binti Abdul Aziz *	4,000,000	123,010 (b)	-	4,123,010

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

	As at 1 January	Acquired/ granted	Disposed	As at 31 December
Datin Jasmine Binti Abdullah Heng	20,371	626 (b)	-	20,997
Mohamad Ari Zulkarnain bin Zainal Abidin	10,000	157 (b)	-	10,157

Note :

<sup>(a)</sup> Shares granted under Equity Ownership Plan ("EOP") and acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")

<sup>(b)</sup> Shares acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")

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## **CIMB Investment Bank Berhad**

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Directors' Report

### **for the financial year ended 31 December 2014 (Continued)**

#### **Directors' interests in shares and share options (Continued)**

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

#### **Directors' benefits**

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 32 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than the Equity Ownership Plan of the ultimate holding company (see Note 38 to the Financial Statements) as disclosed in this Report.

#### **2014 Business Plan and Strategy**

2014 was another year of achievements with CIMB at the forefront of a number of notable transactions, despite a challenging year amidst heightened competition.

The Group registered a pre-tax profit of RM52.2 million for the financial year ended 31 December 2014, RM50.5 million or 49.2% lower as compared to the pre-tax profit of RM102.7 million registered in the previous corresponding year. The lower profit in the financial year ended 31 December 2014 was mainly attributable to lower fee income by RM38.1 million and Income from Islamic operation by RM 31.4 million offset by increase in brokerage income by RM10.4 million. Overhead expenses stood at RM242.8 million for the period ended 31 December 2014, 3.7% lower than the same period in 2013, mainly due to decrease in personnel cost.

## **CIMB Investment Bank Berhad**

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### **Directors' Report for the financial year ended 31 December 2014 (Continued)**

#### **2014 Business Plan and Strategy (Continued)**

In Malaysia, CIMB was No. 1 in Mergers and Acquisitions (Bloomberg) and Equity Capital Markets (Dealogic). In ECM, CIMB led in the RM1,050.0 million Boustead Plantations Berhad IPO as Joint Book runner and Joint Underwriter, the award-winning RM 843.0 million 7-Eleven Malaysia Holdings Berhad IPO as Joint Book Runner for the institutional offering and the RM127.0 million Tanah Makmur Berhad IPO as Principal Adviser. Other notable equity transactions included Bumi Armada Berhad's RM2.0 billion renounceable rights issue, the largest O&G equity fundraising in South East Asia in 2014, Malaysia Airports Holdings Berhad's RM980.0 million new shares placement, Khasera Baru Sdn Bhd's RM818.0 million existing shares placement, AXIS Real Estate Investment Trust's RM288.0 million new shares placement, and Berjaya Auto Berhad's RM230.0 existing share placement.

Notable deals for 2014 were Goldis Berhad's RM2.6 billion acquisition of equity interest in IGB Berhad, Malaysia Airports Holdings Berhad's RM1,008.2 million cross-border acquisition of a 40% equity stake in each of the two Turkish airports of Istanbul Sabiha Gokcen and LGM Havalimani, Sapura Kencana Petroleum Berhad's USD898.0 million acquisition of Newfields Malaysia Holding Berhad, Uni. Asia Capital Sdn Bhd's RM375.0 million disposal of a 68.1 % stake in Uni.Asia General Berhad and RM 518.0 mil disposal of Uni.Life Asia Assurance Berhad, Sime Darby Berhad's RM300.0 million disposal of a 75% equity stake in Port Dickson Power Berhad and 100% equity interest in Darby Biofuels Sdn Bhd, JT International Holding BV's RM850.0 million acquisition of JT International Berhad, UEM Group Berhad's RM628.0 mil disposal of OPUS Group Berhad and UEM Builders Berhad's RM500.0 mil disposal of Project Penyelenggaraan Lebuhraya Berhad.

Equities Broking saw Bursa Malaysia turnover maintaining its 2013 volume amidst weaker performance in other major ASEAN bourses. In terms of market share, CIMB was ranked #2 in Malaysia. In 2014, CIMB continued to enhance the Bank's retail offerings on its i\*Trade@CIMB platform to provide access to trade across borders on 8 exchanges. The Bank continued to reap multiple banking and equity awards in 2014. For the year, the Bank won 31 regional and domestic awards, comprising 16 house awards and 15 deal awards. Notable awards won in Malaysia were the Best Investment Bank from Euromoney, Finance Asia, Global Finance (for 8th consecutive year), Alpha SEA and The Asset Triple A; Best Islamic Investment Bank from Global Finance; Best Equity House in Malaysia from Asiamoney, Alpha SEA, Finance Asia and The Asset Triple A; Best Broker in Malaysia from Asiamoney Broker's Poll; Best Overall Country Research in Malaysia from Asia Money. Bursa Malaysia also awarded the Bank Best Participating Organisation (Investment Bank), Best Online Participating Organisation, Best Retail Participating Organisation (2nd Runner-Up), Best Institutional Participating Organisation, Shariah Trading Value Best Investment Bank (1st Runner-Up) and Most CDS Accounts Opened.



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## CIMB Investment Bank Berhad

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### Directors' Report for the financial year ended 31 December 2014 (Continued)

#### Outlook for 2015

The slower economic growth projected for 2015 as well as the volatile global markets suggest challenging conditions for the capital markets business. Nonetheless, CIMB Investment Bank Bhd's leading position in Mergers and Acquisitions and Equity Capital Markets places it well to capitalise on market volumes and deal flows going forward should there be a recovery in 2015.

#### Ratings by External Rating Agencies

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
RAM Rating Services Berhad	October 2014	Long-term Financial Institution Rating Short-term Financial Institution Rating	AAA P1	Stable
Moody's Investors Service	June 2014	Long-term Issuer Rating Short-term Issuer Rating	A3 P-2	Stable
Standard & Poor's Ratings Services	December 2014	Long-term Foreign rating Short-term Foreign rating Long-term local rating Short-term local rating Long-term local ASEAN rating Short-term local ASEAN rating	A- A-2 A- A-2 axAA axA-1	Stable

## **CIMB Investment Bank Berhad**

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### **Directors' Report for the financial year ended 31 December 2014 (Continued)**

#### **Board Shariah Committee**

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

The main responsibility of the Board Shariah Committee is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the Bank. The Board Shariah Committee operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

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

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

The members of the Board Shariah Committee are as follows:

1. Sheikh Associate Professor Dr Mohamed Azam Mohamed Adil (appointed on 1 November 2014)
2. Sheikh Professor Dr. Mohammad Hashim Kamali
3. Sheikh Dr Nedham Mohamed Saleh Yaqoobi
4. Sheikh Dr. Haji Mohd Na'im bin Haji Mokhtar
5. Sheikh Associate Professor Dr. Shafaai bin Musa
6. Sheikh Dr. Yousef Abdullah Al Shubaily
7. Professor Dr. Noor Inayah Yaakub
8. Sheikh Muhamad Taufik Ridlo (appointed on 1 April 2014)
9. Sheikh Professor Dato' Dr. Sudin Haron (appointed on 1 November 2014)

## **CIMB Investment Bank Berhad**

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### **Directors' Report for the financial year ended 31 December 2014 (Continued)**

#### **Board Shariah Committee (Continued)**

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

#### **Zakat obligations**

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

#### **Significant event during the financial year**

There are no significant events during the financial year.

#### **Subsequent events after the financial year end**

There are no significant events subsequent to the financial year ended 31 December 2014.

#### **Statement of Director's Responsibility**

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

It is the responsibility of the Directors to ensure that the financial statements of the Group and the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2014 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date.

## **CIMB Investment Bank Berhad**

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### **Directors' Report for the financial year ended 31 December 2014 (Continued)**

#### **Statement of Director's Responsibility (Continued)**

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 11 of the Directors' Report.

#### **Ultimate holding company**

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

#### **Auditors**

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

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



**Dato' Sri Mohamed Nazir bin Abdul Razak**  
Chairman



**Tengku Dato' Zafrul bin Tengku Abdul Aziz**  
Director

Kuala Lumpur  
9 March 2015

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Statement by Directors**

#### **Pursuant to Section 169(15) of the Companies Act, 1965**

We, Dato' Sri Mohamed Nazir bin Abdul Razak and Tengku Dato' Zafrul bin Tengku Abdul Aziz, being two of the Directors of CIMB Investment Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 18 to 190 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2014 and of the results and the cash flows of the Group and the Bank for the financial year ended on that date, in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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

**Dato' Sri Mohamed Nazir bin Abdul Razak**  
Chairman

**Tengku Dato' Zafrul bin Tengku Abdul Aziz**  
Director

Kuala Lumpur  
9 March 2015

### **Statutory Declaration**

#### **Pursuant to Section 169(16) of the Companies Act, 1965**

I, Kim Kenny, being the officer primarily responsible for the financial management of CIMB Investment Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 18 to 190 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

  
**Kim Kenny**

Subscribed and solemnly declared by the abovenamed Kim Kenny at Kuala Lumpur before me, on 9 March 2015

Commissioner for Oaths



## **CIMB Investment Bank Berhad**

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### **Board Shariah Committee's Report**

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

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

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

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

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

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

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

## **CIMB Investment Bank Berhad**

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### **Board Shariah Committee's Report (Continued)**

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

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank are done in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal and external controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Bank has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us except for one incident of Shariah non-compliance activity. Conventional agreement was used instead of Islamic agreement in relation to Islamic broking service which failed to comply with Shariah requirement set by the Board Shariah Committee. There are no earnings that was derived from this incident.

Various rectification and control measures were instituted to ensure the non-recurrence of such Shariah non-compliance activities including but not limited to the following:

1. Updating the Bank's procedures and processes in the affected activities to reflect the Shariah requirements.
2. Removed any elements that does not comply with Shariah requirements in the Bank's treasury legal documentation immediately.

Over and above these specific measures, we have also directed the Management to undertake more training sessions, courses and briefings aimed at building stronger and deeper understanding amongst the Bank's employee on Shariah application in the financial activities undertaken by the Bank as well as to infuse the right culture for Shariah compliance amongst them.

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2014 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah; and
3. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

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## **CIMB Investment Bank Berhad**

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### **Board Shariah Committee's Report (Continued)**

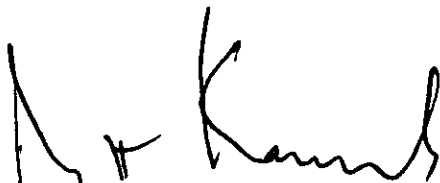
We have assessed the independent work carried out for Shariah review and Shariah audit functions by the relevant functionaries under the established system of internal control, which included the examination, on a test basis, of each type of transaction, of relevant documentation and procedures adopted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

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the financial year ended 31 December 2014 were conducted in conformity with Shariah.

On behalf of the Board Shariah Committee



**Sheikh Associate Professor Dr. Mohamed Azam Mohamed Adil**  
Member



**Sheikh Professor Dr. Mohammad Hashim Kamali**  
Member

Kuala Lumpur  
9 March 2015





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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the Financial Statements of CIMB Investment Bank Berhad on pages 18 to 190, which comprise the statements of financial position as at 31 December 2014 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 48.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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



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

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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



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

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PRICEWATERHOUSECOOPERS  
(No. AF: 1146)  
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Soo Hoo Khooon Yeap'.

SOO HOO KHOON YEAP  
(No. 2682/10/15 (J))  
Chartered Accountant

Kuala Lumpur  
9 March 2015

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Statements of Financial Position  
as at 31 December 2014**

	Note	The Group		The Bank	
		31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
<b>Assets</b>					
Cash and short term funds	2	1,305,035	1,382,773	1,274,794	1,344,509
Reverse repurchase agreements		195,890	200,251	195,890	200,251
Deposits and placements with banks and other financial institutions	3	50,637	131	50,607	102
Financial assets held for trading	4	4,655	2,155	4,655	2,155
Derivative financial instruments	5	21,887	23,319	21,887	23,319
Financial investments available-for-sale	6	1,464	2,824	745	745
Loans, advances and financing	7	179,181	131,067	179,181	131,067
Other assets	8	1,145,355	1,211,653	1,142,718	1,209,563
Tax recoverable		-	257	-	-
Deferred tax assets	9	46,428	48,914	46,296	48,754
Amounts due from related companies	36	21,939	14,705	21,951	14,836
Statutory deposits with Bank Negara Malaysia	10	1,721	2,451	1,721	2,451
Investment in subsidiaries	11	-	-	9,050	9,050
Investment in associates	12	5,835	6,386	-	-
Property, plant and equipment	13	107,514	199,115	108,294	199,782
Goodwill	14	964	964	-	-
<b>Total assets</b>		<b>3,088,505</b>	<b>3,226,965</b>	<b>3,057,789</b>	<b>3,186,584</b>
<b>Liabilities</b>					
Deposits from customers	15	346,561	351,123	346,561	351,123
Deposits and placements of banks and other financial institutions	16	1,133,629	1,145,641	1,133,629	1,145,641
Derivative financial instruments	5	10,626	9,383	10,626	9,383
Other liabilities	17	962,286	1,113,770	960,177	1,110,756
Provision for taxation and Zakat	18	3,822	20,339	3,790	20,337
Amounts due to related companies	36	19,415	2,281	19,415	2,281
Subordinated loan	19	5,000	15,000	-	-
<b>Total liabilities</b>		<b>2,481,339</b>	<b>2,657,537</b>	<b>2,474,198</b>	<b>2,639,521</b>
<b>Capital and reserves attributable to equity holders of the Bank</b>					
Ordinary share capital	20	100,000	100,000	100,000	100,000
Redeemable preference shares	21	10	10	10	10
Reserves	22	507,156	469,418	483,581	447,053
<b>Total equity</b>		<b>607,166</b>	<b>569,428</b>	<b>583,591</b>	<b>547,063</b>
<b>Total equity and liabilities</b>		<b>3,088,505</b>	<b>3,226,965</b>	<b>3,057,789</b>	<b>3,186,584</b>
<b>Commitments and contingencies</b>	41	<b>746,944</b>	<b>767,637</b>	<b>746,944</b>	<b>767,637</b>

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Statements of Income for the financial year ended 31 December 2014

	Note	The Group		The Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	23	38,307	36,890	34,440	31,927
Interest expense	24	(40,095)	(41,683)	(39,647)	(41,016)
Net interest expense		(1,788)	(4,793)	(5,207)	(9,089)
Income derived from investment of depositors' funds and others	46	1,515	14,957	1,515	14,957
Income derived from investment of shareholders' funds	46	32,867	60,659	32,867	60,659
Income attributable to the depositors	46	(4,148)	(13,958)	(4,148)	(13,958)
Income from Islamic Banking operations		30,234	61,658	30,234	61,658
Allowance for impairment losses on loans, advances and financing	25	(1,122)	(1,325)	(1,122)	(1,325)
Writeback of /(allowance for) impairment losses on other receivables		2,402	(3,432)	2,376	(3,454)
Allowance for other impairment losses		-	(1,117)	-	-
Recoveries from investment management and securities services		804	11,932	804	11,932
		30,530	62,923	27,085	59,722
Fee and commission income	26	75,472	113,617	75,472	113,617
Dividend income	27	4	5	1,704	5
Net trading income/(loss)	28	259	(62)	259	(62)
Gain arising from sale of financial investments available-for-sale	29	44	-	-	-
Income from asset management and securities services		18,479	17,572	18,479	17,572
Brokerage income		160,576	150,148	156,161	144,606
Other non-interest income	30	8,581	9,914	8,532	13,027
Non-interest income		263,415	291,194	260,607	288,765
Net income		293,945	354,117	287,692	348,487
Overheads	31	(242,840)	(252,087)	(238,349)	(247,224)
		51,105	102,030	49,343	101,263
Share of profit of associates	12	1,069	650	-	-
Profit before taxation		52,174	102,680	49,343	101,263
Taxation	33	(20,081)	(33,465)	(18,737)	(32,444)
<b>Profit after taxation</b>		<b>32,093</b>	<b>69,215</b>	<b>30,606</b>	<b>68,819</b>
<b>Earnings per share attributable to ordinary equity holders (sen) -basic</b>	34	<b>32.09</b>	<b>69.22</b>	<b>30.61</b>	<b>68.82</b>

Company No: 18417-M

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Statements of Comprehensive Income for the financial year ended 31 December 2014

	Note	The Group		The Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the financial year		32,093	69,215	30,606	68,819
Other comprehensive expense					
Items that may be reclassified subsequently to profit or loss					
Revaluation reserve-financial investments available-for-sale					
-Loss from change in fair value		(277)	(791)	-	-
Other comprehensive expense for the financial year, net of tax		(277)	(791)	-	-
<b>Total comprehensive income for the financial year</b>		<b>31,816</b>	<b>68,424</b>	<b>30,606</b>	<b>68,819</b>

Company No: 18417-M

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Statements of Changes in Equity for the financial year ended 31 December 2014

	← Attributable to owners of Parent →						Total RM'000
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000	
The Group							
At 1 January 2014	100,000	10	155,805	492	30,070	283,051	569,428
Net profit for the financial year	-	-	-	-	-	32,093	32,093
Other comprehensive expense (net of tax) -financial investments available-for-sale	-	-	-	(277)	-	-	(277)
Total comprehensive income for the financial year	-	-	-	(277)	-	32,093	31,816
Share-based payment expense	-	-	-	-	38,222	-	38,222
Shares released under Equity Ownership Plan	-	-	-	-	(32,300)	-	(32,300)
At 31 December 2014	100,000	10	155,805	215	35,992	315,144	607,166

Company No: 18417-M

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of Changes in Equity  
for the financial year ended 31 December 2014 (Continued)**

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

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Company No: 18417-M

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Statements of Changes in Equity for the financial year ended 31 December 2014 (Continued)

	← Redeemable			← Non-distributable				← Distributable →			Total RM'000
	Share capital RM'000	Preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Retained profits RM'000				
<b>The Bank</b>											
At 1 January 2014	100,000	10	155,805	(272,007)	30,070	271,377	261,808			547,063	
Net profit for the financial year	-	-	-	-	-	-	30,606			30,606	
Total comprehensive income for the financial year	-	-	-	-	-	-	30,606			30,606	
Share-based payment expense	-	-	-	-	38,222	-	-			38,222	
Shares released under Equity Ownership Plan	-	-	-	-	(32,300)	-	-			(32,300)	
<b>At 31 December 2014</b>	<b>100,000</b>	<b>10</b>	<b>155,805</b>	<b>(272,007)</b>	<b>35,992</b>	<b>271,377</b>	<b>292,414</b>			<b>583,591</b>	

Company No: 18417-M

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Statements of Changes in Equity  
for the financial year ended 31 December 2014 (Continued)**

← Non-distributable ← Distributable →

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

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Statements of Cash Flows for the financial year ended 31 December 2014

	The Group		The Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Operating activities</b>				
Profit before taxation	52,174	102,680	49,343	101,263
Add/(less) adjustments:				
Allowance for impairment losses on loans, advances and financing	1,122	1,325	1,122	1,325
Depreciation of property, plant and equipment	26,283	13,550	26,153	13,515
Allowance for other impairment losses (Write back of)/allowance for impairment losses on other receivables (net)	(2,402)	3,432	(2,376)	3,454
Accretion of discounts less amortisation of premium	5	(46)	5	(46)
Unrealised (gain)/loss on financial assets held for trading	(98)	4,678	(98)	4,678
Unrealised loss on Islamic derivative financial instruments	2,675	7,401	2,675	7,401
Gain on disposal of property, plant and equipment	(1,568)	(2,354)	(1,568)	(2,354)
Gain from sale of financial investments available-for-sale	(44)	-	-	-
Gross dividends from subsidiaries	-	-	(1,700)	-
Gross dividends from financial assets held for trading	(4)	(5)	(4)	(5)
Unrealised foreign exchange gain	(1,613)	(3,689)	(1,599)	(3,659)
Share of results of associates	(1,069)	(650)	-	-
Share-based payment expense	38,222	30,033	38,222	30,033
Property, plant and equipment written off	346	2,037	346	2,037
Cash flow from operating profit before changes in operating assets and liabilities	114,029	159,509	110,521	157,642
<b>(Increase)/decrease in operating assets</b>				
Reverse repurchase agreements	4,361	(49,629)	4,361	(49,629)
Deposits and placements with banks and other financial institutions	(50,506)	700,069	(50,505)	692,756
Financial assets held for trading	(2,406)	26,305	(2,407)	26,305
Derivative financial instruments	-	1	-	1
Loans, advances and financing	(49,236)	(59,147)	(49,236)	(59,147)
Other assets	38,013	(125,421)	38,520	(125,711)
Statutory deposits with Bank Negara Malaysia	730	(1,389)	730	(1,389)
Amounts due from related companies	(7,424)	(9,712)	(7,424)	(9,712)
Amounts due from ultimate holding company	190	(189)	190	(189)
Amounts due from subsidiaries	-	-	119	(129)
	(66,278)	480,888	(65,652)	473,156

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Statements of Cash Flows  
for the financial year ended 31 December 2014 (Continued)**

	The Group		The Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>(Decrease)/increase in operating liabilities</b>				
Deposits from customers	(4,562)	(451,792)	(4,562)	(451,792)
Deposits and placements of banks and other financial institutions	(12,012)	(181,717)	(12,012)	(181,717)
Other liabilities	(153,431)	134,920	(152,526)	134,099
Amounts due to related companies	17,134	(20,325)	17,134	(20,325)
Amounts due to subsidiaries	-	-	-	(3,185)
Cash (used in)/generated from operating activities	(105,120)	121,483	(107,097)	107,878
Taxation paid	(33,855)	(12,153)	(32,826)	(10,660)
Net cash (used in)/generated from operating activities	(138,975)	109,330	(139,923)	97,218
<b>Investing activities</b>				
Dividends received from associates	1,620	-	-	-
Dividends received from subsidiaries	-	-	1,700	-
Dividends received from financial assets held for trading	3	4	4	4
Net proceeds of financial investments available-for-sale	1,127	-	-	-
Purchase of property, plant and equipment	(15,741)	(102,110)	(15,724)	(101,657)
Proceeds from disposal of property, plant and equipment	82,281	2,469	82,281	2,469
Net cash generated from/(used in) investing activities	69,290	(99,637)	68,261	(99,184)
<b>Financing activities</b>				
Net (repayment)/drawdown from subordinated loan	(10,000)	5,000	-	-
Dividends paid	-	(56,000)	-	(56,000)
Net cash used in financing activities	(10,000)	(51,000)	-	(56,000)
<b>Net decrease in cash and cash equivalents during the financial year</b>	(79,685)	(41,307)	(71,662)	(57,966)
<b>Cash and cash equivalents at beginning of the financial year</b>	1,352,344	1,393,651	1,314,080	1,372,046
<b>Cash and cash equivalents at end of the financial year</b>	1,272,659	1,352,344	1,242,418	1,314,080
<b>Cash and cash equivalents comprise the following:</b>				
Cash and short term funds	2 1,305,035	1,382,773	1,274,794	1,344,509
Adjustment for monies held in trust:				
Remisiers' balances	(32,376)	(30,429)	(32,376)	(30,429)
Cash and cash equivalents	1,272,659	1,352,344	1,242,418	1,314,080

Company No: 18417-M

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014**

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

#### **A Basis of preparation**

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

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

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

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

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 44.

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

The new accounting standards and amendments to published standards that are effective and applicable to the Group and the Bank for the financial year beginning 1 January 2014 are as follows:

- Amendment to MFRS 132 “Financial Instruments: Presentation” – Offsetting financial assets and financial liabilities
- Amendment to MFRS 139 “Financial Instruments: recognition and measurement” – Novation of derivatives and continuation of hedge accounting
- IC Interpretation 21 “Levies”

The adoption of the new accounting standards, amendments and improvements to published standards did not have any material impact on the Financial Statements of the Group and the Bank.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 Group and the Bank will apply these standards, amendments to published standards from:

- (i) Financial year beginning on/after 1 January 2015
  - Annual Improvements to MFRSs 2010-2012 Cycle (effective from 1 January 2015)
    - Amendments to MFRS 2 Share-based Payment  
The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.
    - MFRS 3 Business Combinations  
The amendment to MFRS 3 clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or equity, on the basis of the definitions in MFRS 132 'Financial instruments: Presentation'. It also clarifies that all non-equity contingent consideration is measured at fair value at each reporting date, with changes in value recognised in profit and loss.
    - MFRS 8 Operating Segments  
The amendment to MFRS 8 requires disclosure of the judgement made by management in aggregating operating segments. It is also amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.
    - MFRS 13 Fair Value Measurement  
The basis of conclusions of MFRS 13 is amended to clarify that it did not intend to remove the ability to measure short term receivables and payables at invoice amount where the effect of discounting is immaterial.
    - MFRS 116 Property, Plant and Equipment  
The amendment to MFRS 116 clarifies how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 Group and the Bank will apply these standards, amendments to published standards from: (Continued)

- (i) Financial year beginning on/after 1 January 2015 (continued)
  - Annual Improvements to MFRSs 2010-2012 Cycle (effective 1 January 2015) (continued)
    - MFRS 124 Related Party Disclosures  
MFRS 124 is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or the parent of the reporting entity ('the management entity'). Disclosure of the amounts charged to the reporting entity is required.
  - Annual Improvements to MFRSs 2011-2013 Cycle (effective 1 January 2015)
    - Amendments to MFRS 1 First-time Adoption of Financial Reporting Standards  
The basis of conclusions is amended to clarify that where a new standard is not mandatory but is available for early adoption, a first-time adopter can use either the old or the new version, provided there same standard is applied in all periods presented.
    - MFRS 3 Business Combinations  
The amendment to MFRS 3 clarifies that the standard does not apply to the accounting for the formation of any joint venture under MFRS 11.
    - MFRS 13 Fair Value Measurement  
The amendment to MFRS 13 clarifies that the portfolio exception in the standard applies to all contracts (including non-financial contracts) within the scope of MFRS 139 or MFRS 9.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 Group and the Bank will apply these standards, amendments to published standards from: (Continued)

###### **(ii) Financial year beginning on/after 1 January 2016**

- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.

###### **(iii) Financial year beginning on/after 1 January 2017**

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.



## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 Group and the Bank will apply these standards, amendments to published standards from: (Continued)

##### **(iii) Financial year beginning on/after 1 January 2018**

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with a irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

There is now a new expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

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## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 Group and the Bank will apply these standards, amendments to published standards from: (Continued)

##### **(iii) Financial year beginning on/after 1 January 2018 (continued)**

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014. (continued)

The adoption of the above new accounting standards will not have any significant impact on the financial results of the Group and the Bank except for MFRS 9. The Group has initiated the assessment of the potential effect of this Standard. Due to the complexity of this standard, the financial impact of its adoption is still being assessed by the Group. This standard is expected to have pervasive impact on the Group's financial statements.

#### **B Economic entities in the Group**

##### **(a) Subsidiaries**

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

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

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **B Economic entities in the Group (Continued)**

##### **(a) Subsidiaries (Continued)**

Under the acquisition method of accounting, the consideration transferred for an acquisition is measured as the acquisition date fair value of the assets transferred, the liabilities incurred and the equity interest issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair value on the date of acquisition.

The Group applies predecessor accounting to account for business combinations under common control. Under the predecessor basis of accounting, the results of subsidiaries are presented as if the business combination had been effected from the current years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the business combination is cancelled with the values of the shares received. Any resulting credit difference is classified as equity. Any resulting debit difference is adjusted against merger reserves. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the combined entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the acquiree's identifiable net assets acquired is recorded as goodwill. The accounting policy for goodwill is set out in Note L. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in statement of income on the acquisition date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **B Economic entities in the Group (Continued)**

##### **(a) Subsidiaries (Continued)**

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

##### **(b) Disposal of subsidiaries**

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in statement of income. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of income.

##### **(c) Associates**

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

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **B Economic entities in the Group (Continued)**

##### **(c) Associates (Continued)**

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

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

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profit/(loss) of associates' in the statement of income.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognised in the other comprehensive income is reclassified to statement of income where appropriate.

Dilution gains and losses arising in investment in associate are recognised in the statement of income.

##### **(d) Interests in subsidiaries and associates**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 statement of income 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 throughout the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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

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

#### Mudharabah

Mudharabah is a contract between a capital provider (rabbul mal) and an entrepreneur (Mudarib) under which the rabbul mal provides capital to be managed by the mudarib and any profit generated from the capital is shared between the rabbul mal and mudarib according to mutually agreed profit sharing ratio (PSR) whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudarib’s misconduct (ta’addi), negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorized into two types:

- a) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudarib to manage the mudharabah capital without any specific restriction.
- b) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

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

##### Mudharabah (Continued)

Profit shall be recognised realised basis by actual liquidation of assets of mudharabah contract or constructive basis according to acceptable profit recognition method which may include valuation according to acceptable market methodology, independent valuation or valuation based on estimated figures (al-tandid al-hukmi). Profit shall be distributed upon the maturity of the mudharabah or at an agreed period.

#### **D Recognition of fees and other income**

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

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

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

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

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

#### **E Financial assets**

##### **(a) Classification**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **E Financial assets (Continued)**

##### **(a) Classification (Continued)**

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

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

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

##### **(ii) Loans and receivables**

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

##### **(iii) Financial investments held-to-maturity**

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

##### **(iv) Financial investments available-for-sale**

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



## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **E Financial assets (Continued)**

##### **(b) Recognition and initial measurement**

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

##### **(c) Subsequent measurement**

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

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

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **E Financial assets (Continued)**

##### **(d) Reclassification of financial assets**

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

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

Any previous gain or loss on that asset that has been recognised in other comprehensive income shall be accounted for as follows:

(i) In the case of a financial asset with a fixed maturity, the gain or loss shall be amortised to statement of income over the remaining life of the held-to-maturity investment using the effective interest method. Any difference between the new amortised cost and maturity amount shall also be amortised over the remaining life of the financial asset using the effective interest method, similar to the amortisation of a premium and a discount. If the financial asset is subsequently impaired, any gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income in accordance with E(c).

(ii) In the case of a financial asset that does not have a fixed maturity, the gain or loss shall be recognised in statement of income when the financial asset is sold or otherwise disposed of. If the financial asset is subsequently impaired any previous gain or loss that has been recognised in other comprehensive income is reclassified from equity to statement of income in accordance with E(c).

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **F Financial liabilities**

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

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

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

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

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

##### **(b) Financial liabilities at amortised cost**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **G Derecognition of financial assets and financial liabilities**

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

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

#### **H Offsetting financial instruments**

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

#### **I Impairment of financial assets**

##### **(a) Assets carried at amortised cost**

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

The criteria the Group and the Bank use to determine whether 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.

**CIMB Investment Bank Berhad**  
(Incorporated in Malaysia)

**Summary of Significant Accounting Policies**  
**for the financial year ended 31 December 2014 (Continued)**

**I Impairment of financial assets (Continued)**

**(a) Assets carried at amortised cost (Continued)**

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

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

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

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

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 statement of income, the impairment loss is reversed through statement of income.

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

#### **J Sale and repurchase agreements**

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

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

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.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 statement of income during the financial period in which they are incurred.

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

Leasehold land	50 years or over the remaining period of the lease, whichever is shorter
Building on leasehold land	50 years or over the remaining period of the lease, whichever is shorter
Office equipment, furniture and fittings:	
- office equipment	5 years
- furniture and fixtures	5 years
Renovations to rented premises	5 years or over the period of the tenancy, whichever is shorter
Computer equipment and software	3 - 5 years
Motor vehicles	5 years

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

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

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **L Goodwill**

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

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

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

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

#### **M Assets purchased under lease**

##### **(a) Finance lease**

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

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

##### **(b) Operating lease**

###### *Leasehold land*

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



## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **M Assets purchased under lease (Continued)**

##### **(b) Operating lease (Continued)**

###### *Others*

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

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

#### **N Derivative financial instruments**

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

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

#### **O Currency translations**

##### **(a) Functional and presentation currency**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **O Currency translations (Continued)**

##### **(b) Foreign currency transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income.

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

#### **P Income and deferred taxes**

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

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

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **P Income and deferred taxes (Continued)**

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

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

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

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

#### **Q Share capital**

##### **(a) Classification**

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

##### **(b) Share issue costs**

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

##### **(c) Dividends**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (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 a defined contribution plan for its employees.

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

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

##### **(c) Bonus plans**

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

##### **(d) Share-based compensation benefits**

###### *Employee Ownership Plan ("EOP")*

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **R Employee benefits (Continued)**

##### **(d) Share-based compensation benefits (Continued)**

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

#### **S Impairment of non-financial assets**

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

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

#### **T Provisions**

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

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

Provisions are not recognised for future operating losses.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **T Provisions (Continued)**

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

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

#### **U Financial guarantee contracts**

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

Financial guarantees are initially recognised in the Financial Statements at fair value on the date the guarantee was given. The guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of the amount determined in accordance with MFRS 137 – "Provision, Contingent Liabilities and Contingent Assets", and the amount initially recognised less, when appropriate, accumulative amortisation recognised in accordance with MFRS 118 – "Revenue". These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee.

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

#### **V Cash and cash equivalents**

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Summary of Significant Accounting Policies for the financial year ended 31 December 2014 (Continued)**

#### **W Segment reporting**

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

Intra-segment revenue and costs are eliminated at head office. Income and expenses directly associated with each segment are included in determining business segment performance.

#### **X Contingent assets and contingent liabilities**

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

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

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

#### **Y Trust activities**

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

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014

#### 1 General information

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

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

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

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

#### 2 Cash and short term funds

	The Group		The Bank	
	31 December 2014 RM’000	31 December 2013 RM’000	31 December 2014 RM’000	31 December 2013 RM’000
Cash and balances with banks and other financial institutions	44,442	35,487	43,678	34,642
Money at call and deposit placements maturing within one month	1,260,593	1,347,286	1,231,116	1,309,867
	<u>1,305,035</u>	<u>1,382,773</u>	<u>1,274,794</u>	<u>1,344,509</u>

Included in cash and short term funds of the Group and the Bank are accounts maintained in trust for remisers amounting to RM32,376,000 (31 December 2013: RM30,429,000) for the Group and the Bank respectively.



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## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **3 Deposits and placements with banks and other financial institutions**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 December 2014 RM'000</b>	<b>31 December 2013 RM'000</b>	<b>31 December 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Licensed banks	<u>50,637</u>	<u>131</u>	<u>50,607</u>	<u>102</u>

#### **4 Financial assets held for trading**

	<b>The Group and the Bank</b>	
	<b>31 December 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<b>Quoted securities: In Malaysia</b>		
Shares	87	1,119
<b>Unquoted securities: In Malaysia</b>		
Private debt securities	<u>4,568</u>	<u>1,036</u>
	<u>4,655</u>	<u>2,155</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****5 Derivative financial instruments**

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

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

The Group and the Bank At 31 December 2014	Principal amount RM'000	Fair values	
		Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps	456,600	21,887	(10,626)
<u>Equity derivatives</u>			
Equity options	267,395	-	-
<b>Total derivative assets/(liabilities)</b>	<b>723,995</b>	<b>21,887</b>	<b>(10,626)</b>
<b>At 31 December 2013</b>			
<b>Trading derivatives</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps	486,600	23,319	(9,383)
<u>Equity derivatives</u>			
Equity options	267,752	-	-
<b>Total derivative assets/(liabilities)</b>	<b>754,352</b>	<b>23,319</b>	<b>(9,383)</b>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 6 Financial investments available-for-sale

	The Group		The Bank	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
<b>Unquoted securities:</b>				
<b>In Malaysia</b>				
Shares	-	2,200	-	-
<b>Outside Malaysia</b>				
Shares	<u>7,795</u>	<u>8,072</u>	<u>7,076</u>	<u>7,076</u>
	<u>7,795</u>	<u>10,272</u>	<u>7,076</u>	<u>7,076</u>
<b>Allowance for impairment losses:</b>				
Unquoted shares in Malaysia	-	(1,117)	-	-
Unquoted shares outside Malaysia	<u>(6,331)</u>	<u>(6,331)</u>	<u>(6,331)</u>	<u>(6,331)</u>
	<u>1,464</u>	<u>2,824</u>	<u>745</u>	<u>745</u>

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	7,448	6,331	6,331	6,331
Allowance made during the financial year	-	1,117	-	-
Redemption of securities	<u>(1,117)</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December	<u>6,331</u>	<u>7,448</u>	<u>6,331</u>	<u>6,331</u>

#### 7 Loans, advances and financing

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
<b>(i) By type</b>		
Staff loans *	181,910	133,063
Other loans	<u>1,272</u>	<u>883</u>
Gross loans, advances and financing	183,182	133,946
Less: allowance for impairment losses		
- Individual impairment allowance	(1,272)	(883)
- Portfolio impairment allowance	<u>(2,729)</u>	<u>(1,996)</u>
Total net loans, advances and financing	<u>179,181</u>	<u>131,067</u>

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

\* Included in staff loans of the Group and the Bank are loans to directors amounting to RM596,774 (31 December 2013: RM Nil).

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## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 7 Loans, advances and financing (Continued)

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
<b>(ii) By type of customers</b>		
Individuals	<u>183,182</u>	<u>133,946</u>
<b>(iii) By interest rate sensitivity</b>		
Fixed rate		
- Other fixed rate loan	39,395	46,835
Variable rate		
- Other variable rates	<u>143,787</u>	<u>87,111</u>
	<u>183,182</u>	<u>133,946</u>
<b>(iv) By economic purpose:</b>		
Personal use	1,919	1,159
Purchase of residential property (housing)	168,134	118,782
Purchase of securities	1	1
Purchase of transport vehicles	<u>13,128</u>	<u>14,004</u>
	<u>183,182</u>	<u>133,946</u>
<b>(v) By geographical distribution</b>		
Malaysia	<u>183,182</u>	<u>133,946</u>
<b>(vi) By residual contractual maturity</b>		
Within one year	270	227
One year to less than three years	3,511	2,042
Three years to less than five years	6,149	7,298
Five years and above	<u>173,252</u>	<u>124,379</u>
	<u>183,182</u>	<u>133,946</u>
<b>(vii) Impaired loans, advances and financing by economic purpose</b>		
Purchase of residential property (housing)	1,114	786
Purchase of transport vehicles	<u>158</u>	<u>97</u>
Gross impaired loans, advances and financing	<u>1,272</u>	<u>883</u>
<b>(viii) Impaired loans, advances and financing by geographical distribution</b>		
Malaysia	<u>1,272</u>	<u>883</u>

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## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 7 Loans, advances and financing (Continued)

	The Group and the Bank	
	2014	2013
	RM'000	RM'000
<b>(ix) Movements in the impaired loans, advances and financing are as follows:</b>		
At 1 January	883	432
Impaired during the financial year	818	592
Amounts written back in respect of recoveries	(429)	(141)
At 31 December	<u>1,272</u>	<u>883</u>
Ratio of gross impaired loans to total loans, advances and financing	<u>0.7%</u>	<u>0.7%</u>
<b>(x) Movements in the allowance for impaired loans are as follows:</b>		
<u>Individual impairment allowance</u>		
At 1 January	883	432
Allowance made during the financial year	818	592
Amounts written back during the financial year	(429)	(141)
At 31 December	<u>1,272</u>	<u>883</u>
<u>Portfolio impairment allowance</u>		
At 1 January	1,996	1,115
Net allowance made during the financial year	733	881
At 31 December	<u>2,729</u>	<u>1,996</u>
Portfolio impairment allowance as % of gross loans, advances and financing less individual impairment allowance	<u>1.5%</u>	<u>1.5%</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****8 Other assets**

	Note	The Group		The Bank	
		31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
Due from brokers and clients, net of allowance for impairment loss	(a)	816,517	918,027	814,884	916,957
Collateral pledged for derivative transactions		153,003	163,003	153,003	163,003
Other debtors, deposits and prepayments, net of allowance for doubtful debts	(b)	175,835	130,623	174,831	129,603
		<u>1,145,355</u>	<u>1,211,653</u>	<u>1,142,718</u>	<u>1,209,563</u>

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

	The Group		The Bank	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
At 1 January	6,884	9,103	6,758	8,955
Net allowance made/(written back) during the financial year	1,121	(1,599)	1,095	(1,577)
Bad debts recovered	(59)	(620)	(7)	(620)
At 31 December	<u>7,946</u>	<u>6,884</u>	<u>7,846</u>	<u>6,758</u>

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

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 8 Other assets (Continued)

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

	The Group and the Bank		Total
	Individual impairment allowance	Portfolio impairment allowance	
	RM'000	RM'000	RM'000
At 1 January 2014	16,259	3,464	19,723
Net allowance made/(written back) during the financial year	2,782	(2,630)	152
At 31 December 2014	<u>19,041</u>	<u>834</u>	<u>19,875</u>

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

#### 9 Deferred taxation

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

	The Group		The Bank	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
Deferred tax asset (net)	<u>46,428</u>	<u>48,914</u>	<u>46,296</u>	<u>48,754</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****9 Deferred taxation (Continued)**

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

	The Group		The Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At 1 January	48,914	42,998	48,754	42,812
Credited/(charged) to income statement				
- Loans, advances and financing	183	220	183	220
- Excess of capital allowance over depreciation	1,028	(390)	1,028	(390)
- Prepaid employee benefit	1,499	2,849	1,499	2,849
- Provisions for expenses	(4,909)	3,459	(4,909)	3,459
- Other temporary differences	(331)	(52)	(331)	(52)
- Over/(under) accrual in prior years	44	(170)	72	(144)
	(2,486)	5,916	(2,458)	5,942
At 31 December	46,428	48,914	46,296	48,754
<b>Deferred tax assets (before offsetting)</b>				
Loans, advances and financing	682	499	682	499
Prepaid employee benefit	8,972	7,472	8,972	7,472
Provision for expenses	39,679	44,587	39,679	44,587
Other temporary differences	748	1,109	616	949
	50,081	53,667	49,949	53,507
Offsetting	(3,653)	(4,753)	(3,653)	(4,753)
<b>Deferred tax assets (after offsetting)</b>	46,428	48,914	46,296	48,754
<b>Deferred tax liabilities (before offsetting)</b>				
Property, plant and equipment	(3,653)	(4,753)	(3,653)	(4,753)
Offsetting	3,653	4,753	3,653	4,753
<b>Deferred tax liabilities (after offsetting)</b>	-	-	-	-

**10 Statutory deposits with Bank Negara Malaysia**

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



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**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements**  
**for the financial year ended 31 December 2014 (Continued)**

**11 Investment in subsidiaries**

	<b>The Bank</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares, at cost	<u>9,050</u>	<u>9,050</u>

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

Name of subsidiaries	Principal activities	Percentage of equity held directly by the Bank	
		31 December 2014 %	31 December 2013 %
CIMB Holdings Sdn Bhd	Investment holding	100	100
CIMSEC Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
CIMSEC Nominees (Asing) Sdn Bhd	Nominee services	100	100
CIMB EOP Management Sdn Bhd	Nominee services	100	100
CIMB Futures Sdn Bhd	Futures broking	100	100
CIMB Nominees (Tempatan) Sdn Bhd	Nominee services	100	100
CIMB Nominees (Asing) Sdn Bhd	Nominee services	100	100

**12 Investment in associates**

	<b>The Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	6,386	5,736
Share of profit for the financial year	1,069	650
Dividend paid	(1,620)	-
At 31 December	<u>5,835</u>	<u>6,386</u>

	<b>The Bank</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Unquoted shares	<u>-</u>	<u>-</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 12 Investment in associates (Continued)

(a) Information about associates :

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

The associates held through CIMB Holdings Sdn Bhd are:

Name of associates	Principal activities	Percentage of equity held through the Bank's subsidiary	
		31 December 2014	31 December 2013
		%	%
CIMB Islamic Trustee Berhad	Trustee services	20	20
CIMB Commerce Trustee Berhad	Trustee services	20	20

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

	CIMB Islamic Trustee Berhad As at 31 December	
	2014 RM'000	2013 RM'000
Non-current assets	428	510
Current assets	5,942	8,069
Current liabilities	(1,427)	(2,049)
Net assets	<u>4,943</u>	<u>6,530</u>

	Year ended 31 December	
	2014 RM'000	2013 RM'000
Income	3,447	2,951
Expenses	(2,193)	(2,349)
Profit before taxation	1,254	602
Taxation	(341)	(220)
Profit for the financial year	<u>913</u>	<u>382</u>

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****12 Investment in associates (Continued)**

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

	CIMB Commerce Trustee Berhad	
	As at 31 December	
	2014	2013
	RM'000	RM'000
Non-current assets	235	397
Current assets	12,815	15,624
Current liabilities	(2,832)	(4,635)
Net assets	<u>10,218</u>	<u>11,386</u>
	Year ended 31 December	
	2014	2013
	RM'000	RM'000
Income	10,225	8,586
Expenses	(4,329)	(4,287)
Profit before taxation	5,896	4,299
Taxation	(1,464)	(1,430)
Profit for the financial year	<u>4,432</u>	<u>2,869</u>

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

	CIMB Islamic Trustee Berhad		CIMB Commerce Trustee Berhad		Total	
	2014	2013	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Net assets</u>						
As at 1 January	6,530	6,148	11,386	8,517	17,916	14,665
Profit for the financial year	913	382	4,432	2,869	5,345	3,251
Dividends paid	(2,500)	-	(5,600)	-	(8,100)	-
As at 31 December	<u>4,943</u>	<u>6,530</u>	<u>10,218</u>	<u>11,386</u>	<u>15,161</u>	<u>17,916</u>
Interest in associates (%)	20	20	20	20	20	20
Interest in associates (RM '000)	989	1,306	2,043	2,277	3,032	3,583
Goodwill (RM '000)	2,803	2,803	-	-	2,803	2,803
Carrying value (RM '000)	<u>3,792</u>	<u>4,109</u>	<u>2,043</u>	<u>2,277</u>	<u>5,835</u>	<u>6,386</u>

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****13 Property, plant and equipment**

The Group	Leasehold land -	Building on	Office	Computer	Motor	Renovation	Total
	50 years or more	leasehold land-	equipment and	equipment and	vehicles		
	RM'000	50 years or more	furniture and	software*			RM'000
		RM'000	fixtures	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>							
At 1 January 2014	18,609	7,135	19,303	85,056	82,366	103,316	315,785
Additions	-	-	601	5,540	6,385	3,215	15,741
Disposals/written off	-	-	(8,042)	(30,168)	(63,887)	(44,809)	(146,906)
At 31 December 2014	18,609	7,135	11,862	60,428	24,864	61,722	184,620
<b>Accumulated depreciation</b>							
At 1 January 2014	4,218	1,617	16,863	45,231	31,905	16,836	116,670
Charge for the financial year	372	143	1,114	7,896	10,333	6,425	26,283
Disposals/written off	-	-	(7,515)	(17,697)	(31,609)	(9,026)	(65,847)
At 31 December 2014	4,590	1,760	10,462	35,430	10,629	14,235	77,106
Net book value as at 31 December 2014	14,019	5,375	1,400	24,998	14,235	47,487	107,514
<b>Cost</b>							
At 1 January 2013	18,609	7,135	18,892	53,064	84,667	42,594	224,961
Additions	-	-	523	32,363	8,172	61,052	102,110
Disposals/written off	-	-	(112)	(371)	(10,473)	(330)	(11,286)
At 31 December 2013	18,609	7,135	19,303	85,056	82,366	103,316	315,785
<b>Accumulated depreciation</b>							
At 1 January 2013	3,846	1,476	15,678	39,197	37,160	14,897	112,254
Charge for the financial year	372	141	1,297	6,404	3,067	2,269	13,550
Disposals/written off	-	-	(112)	(370)	(8,322)	(330)	(9,134)
At 31 December 2013	4,218	1,617	16,863	45,231	31,905	16,836	116,670
Net book value as at 31 December 2013	14,391	5,518	2,440	39,825	50,461	86,480	199,115

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

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****13 Property, plant and equipment (Continued)**

The Bank	Leasehold land - 50 years or more RM'000	Building on leasehold land - 50 years or more RM'000	Office equipment and furniture and fittings RM'000	Computer equipment and software* RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2014	18,609	7,135	19,075	84,802	82,056	103,068	314,745
Additions	-	-	591	5,533	6,385	3,215	15,724
Disposals/written off	-	-	(8,042)	(30,168)	(63,887)	(44,809)	(146,906)
At 31 December 2014	18,609	7,135	11,624	60,167	24,554	61,474	183,563
<b>Accumulated depreciation</b>							
At 1 January 2014	4,218	1,617	16,639	45,025	30,629	16,835	114,963
Charge for the financial year	372	143	1,114	7,866	10,286	6,372	26,153
Disposals/written off	-	-	(7,515)	(17,697)	(31,609)	(9,026)	(65,847)
At 31 December 2014	4,590	1,760	10,238	35,194	9,306	14,181	75,269
Net book value as at 31 December 2014	14,019	5,375	1,386	24,973	15,248	47,293	108,294
<b>Cost</b>							
At 1 January 2013	18,609	7,135	18,583	52,573	84,512	42,264	223,676
Additions	-	-	523	32,313	8,017	60,804	101,657
Disposals/written off	-	-	(31)	(84)	(10,473)	-	(10,588)
At 31 December 2013	18,609	7,135	19,075	84,802	82,056	103,068	314,745
<b>Accumulated depreciation</b>							
At 1 January 2013	3,846	1,476	15,373	38,717	35,906	14,566	109,884
Charge for the financial year	372	141	1,296	6,392	3,045	2,269	13,515
Disposals/written off	-	-	(30)	(84)	(8,322)	-	(8,436)
At 31 December 2013	4,218	1,617	16,639	45,025	30,629	16,835	114,963
Net book value as at 31 December 2013	14,391	5,518	2,436	39,777	51,427	86,233	199,782

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

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 14 Goodwill

	The Group	
	2014	2013
	RM'000	RM'000
At 1 January/31 December	<u>964</u>	<u>964</u>

#### Allocation of goodwill to cash-generating units

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

	The Group	
	31 December 2014	31 December 2013
	RM'000	RM'000
CGU		
Stock-broking	<u>964</u>	<u>964</u>

#### Impairment test for goodwill

##### Value-in-use

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 2015 financial budgets approved by the Board of Directors, projected for five years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a five year period, revised for current economic conditions. Cash flows beyond the five year period are extrapolated using an estimated terminal growth rate of 2.0% (31 December 2013: 2.0%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate used in determining the recoverable amount of the CGU is 10.2% (31 December 2013: 11.6%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

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

#### Impairment charge

There is no impairment charge for the financial year ended 31 December 2014 (31 December 2013: RM Nil).

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## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 15 Deposits from customers

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
(i) By type of deposits		
- Structured deposits	152,200	162,200
- Short term money market deposits	194,361	188,923
	<u>346,561</u>	<u>351,123</u>
(ii) By type of customers		
- Local government and statutory bodies	54,400	54,400
- Business enterprises	201,461	196,023
- Individuals	86,950	96,950
- Others	3,750	3,750
	<u>346,561</u>	<u>351,123</u>

#### 16 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
Licensed banks	676,865	605,290
Other financial institutions	456,764	540,351
	<u>1,133,629</u>	<u>1,145,641</u>

The maturity structure of deposits is as follows:

Due within six months	<u>1,133,629</u>	<u>1,145,641</u>
-----------------------	------------------	------------------

#### 17 Other liabilities

	The Group		The Bank	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
Due to brokers and clients	778,561	876,517	778,561	876,517
Others	183,725	237,253	181,616	234,239
	<u>962,286</u>	<u>1,113,770</u>	<u>960,177</u>	<u>1,110,756</u>

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## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 18 Provision for taxation and Zakat

	The Group		The Bank	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
Taxation	3,815	20,232	3,783	20,230
Zakat	7	107	7	107
	<u>3,822</u>	<u>20,339</u>	<u>3,790</u>	<u>20,337</u>

#### 19 Subordinated loan

	The Group		The Bank	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
Subordinated loan	<u>5,000</u>	<u>15,000</u>	<u>-</u>	<u>-</u>

On 26 January 2012, a subsidiary of the Bank had issued RM10,000,000 in aggregate principal amounts of unsecured subordinate loan ("the Loan") to the Bank's immediate holding company, CIMB Group Sdn Bhd. The debt bears interest at the rate of 5% per annum and had been fully settled on 23 May 2014.

A further drawdown of RM5,000,000, bearing interest rate of 5%, was made on 6 May 2013, and will mature on 16 November 2019.

#### 20 Share capital

	The Group and the Bank	
	2014 RM'000	2013 RM'000
Authorised ordinary shares of RM1 each At 1 January/31 December	<u>500,000</u>	<u>500,000</u>
Issued and fully paid ordinary shares of RM1 each At 1 January/31 December	<u>100,000</u>	<u>100,000</u>



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 21 Redeemable preference shares

	The Group and the Bank	
	2014 RM'000	2013 RM'000
Authorised redeemable preference shares of RM0.01 each At 1 January/31 December	<u>10</u>	<u>10</u>
Issued and fully paid redeemable preference shares of RM0.01 each At 1 January/31 December	<u>10</u>	<u>10</u>

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

The main features of the RPS are as follows:

- (i) The RPS do not carry any fixed dividends;
- (ii) The RPS will rank superior to ordinary shares in the event of winding up or liquidation of the Bank;
- (iii) The RPS rank pari passu in all aspects among themselves;
- (iv) The RPS carry no right to vote at any general meeting of the ordinary shareholders of the Bank;
- (v) The RPS are not convertible to ordinary shares of the Bank; and
- (vi) The RPS may only be redeemed subject to BNM's approval at the option of the Bank (but not the holder) at anytime from the issue date.

#### 22 Reserves

- (i) Included in the Group's and the Bank's reserves are statutory reserves of RM155,805,000 (31 December 2013: RM155,805,000), maintained in compliance with BNM guidelines. These statutory reserves are not distributable by way of dividends.
- (ii) Pursuant to the Finance Act, 2007 which was gazetted on 28 December 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but is exempted from tax in the hands of the shareholders ("single tier system"). The Bank has moved to single tier system with effect from year of assessment 2011.

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****22 Reserves (Continued)**

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

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

## (iv) Share-based payment reserve

Share-based payment reserve represents the Group's and the Bank's commitments for Employee Ownership Plan under share-based compensation benefits.

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

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

**23 Interest income**

	The Group		The Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loans, advances and financing	4,849	3,189	4,849	3,189
Money at call and deposits placements with banks and other financial institutions	25,969	26,502	22,102	21,539
Reverse repurchase agreements	6,260	5,031	6,260	5,031
Financial assets held for trading	149	321	149	321
Others	1,085	1,801	1,085	1,801
	<u>38,312</u>	<u>36,844</u>	<u>34,445</u>	<u>31,881</u>
Net (amortisation of premium)/accretion of discounts less amortisation	(5)	46	(5)	46
	<u>38,307</u>	<u>36,890</u>	<u>34,440</u>	<u>31,927</u>

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## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 24 Interest expense

	The Group		The Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	32,047	29,046	32,047	29,046
Deposits from customers	7,600	11,970	7,600	11,970
Subordinated loans	448	667	-	-
	<u>40,095</u>	<u>41,683</u>	<u>39,647</u>	<u>41,016</u>

#### 25 Allowance for impairment losses on loans, advances and financing

	The Group and the Bank	
	2014	2013
	RM'000	RM'000
Individual impairment allowance		
- made during the financial year	818	592
- written back during the financial year	(429)	(141)
Portfolio impairment allowance		
- made during the financial year	733	881
Bad debts on loans, advances and financing		
- recovered	-	(7)
	<u>1,122</u>	<u>1,325</u>

#### 26 Fee and commission income

	The Group and the Bank	
	2014	2013
	RM'000	RM'000
Portfolio management fees	7,557	8,307
Advisory and arrangement fees	39,326	61,301
Underwriting commissions	5,666	16,076
Placement fees	16,257	22,950
Other fee income	6,666	4,983
	<u>75,472</u>	<u>113,617</u>

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## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 27 Dividend income

	The Group		The Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial assets held for trading	4	5	4	5
Subsidiaries	-	-	1,700	-
	<u>4</u>	<u>5</u>	<u>1,704</u>	<u>5</u>

#### 28 Net trading income/(loss)

	The Group and the Bank	
	2014 RM'000	2013 RM'000
Gain/(loss) arising from trading in financial assets held for trading		
- realised	304	4,392
- unrealised	98	(4,678)
(Loss)/gain arising from trading in derivative financial instruments		
- realised	(143)	224
	<u>259</u>	<u>(62)</u>

#### 29 Net gain from sale of financial investments available-for-sale

	The Group		The Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net gain from sale of financial investments available-for-sale	<u>44</u>	<u>-</u>	<u>-</u>	<u>-</u>

#### 30 Other non-interest income

	The Group		The Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Foreign exchange gain	2,766	4,594	2,717	4,552
Gain on disposal of property, plant and equipment	1,568	2,354	1,568	2,354
Other non-operating income	4,247	2,966	4,247	6,121
	<u>8,581</u>	<u>9,914</u>	<u>8,532</u>	<u>13,027</u>

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****31 Overheads**

	The Group		The Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	260,424	269,788	258,168	267,982
- Pension cost (defined contribution plan)	31,158	30,564	30,965	30,379
- Management Separation Scheme	-	8,552	-	8,552
- Training fees	6,954	7,145	6,952	7,117
- Overtime, meal and transport claims	1,877	2,142	1,877	2,142
- Others	20,683	18,080	20,525	17,941
	<u>321,096</u>	<u>336,271</u>	<u>318,487</u>	<u>334,113</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	26,283	13,550	26,153	13,515
- Rental	36,926	22,312	35,753	21,342
- Others	24,020	38,256	23,880	38,013
	<u>87,229</u>	<u>74,118</u>	<u>85,786</u>	<u>72,870</u>
<b>Marketing expenses</b>				
- Advertisement	14,142	10,874	14,122	10,835
- Entertainment expenses	6,114	6,847	6,010	6,605
- Others	6,819	5,031	6,742	5,178
	<u>27,075</u>	<u>22,752</u>	<u>26,874</u>	<u>22,618</u>
<b>Administration and general expenses</b>				
- Legal and professional fees	9,913	8,792	9,878	8,751
- Communication	6,963	7,373	6,912	7,305
- Printing and stationery	3,109	2,438	3,109	2,438
- Administrative vehicle, travelling and insurance expenses	10,607	10,149	10,583	10,114
- Others	12,892	10,055	12,764	8,876
	<u>43,484</u>	<u>38,807</u>	<u>43,246</u>	<u>37,484</u>
<b>Shared services cost</b>				
-Personnel cost	(171,227)	(162,106)	(171,227)	(162,106)
-Establishment cost	(27,560)	(25,125)	(27,560)	(25,125)
-Marketing expenses	(17,191)	(14,025)	(17,191)	(14,025)
-Administration and general expenses	(20,066)	(18,605)	(20,066)	(18,605)
	<u>(236,044)</u>	<u>(219,861)</u>	<u>(236,044)</u>	<u>(219,861)</u>
Total overhead expenses	<u>242,840</u>	<u>252,087</u>	<u>238,349</u>	<u>247,224</u>

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 31 Overheads (Continued)

The expenditure includes the following statutory disclosures :

	The Group		The Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration (Note 32)	9,401	13,189	9,401	13,189
Rental of premises	28,323	15,672	28,128	15,562
Hire of equipment	8,603	6,640	7,625	5,780
Auditors' remuneration				
- Statutory audit (PwC Malaysia)	264	283	231	245
- Half year review	45	40	45	40
- Non-audit services	82	53	78	49

Included in the overhead expenses are support costs (including Group CEO's office) amounting to RM236 million (31 December 2013: RM220 million) which were incurred on behalf of CIMB Bank Berhad ("CIMB Bank") and recovered therefrom during the financial year based on certain agreed methods such as Capital-at-Risk, head count, actual costs, revenue and time incurred by the relevant personnel.

#### 32 Directors' remuneration

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

##### Non-Executive Directors

Dato' Sri Mohamed Nazir bin Abdul Razak (appointed on 25 September 2014)

Dato' Zainal Abidin bin Putih

Habibah binti Abdul

Puan Nadzirah binti Abd Rashid (appointed on 15 September 2014)

Dato' Hamzah bin Bakar (retired on 25 September 2014)

Zahardin bin Oardin (resigned on 5 May 2014)

##### Executive Director

Tengku Dato' Zafrul bin Tengku Abdul Aziz

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 32 Directors' remuneration (Continued)

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

	The Group		The Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Executive Director and Group CEO				
- Salary and other remuneration	2,254	3,789	2,254	3,789
- Bonus	6,590	8,763	6,590	8,763
- Benefits-in-kind	16	98	16	98
Non-executive Directors				
- Fees and other remuneration	541	539	541	539
	<u>9,401</u>	<u>13,189</u>	<u>9,401</u>	<u>13,189</u>

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

In 2014, the functions and responsibilities of the Chief Executive Officer (CEO) were carried out by Tengku Dato' Zafrul binTengku Abdul Aziz. The salary, other remuneration, bonus (in respect of 2014 payable in 2015) and benefits-in-kind totalling RM8,860,000 for the CEO was paid by the Bank.

Part of the CEO's remuneration together with other support costs incurred on behalf of CIMB Bank were recovered from CIMB Bank based on certain methods which have been agreed by both parties (refer to Note 31).

The Directors' bonus for the financial year 2014 will be paid in tranches, spread over financial year 2015. while for financial year 2013, it was similarly paid in tranches, spread over financial year 2014. A similar condition is also imposed on the bonus for certain key personnel.

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

	2014		2013	
	Non-executive Directors	Executive Directors	Non-executive Directors	Executive Directors
<b>The Group</b>				
RM50,000 and below	2	-		
RM50,001 to RM100,000	2	-	3	-
RM100,001 to RM500,000	2	-	1	-
RM3,000,001 to RM4,500,000	-	-	-	1
RM8,500,001 to RM9,000,000	-	1	1	-
<b>The Bank</b>				
RM50,000 and below	2	-		
RM50,001 to RM100,000	2	-	3	-
RM100,001 to RM500,000	2	-	1	-
RM3,000,001 to RM4,500,000	-	-	-	1
RM8,500,001 to RM9,000,000	-	1	1	-

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****33 Taxation**

## (i) Tax expense for the financial year

	The Group		The Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	17,594	42,624	16,278	41,603
- Foreign tax	1	46	1	46
- Over provision in prior years	-	(3,289)	-	(3,263)
Deferred tax	2,486	(5,916)	2,458	(5,942)
	<u>20,081</u>	<u>33,465</u>	<u>18,737</u>	<u>32,444</u>

## (ii) Numerical reconciliation of income tax expense

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

	The Group		The Bank	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>52,174</u>	<u>102,680</u>	<u>49,343</u>	<u>101,263</u>
Tax calculated at a tax rate of 25%				
(2013: 25%)	13,044	25,670	12,336	25,316
Income not subject to tax	(914)	(348)	(537)	(348)
Expenses not deductible for tax purposes	10,707	11,386	9,694	10,693
Over-accrual in prior years	-	(3,289)	-	(3,263)
Foreign withholding tax	-	46	-	46
Controlled asset transfer	(2,756)	-	(2,756)	-
Tax expense	<u>20,081</u>	<u>33,465</u>	<u>18,737</u>	<u>32,444</u>



Company No: 18417-M

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **34 Earnings per share**

##### (a) Basic earnings per share

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Net profit for the financial year (RM' 000)	<b>32,093</b>	69,215	<b>30,606</b>	68,819
Weighted average number of ordinary shares in issue ('000)	<b>100,000</b>	100,000	<b>100,000</b>	100,000
Basic earnings per share (expressed in sen per share)	<u><b>32.09</b></u>	<u>69.22</u>	<u><b>30.61</b></u>	<u>68.82</u>

##### (b) Diluted earnings per share

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

#### **35 Dividends**

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

	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Final single tier dividend of 56 sen per ordinary share for financial year ended 31 December 2012 was paid on 10 April 2013	-	56,000
	<u>-</u>	<u>56,000</u>

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2014.

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 36 Amounts due from/(to) related companies

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

	The Group		The Bank	
	31 December 2014 RM'000	31 December 2013 RM'000	31 December 2014 RM'000	31 December 2013 RM'000
Amounts due from:				
- subsidiaries	-	-	12	131
- related companies	21,939	14,515	21,939	14,515
- ultimate holding company	-	190	-	190
	<u>21,939</u>	<u>14,705</u>	<u>21,951</u>	<u>14,836</u>
Amounts due to:				
- related companies	<u>(19,415)</u>	<u>(2,281)</u>	<u>(19,415)</u>	<u>(2,281)</u>

#### 37 Significant related party transactions and balances

##### (a) Related parties and relationship

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

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

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

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

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****37 Significant related party transactions and balances (Continued)****(b) Related party transactions**

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

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

	Ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
<b>The Group and the Bank 2014</b>			
<b>Income:</b>			
Fee income	-	8,842	-
Interest income	-	1,667	-
Brokerage income	-	6,005	38
Rental income	-	886	-
Income from Islamic Banking operations	-	10,413	-
	<u>-</u>	<u>27,813</u>	<u>38</u>
<b>Expenditure:</b>			
Interest expense	-	17,904	-
Brokerage expense	-	11,794	-
Printing and Stationery	-	255	-
Establishment - others	-	798	-
Administration and general expenses - others	-	1,352	-
Shared service cost	-	(236,044)	-
	<u>-</u>	<u>(203,941)</u>	<u>-</u>
<b>The Group and the Bank 2013</b>			
<b>Income:</b>			
Fee income	-	9,539	-
Interest income	-	3,565	-
Brokerage income	-	6,775	74
Income from Islamic Banking operations	-	3,122	-
	<u>-</u>	<u>23,001</u>	<u>74</u>
<b>Expenditure:</b>			
Interest expense	-	17,317	-
Brokerage expense	-	11,748	-
Rental expense	1,426	-	-
Printing and Stationery	-	766	-
Establishment - others	-	1,441	-
Administration and general expenses - others	-	1,382	-
Shared service cost	-	(219,861)	-
	<u>1,426</u>	<u>(187,207)</u>	<u>-</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 37 Significant related party transactions and balances (Continued)

##### (c) Key management personnel

###### Key management compensation

	2014 RM'000	2013 RM'000
<b>The Group and the Bank</b>		
Salaries and other employee benefits	<u>59,916</u>	<u>99,757</u>
	<b>Unit</b>	<b>Unit</b>
Shares of ultimate holding company	<u>4,874,464</u>	<u>4,221,374</u>

Included in the above table is Directors' remuneration which are disclosed in Note 32. The share options or shares granted are on the same terms and condition as those offered to other employees of the Group and the Bank as disclosed in Note 38.

##### (d) Related party balances

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

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

	Other related companies RM'000	Key management personnel RM'000
<b>The Group and the Bank</b>		
<b>31 December 2014</b>		
<b>Amount due from:</b>		
Cash and balances with banks and other financial institutions	28,852	-
Money at call and deposit placements maturing within one month	291,033	-
Deposits and placements with banks and other financial institutions	50,607	-
Loans, advances and financing	-	597
Other assets	84,199	-
Amounts due from brokers	29,160	-
	<u>483,851</u>	<u>597</u>

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****37 Significant related party transactions and balances (Continued)****(d) Related party balances (Continued)**

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

	Other related companies RM'000	Key management personnel RM'000
<b>The Group and the Bank</b>		
<b>31 December 2014</b>		
<b>Amount due to:</b>		
Deposits and placements of banks and other financial institutions	676,865	-
Deposits from customers	-	-
Amounts due to brokers	52,713	-
	<u>729,578</u>	<u>-</u>
<b>Principal</b>		
<b>Equity related contracts:</b>		
Equity options	133,697	-
	<u>133,697</u>	<u>-</u>
<b>The Group and the Bank</b>		
<b>31 December 2013</b>		
<b>Amount due from:</b>		
Cash and balances with banks and other financial institutions	18,861	-
Money at call and deposit placements maturing within one month	61,765	-
Deposits and placements with banks and other financial institutions	100	-
Amounts due from brokers	110,018	-
	<u>190,744</u>	<u>-</u>
<b>The Group and the Bank</b>		
<b>31 December 2013</b>		
<b>Amount due to:</b>		
Deposits and placements of banks and other financial institutions	605,290	-
Amounts due to brokers	131,790	-
	<u>737,080</u>	<u>-</u>
<b>Principal</b>		
<b>Equity related contracts:</b>		
Equity options	133,876	-
	<u>133,876</u>	<u>-</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 37 Significant related party transactions and balances (Continued)

##### (e) Credit transactions and exposures with connected parties

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

	The Group	
	31 December 2014 RM'000	31 December 2013 RM'000
Outstanding credit exposures with connected parties	34,213	27,697
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.5%	1.2%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	<u>0.0%</u>	<u>0.0%</u>

##### (f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 29.3% of the issued capital of the ultimate holding company (2013: 30.0%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 – "Related Party Disclosures", KNB and the Malaysian Government is in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

Apart from the individually significant transactions as disclosed in Note 37 (a) to the Financial Statements, the Group and the Bank have collectively, but not individually entered into, significant transactions with other government-related entities which include but not limited to the following:

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

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

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 38 Employee benefits

##### (a) Equity Ownership Plan (“EOP”)

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

Upon termination of employment other than retirement, disability or death, any unreleased shares will be ceased to be transferable to the employee and will be disposed accordingly. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of employment and the shares will be assigned to the designated beneficiary.

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM38,222,000. (2013: RM 30,033,000)

The weighted average fair value of shares awarded under EOP was RM7.15 per ordinary share (2013: RM7.73 per ordinary share), based on market price during the period in which they were purchased.

Movements in the number of the ultimate holding company’s ordinary shares awarded are as follows:

	The Group and the Bank	
	2014	2013
	Unit	Unit
	'000	'000
Shares		
At 1 January	2,326	1,378
Awarded	1,305	1,679
Released	(1,255)	(731)
At 31 December	<u>2,376</u>	<u>2,326</u>

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **39 Capital commitments**

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

	<b>The Group and the Bank</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Authorised and contracted for	5,524	8,879
Authorised but not contracted for	16,216	83,502
	<u>21,740</u>	<u>92,381</u>
The capital commitments are attributed to:		
- property, plant and equipment	<u>21,740</u>	<u>92,381</u>
	<u>21,740</u>	<u>92,381</u>

#### **40 Lease commitments**

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

	<b>The Group and the Bank</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Not later than one year	28,901	32,390
Later than one year and not later than five years	105,115	89,659
Over five years	220,056	306,938
	<u>354,072</u>	<u>428,987</u>



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 41 Commitments and contingencies

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

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

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

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

	The Group and the Bank	
	31 December 2014 Principal RM'000	31 December 2013 Principal RM'000
<b><u>Credit-related</u></b>		
Irrevocable commitments to extend credit:		
- Maturity exceeding one year	22,949	13,285
	<u>22,949</u>	<u>13,285</u>
<b><u>Treasury-related</u></b>		
Interest rate related contracts:		
- Five years and above	456,600	486,600
Equity related contracts:		
- One year to less than five years	267,395	-
- Five years and above	-	267,752
	<u>723,995</u>	<u>754,352</u>
	<u>746,944</u>	<u>767,637</u>

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **42 Segment reporting**

##### **Business segment reporting**

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

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

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

##### Definition of segments

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

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

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

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

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

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

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****42 Segment reporting (Continued)**

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

	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
<b>The Group 2014</b>						
External net interest (expense)/income	-	(6,637)	-	-	4,849	(1,788)
Non interest income	42,685	4,809	170,165	40,579	5,177	263,415
Income from Islamic Banking operations	3,656	17,856	8,528	47	147	30,234
	46,341	16,028	178,693	40,626	10,173	291,861
Overheads	(72,556)	(12,869)	(135,830)	(21,585)	-	(242,840)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	(5,599)	(1,911)	(15,764)	(3,009)	-	(26,283)
Profit before allowances	(26,215)	3,159	42,863	19,041	10,173	49,021
Allowance for impairment losses on loans, advances and financing (Allowance for)/writeback of impairment losses on other receivables	(1,080)	(667)	(4,999)	286	8,862	2,402
Recoveries from investment management and securities services	-	-	-	804	-	804
Segment results	(27,295)	2,492	37,864	20,131	17,913	51,105
Share of results of associates						1,069
Profit before taxation						52,174
Taxation						(20,081)
Net profit for the financial year						32,093
Segment assets	23,507	1,675,573	956,660	21,826	340,598	3,018,164
Unallocated assets						70,341
Total assets						3,088,505
Segment liabilities	786	1,498,311	849,606	3,050	106,345	2,458,098
Unallocated liabilities						23,241
Total liabilities						2,481,339
<b>Other segment items</b>						
Incurring capital expenditure:						
- addition of property, plant and equipment	3,370	1,150	9,427	1,794	-	15,741
Accretion of discount less amortisation of premium	-	(5)	-	-	-	(5)

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****42 Segment reporting (Continued)**

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

The Group 2013	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
External net interest (expense)/income	-	(7,982)	-	-	3,189	(4,793)
Non interest income	75,657	4,353	163,470	36,076	11,638	291,194
Income from Islamic Banking operations	18,640	17,785	18,014	4,135	3,084	61,658
	94,297	14,156	181,484	40,211	17,911	348,059
Overheads	(80,626)	(8,253)	(131,007)	(32,201)	-	(252,087)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	(2,057)	(4,523)	(5,174)	(1,796)	-	(13,550)
Profit before allowances	13,671	5,903	50,477	8,010	17,911	95,972
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(1,325)	(1,325)
(Allowance for)/ writeback of impairment losses on other receivables	(1,359)	(3,191)	303	(18)	833	(3,432)
Allowance for other impairment losses	-	-	(1,117)	-	-	(1,117)
Recoveries from investment management and securities services	-	-	-	11,932	-	11,932
Segment results	12,312	2,712	49,663	19,924	17,419	102,030
Share of results of associates						650
Profit before taxation						102,680
Taxation						(33,465)
Net profit for the financial year						69,215
Segment assets	52,352	1,816,314	1,042,186	41,980	208,272	3,161,104
Unallocated assets						65,861
Total assets						3,226,965
Segment liabilities	2,290	1,510,112	938,274	7,531	176,708	2,634,915
Unallocated liabilities						22,622
Total liabilities						2,657,537
<b>Other segment items</b>						
Incurring capital expenditure:						
- addition of property, plant and equipment	15,499	34,086	38,991	13,534	-	102,110
Accretion of discount less amortisation of premium	-	46	-	-	-	46

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

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 43 Capital adequacy

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

This is supported by the Capital Management Plan which is centrally supervised by the CIMB Group EXCO who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group and the Bank are also provided to the Board of Directors.

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

The risk-weighted assets of the Group and Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach. The comparative capital adequacy ratios as at 31 December 2013 were based on BNM's Risk-Weighted Capital Adequacy Framework (RWCAF) which has regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel II.

#### (A) 31 December 2014

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

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
Common Equity Tier 1 ratio	28.765%	25.300%	29.452%	26.364%
Tier 1 ratio	28.765%	25.300%	29.452%	26.364%
Total capital ratio	28.765%	25.300%	29.452%	26.364%

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****43 Capital adequacy (Continued)****(A) 31 December 2014 (Continued)**

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

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Credit risk	1,164,171	1,208,453	1,049,461	1,053,268
Market risk	52,221	58,618	51,509	57,888
Operational risk	697,657	758,001	684,202	746,501
<b>Total risk-weighted assets</b>	<b>1,914,049</b>	<b>2,025,072</b>	<b>1,785,172</b>	<b>1,857,657</b>

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

	The Group		The Bank	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
<b>Common Equity Tier 1 capital</b>				
Ordinary shares	100,000	100,000	100,000	100,000
Other reserves	507,156	469,418	483,581	447,053
Common Equity Tier 1 capital before regulatory adjustments	607,156	569,418	583,581	547,053
<b>Less : Regulatory adjustments</b>				
Goodwill	(964)	(964)	-	-
Deferred tax assets	(46,428)	(48,914)	(46,296)	(48,754)
Deduction in excess of Tier 2 Capital	(7,603)	(6,921)	(9,559)	(8,539)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(1,460)	-	(1,949)	-
Others	(118)	(271)	-	-
Common Equity Tier 1 capital after regulatory adjustments/ total Tier 1 capital	<b>550,583</b>	<b>512,348</b>	<b>525,777</b>	<b>489,760</b>
<b>Tier II Capital</b>				
Redeemable Preference Shares	8	9	8	9
Portfolio impairment allowance	2,729	1,996	2,729	1,996
Tier II capital before regulatory adjustments	2,737	2,005	2,737	2,005
<b>Less : Regulatory adjustments</b>				
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(10,340)	(8,926)	(12,296)	(10,544)
<b>Total Tier II capital</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total capital base</b>	<b>550,583</b>	<b>512,348</b>	<b>525,777</b>	<b>489,760</b>

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

N2 The capital base of the Group and the Bank has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM2,729,000 (2013: RM1,996,000)

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **44 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 determine that available-for-sale equity investments are impaired when there has been a significant or prolonged decline in the fair value below its costs. This determination of what is significant or prolonged requires 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 accounting standards, management makes judgement on the future and other key factors in respect of the estimation of the amount and timing of the cash flows in assessing allowance for impairment of loans, advances and financing. Among the factors considered are the Group's aggregate exposure to the borrowers, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims.

*(c) Fair value of financial instruments*

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 45.4.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management**

##### **(a) Financial risk management objectives and policies**

The Group embraces risk management as an integral component of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk taking process by providing independent inputs including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward value of their propositions and thus enable risk to be priced appropriately in relation to the return.

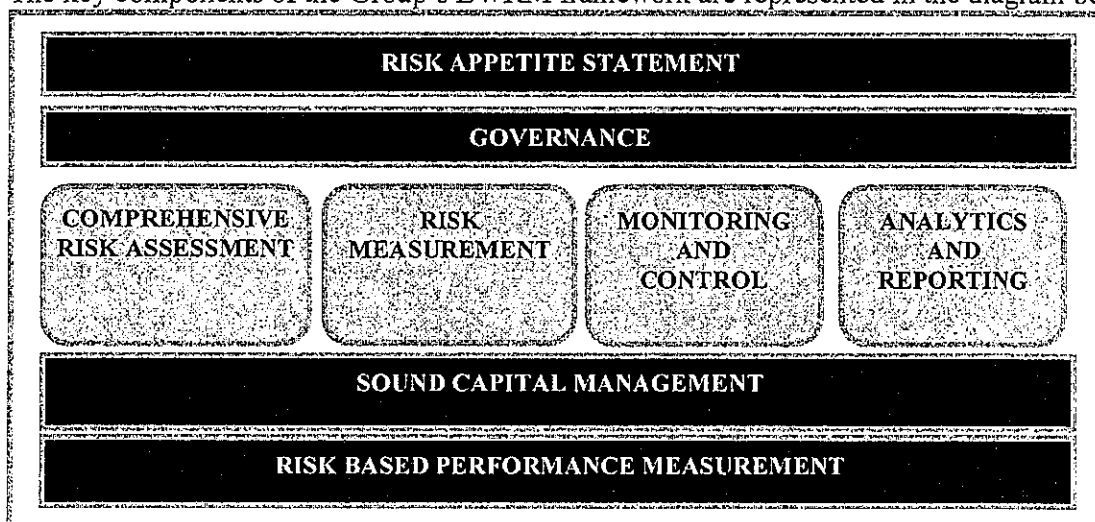
The objectives of the Group's risk management activities are to:

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

##### **(b) Enterprise Wide Risk Management Framework (EWRM)**

The Group employs an EWRM framework as a standardised approach to manage its risk and opportunity effectively. The EWRM framework provides the Board and management with a tool to anticipate and manage both the existing and potential risks, taking into consideration changing risk profiles as dictated by changes in business strategies, operating and regulatory environment and functional activities.

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





## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

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

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

###### **a) Risk Appetite Statement**

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

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

###### **b) Governance**

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

The implementation and administration of the EWRM framework are effected through the three lines of defence model with oversight by the risk governance structure which consists of various risk committees, as described below. Group Risk Division (GRD) is principally tasked to assist the various risk committees and undertakes the performance of independent risk management, monitoring and reporting functions of the EWRM. The implementation of the EWRM is also subjected to the independent assurance and assessment by Group Internal Audit Division.

###### **c) Comprehensive Risk Assessment**

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

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

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

###### **d) Risk Measurement**

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

###### **e) Monitoring and Control**

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

###### **f) Analytics and Reporting**

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

###### **g) Sound Capital Management**

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

###### **h) Risk Based Performance Measurement**

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

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **(c) Risk Governance**

In the year under review, the Board of Directors approved a revision to the Group's risk governance structure with the establishment of several risk committees, thereby allowing for more thorough Group-wide deliberation at a specialized risk level.

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

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

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

# CIMB Investment Bank Berhad

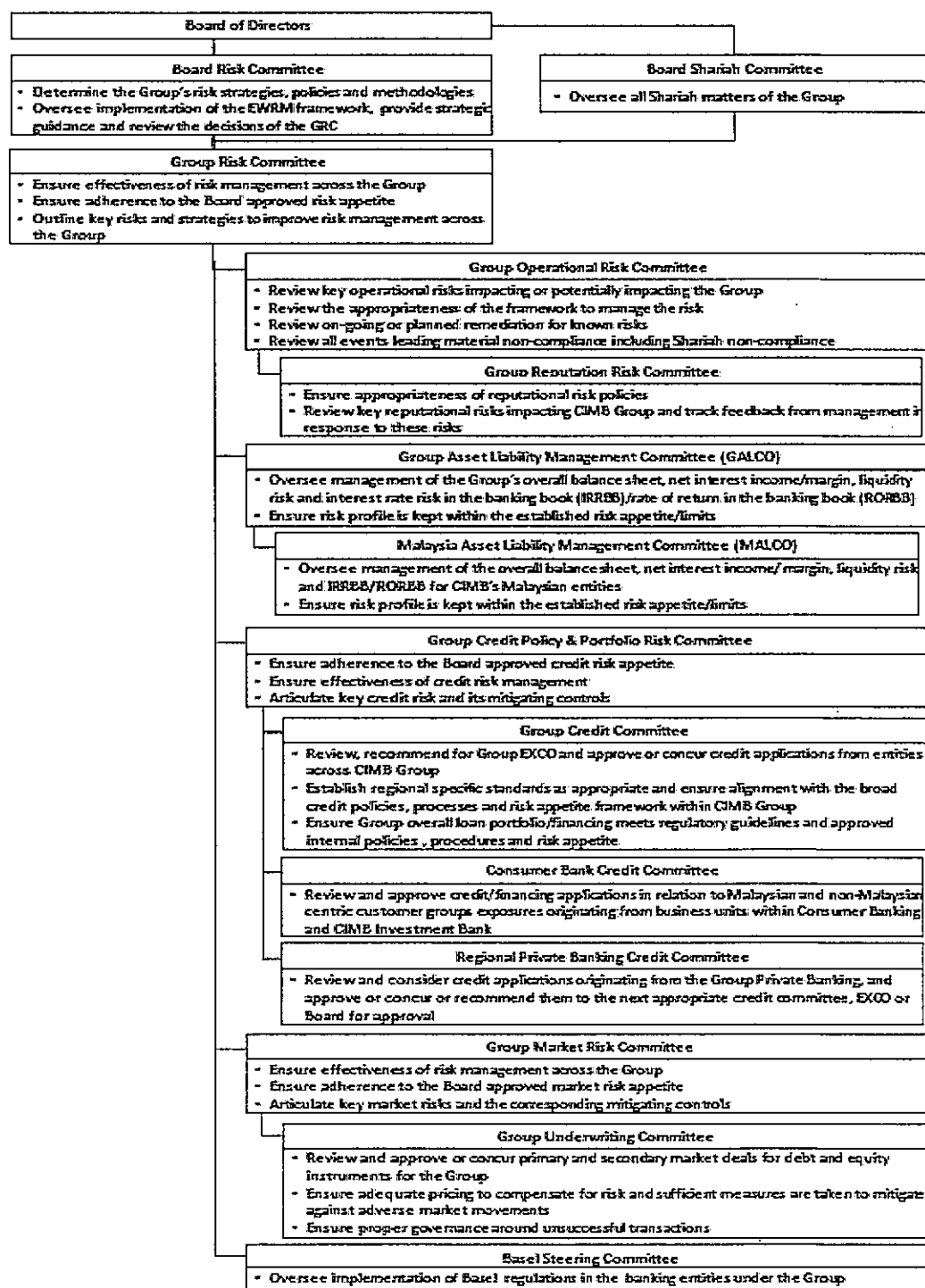
(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### (c) Risk Governance (Continued)

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



## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **(c) Risk Governance (Continued)**

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

##### *Three-Lines of Defence*

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

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

Within the second line of defence is GRD, a function independent of business units that assists the Group's management and various risk committees in the monitoring and controlling of the Group's risk exposures.

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

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

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **(c) Risk Governance (continued)**

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

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

##### **a) Risk Analytics & Infrastructure Centre of Excellence**

Risk Analytics & Infrastructure Centre of Excellence focuses on credit capital quantification and analytics including the implementation of group-wide Basel II framework; corporate credit portfolio analytics and reporting; and credit concentration measurement and monitoring.

##### **b) Market Risk Centre of Excellence**

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

##### **c) Operational Risk Centre of Excellence**

The Operational Risk Centre of Excellence provides the methodology and process for the identification, assessment, reporting, mitigation and control of operational risks by the respective risk owners across the Group. It provides challenge and oversight over the execution of this framework by the first line of defence.

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **(c) Risk Governance (continued)**

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

###### **d) Asset Liability Management Centre of Excellence**

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

###### **e) Credit Risk Centre of Excellence**

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

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

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

###### **f) Shariah Risk Management Centre of Excellence**

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

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **(c) Risk Governance (continued)**

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

In addition to the above Risk Centres of Excellence, Regional Risk was established with the objective of overseeing the risk management functions of the regional offices as well as the Group's unit trust and securities businesses. Regional Risk also houses the validation team.

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

The Regional Risk Validation Team is independent from the risk taking units and model development team. The function of this unit is to perform validation, as guided by regulatory guidelines and industry best practices on Basel related risk models and components comprising credit risk, traded risk, non traded risk and other Basel related risk models. The unit provides recommendations to the modelling team and the business users and reports to Regional Risk. The findings and recommendations will be reported to GRC and BRC.

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



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## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **Strategies and Processes for Various Risk Management**

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

##### **45.1 Credit risk**

Credit risk is defined as the possibility of losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

It arises primarily from traditional financing activities through conventional loans, financing facilities, 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 not willing to fulfil their obligation on transactions on or before settlement date. In derivative activities, credit risk arises when counterparties to derivative contracts, such as interest/profit rate swaps, are not able or not willing to fulfil their obligation to pay the positive fair value or receivable resulting from the execution of contract terms. Credit risk may also arise where the downgrading of an entity's rating causes the fair value of the Group's investment in that entity's financial instruments to fall.

##### **Credit Risk Management**

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

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

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.1 Credit risk (Continued)**

###### **Credit Risk Management (continued)**

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

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

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

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

It is a policy of the Group that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

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## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.1 Credit risk (Continued)**

###### **Credit Risk Management (continued)**

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

The exposures are actively monitored, reviewed on a regular basis and reported regularly to Group Credit Policy & Portfolio Risk Committee, GRC and BRC so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

In addition to the above, the Group also employs VaR to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

###### **Credit Risk Mitigation**

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

###### **Netting**

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

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## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.1 Credit risk (Continued)**

###### **Off-Balance Sheet Exposures and Counterparty Credit Risk (“CCR”)**

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM’s guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

i) **Credit Risk Mitigation**

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

ii) **Treatment of Rating Downgrade**

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2014, there was no requirement for additional collateral to be posted.

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

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.1 Credit Risk (Continued)**

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

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

<b>31 December 2014</b>	<b>The Group</b>	<b>The Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit related commitments and contingencies	22,949	22,949
	<u>22,949</u>	<u>22,949</u>
<b>31 December 2013</b>	<b>The Group</b>	<b>The Bank</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit related commitments and contingencies	13,285	13,285
	<u>13,285</u>	<u>13,285</u>

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements that mitigate credit risk) held for net loans, advances and financing for the Group and the Bank is 100% (2013: 100%). The financial effects of collateral held for the remaining on balance sheet financial assets are insignificant.

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.1 Credit Risk (Continued)****45.1.2 Offsetting financial assets and financial liabilities****(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements**

	The Group and the Bank					
	Related amounts not set off in the Statements of Financial Position					
	Gross amounts of recognised financial assets RM'000	Gross amounts of recognised financial liabilities set off in the Statements of Financial Position RM'000	Net amounts of financial assets presented in the Statements of Financial Position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
<b>31 December 2014</b>						
<b>Financial assets</b>						
Derivative financial instruments	21,887	-	21,887	(12,339)	(9,548)	-
Reverse repurchase agreements	195,890	-	195,890	-	(195,890)	-
<b>Total</b>	<b>217,777</b>	<b>-</b>	<b>217,777</b>	<b>(12,339)</b>	<b>(205,438)</b>	<b>-</b>
<b>31 December 2013</b>						
<b>Financial assets</b>						
Derivative financial instruments	23,319	-	23,319	(15,751)	(7,568)	-
Reverse repurchase agreements	200,251	-	200,251	-	(197,489)	2,762
<b>Total</b>	<b>223,570</b>	<b>-</b>	<b>223,570</b>	<b>(15,751)</b>	<b>(205,057)</b>	<b>2,762</b>

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**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.1 Credit Risk (Continued)**

**45.1.2 Offsetting financial assets and financial liabilities (Continued)**

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

	The Group and the Bank						
				Related amounts not set off in the Statements of Financial Position			
	Gross amounts of recognised financial liabilities	Gross amounts of recognised financial assets set off in the Statements of Financial Position	Net amounts of financial liabilities presented in the Statements of Financial Position	Financial instruments	Financial collateral	Net amount	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2014</b>							
<b>Financial liabilities</b>							
Derivative financial instruments	10,626	-	10,626	(10,626)	-	-	-
<b>Total</b>	<b>10,626</b>	<b>-</b>	<b>10,626</b>	<b>(10,626)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>31 December 2013</b>							
<b>Financial liabilities</b>							
Derivative financial instruments	9,383	-	9,383	(9,383)	-	-	-
<b>Total</b>	<b>9,383</b>	<b>-</b>	<b>9,383</b>	<b>(9,383)</b>	<b>-</b>	<b>-</b>	<b>-</b>

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### 45.1 Credit Risk (Continued)

##### 45.1.3 Concentration of risks of financial assets with credit risk exposure

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

#### (a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2014 and 31 December 2013 are as follows:

	The Group						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000		
<b>31 December 2014</b>							
Cash and short term funds	1,293,870	-	-	9,075	2,048	1,304,993	
Reverse repurchase agreements	195,890	-	-	-	-	195,890	
Deposits and placements with banks and other financial institutions	50,637	-	-	-	-	50,637	
Financial assets held for trading	4,568	-	-	-	-	4,568	
- Unquoted securities							
Derivative financial instruments	21,887	-	-	-	-	21,887	
- Trading derivatives	179,181	-	-	-	-	179,181	
Loans, advances and financing	905,685	6,044	2,123	48,263	108,336	1,070,451	
Other assets	20,530	46	-	213	1,150	21,939	
Amounts due from related companies							
Credit related commitments and contingencies	22,949	-	-	-	-	22,949	
<b>Total credit exposures</b>	<b>2,695,197</b>	<b>6,090</b>	<b>2,123</b>	<b>57,551</b>	<b>111,534</b>	<b>2,872,495</b>	



**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.1 Credit Risk (Continued)**

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

**(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Group as at 31 December 2014 and 31 December 2013 are as follows: (Continued)

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

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### 45.1 Credit Risk (Continued)

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

#### (a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2014 and 31 December 2013 are as follows:

31 December 2014	The Bank						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000		
Cash and short term funds	1,264,167	-	-	8,538	2,048	-	1,274,753
Reverse repurchase agreements	195,890	-	-	-	-	-	195,890
Deposits and placements with banks and other financial institutions	50,607	-	-	-	-	-	50,607
Financial assets held for trading	4,568	-	-	-	-	-	4,568
- Unquoted securities	21,887	-	-	-	-	-	21,887
Derivative financial instruments	179,181	-	-	-	-	-	179,181
- Trading derivatives	903,099	6,044	2,123	48,263	108,336	-	1,067,865
Loans, advances and financing	12	-	-	-	-	-	12
Other assets	20,530	46	-	213	1,150	-	21,939
Amounts due from subsidiaries	-	-	-	-	-	-	-
Amounts due from related companies	22,949	-	-	-	-	-	22,949
Credit related commitments and contingencies	-	-	-	-	-	-	-
<b>Total credit exposures</b>	<b>2,662,890</b>	<b>6,090</b>	<b>2,123</b>	<b>57,014</b>	<b>111,534</b>	<b>-</b>	<b>2,839,651</b>

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### 45.1 Credit Risk (Continued)

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

#### (a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty for the Bank as at 31 December 2014 and 31 December 2013 are as follows: (Continued)

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

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### 45.1 Credit Risk (Continued)

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

##### (b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2014 and 31 December 2013, based on the industry sectors of the counterparty are as follows:

##### The Group

	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Unquoted securities	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
31 December 2014										
Electricity, gas and water	-	-	-	-	-	-	-	621	-	621
Construction	-	-	-	-	-	-	-	104	-	104
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	-	-	-	2	-	2
Transport, storage and communications	-	-	-	-	-	-	-	2,721	-	2,721
Finance, insurance and business services	363,621	-	50,637	4,568	-	-	-	951,110	-	1,369,936
Education, health & others	-	-	-	-	-	-	-	1,375	-	1,375
Government and government agencies	941,369	195,890	-	-	-	-	-	49,337	-	1,186,596
Household	-	-	-	-	-	-	179,181	83,319	22,949	285,449
Others	3	-	-	-	-	21,887	-	3,801	-	25,691
	1,304,993	195,890	50,637	4,568	21,887	179,181	1,092,390	22,949	-	2,872,495

\* Other financial assets include other assets and amounts due from related companies.

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.1 Credit Risk (Continued)

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

##### (b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2014 and 31 December 2013, based on the industry sectors of the counterparty are as follows: (Continued)

	The Group									
	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Unquoted securities	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2013										
Manufacturing	-	-	-	-	-	-	-	381	-	381
Electricity, gas and water	-	-	-	-	-	-	-	7,915	-	7,915
Construction	-	-	-	-	-	-	-	310	-	310
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	-	-	-	1,255	-	1,255
Finance, insurance and business services	133,476	-	131	1,036	-	-	-	964,030	-	1,098,673
Education, health & others	-	-	-	-	-	-	-	6,777	-	6,777
Government and government agencies	1,249,248	200,251	-	-	-	-	-	72,828	-	1,522,327
Household	-	-	-	-	-	-	131,067	105,897	13,285	250,249
Others	-	-	-	-	-	23,319	-	1,419	-	24,738
	1,382,724	200,251	131	1,036	23,319	131,067	1,160,812	13,285	13,285	2,912,625

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

Company No: 18417-M

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.1 Credit Risk (Continued)

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

##### (b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2014 and 31 December 2013, based on the industry sectors of the counterparty are as follows:  
(Continued)

	The Bank									
	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	Total credit exposures	
	RM'000	RM'000	RM'000	Unquoted securities	Trading derivatives	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2014										
Electricity, gas and water	-	-	-	-	-	-	621	-	-	621
Construction	-	-	-	-	-	-	104	-	-	104
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	-	-	2	-	-	2
Transport, storage and communications	-	-	-	-	-	-	2,721	-	-	2,721
Finance, insurance and business services	334,564	-	50,607	4,568	-	-	949,446	-	-	1,339,185
Education, health & others	-	-	-	-	-	-	1,375	-	-	1,375
Government and government agencies	940,189	195,890	-	-	-	-	49,237	-	-	1,185,316
Household	-	-	-	-	-	179,181	83,319	22,949	-	285,449
Others	-	-	-	-	21,887	-	2,991	-	-	24,878
	1,274,753	195,890	50,607	4,568	21,887	179,181	1,089,816	22,949	-	2,839,651

\* Other financial assets include other assets, amounts due from subsidiaries and amount due from related companies.

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.1 Credit Risk (Continued)

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

##### (b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial positions as at 31 December 2014 and 31 December 2013, based on the industry sectors of the counterparty are as follows:  
(Continued)

	The Bank										Total credit exposures	
	Cash and short term funds	Reverse repurchase agreements	Deposits and placements with banks and other financial institutions	Financial assets held for trading	Derivative financial instruments	Loans, advances and financing	Other financial assets *	Credit related commitments and contingencies	RM'000	RM'000		
31 December 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Manufacturing	-	-	-	-	-	-	381	-	-	-	-	381
Electricity, gas and water	-	-	-	-	-	-	7,915	-	-	-	-	7,915
Construction	-	-	-	-	-	-	310	-	-	-	-	310
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	-	-	1,255	-	-	-	-	1,255
Finance, insurance and business services	96,250	-	102	1,036	-	-	963,048	-	-	-	-	1,060,436
Education, health & others	-	-	-	-	-	-	6,677	-	-	-	-	6,677
Government and government agencies	1,248,211	200,251	-	-	-	-	72,828	-	131,067	-	-	1,521,290
Household	-	-	-	-	-	-	105,897	-	-	-	-	250,249
Others	-	-	-	-	23,319	-	606	-	-	-	-	23,925
	1,344,461	200,251	102	1,036	23,319	131,067	1,158,917	13,285	-	-	-	2,872,438

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

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.1 Credit Risk (Continued)****45.1.4 Credit quality of financial assets**

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

**(a) Loans, advances and financing**

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

	The Group and the Bank 31 December 2014		
	Neither past due nor impaired	Impaired	Total
	(i) RM'000	(ii) RM'000	RM'000
Staff loans	181,910	-	181,910
Other loans	-	1,272	1,272
<b>Total</b>	<b>181,910</b>	<b>1,272</b>	<b>183,182</b>
Less: Impairment allowances			(4,001)
<b>Total net amount</b>			<b>179,181</b>

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

There were no loans, advances and financing that are “past due but not impaired” as at 31 December 2014 and 31 December 2013.



## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.1 Credit Risk (Continued)

##### 45.1.4 Credit quality of financial assets (Continued)

##### (a) Loans, advances and financing (Continued)

##### (i) Loans, advances and financing that are “neither past due nor impaired”

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

	The Group and the Bank 31 December 2014 No rating RM'000
Staff loans	181,910
Total	<u>181,910</u>
	<u>181,910</u>
	The Group and the Bank 31 December 2013 No rating RM'000
Staff loans	133,063
Total	<u>133,063</u>
	<u>133,063</u>

Financial statement descriptions can be summarised as follows:

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

##### (ii) “Impaired” loans, advances and financing

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

**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements**  
**for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.1 Credit Risk (Continued)**

**45.1.4 Credit quality of financial assets (Continued)**

**(b) Financial assets held for trading**

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

	The Group and the Bank Neither past due nor impaired	
	31 December 2014 RM'000	31 December 2013 RM'000
Financial assets held for trading		
- Unquoted securities	4,568	1,036
Total	<u>4,568</u>	<u>1,036</u>

There were no financial assets held for trading that are “past due but not impaired” as at 31 December 2014 and 31 December 2013.

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.1 Credit Risk (Continued)**

##### **45.1.4 Credit quality of financial assets (Continued)**

##### **(b) Financial assets held for trading (Continued)**

##### **(i) Financial assets held for trading that are “neither past due nor impaired”**

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

	<b>The Group and the Bank</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>Investment grade (AAA to BBB-)</b>	<b>Investment grade (AAA to BBB-)</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial assets held for trading		
- Unquoted securities	4,568	1,036
<b>Total</b>	<b>4,568</b>	<b>1,036</b>

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.1 Credit Risk (Continued)****45.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets**

Other financial assets of the Group as at 31 December 2014 and 31 December 2013 are summarised as follows :

31 December 2014	The Group			Total RM'000
	Neither past due nor impaired RM'000	Past due but not impaired RM'000	Impaired RM'000	
Cash and short term funds	1,304,993	-	-	1,304,993
Reverse repurchase agreements	195,890	-	-	195,890
Deposits and placements with banks and other financial institutions	50,637	-	-	50,637
Derivative financial instruments	21,887	-	-	21,887
Other financial assets	1,079,416	12,811	27,984	1,120,211
<b>Total</b>	<b>2,652,823</b>	<b>12,811</b>	<b>27,984</b>	<b>2,693,618</b>
Less: Impairment allowances *				(27,821)
<b>Total net amount</b>				<b>2,665,797</b>

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

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

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.1 Credit Risk (Continued)****45.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)**

Other financial assets of the Bank as at 31 December 2014 and 31 December 2013 are summarised as follows :

	Neither past due nor impaired RM'000	The Bank		Total gross amount RM'000
		Past due but not impaired RM'000	Impaired RM'000	
<b>31 December 2014</b>				
Cash and short term funds	1,274,753	-	-	1,274,753
Reverse repurchase agreements	195,890	-	-	195,890
Deposits and placements with banks and other financial institutions	50,607	-	-	50,607
Derivative financial instruments	21,887	-	-	21,887
Other financial assets	1,076,841	12,811	27,884	1,117,536
<b>Total</b>	<b>2,619,978</b>	<b>12,811</b>	<b>27,884</b>	<b>2,660,673</b>
Less: Impairment allowances *				(27,721)
<b>Total net amount</b>				<b>2,632,952</b>

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.1 Credit Risk (Continued)****45.1.4 Credit quality of financial assets (Continued)****(c) Credit risk of other financial assets (Continued)**

(i) The table below presents an analysis of other financial assets that are “neither past due nor impaired”, based on rating by major credit rating agencies as at 31 December 2014 and 31 December 2013:

	31 December 2014				31 December 2013			
	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000
The Group	941,918	363,075	-	1,304,993	1,249,247	133,477	-	1,382,724
Cash and short term funds	195,890	-	-	195,890	200,251	-	-	200,251
Reverse repurchase agreements	-	50,637	-	50,637	-	131	-	131
Deposits and placements with banks and other financial institutions	-	-	21,887	21,887	-	-	23,319	23,319
Derivative financial instruments	1,675	16,302	1,061,439	1,079,416	2,528	97,942	1,041,969	1,142,439
Other financial assets	1,139,483	430,014	1,083,326	2,652,823	1,452,026	231,550	1,065,288	2,748,864
Total								

There were no collateral repossessed by the Group as at 31 December 2014 and 31 December 2013.

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.1 Credit Risk (Continued)

##### 45.1.4 Credit quality of financial assets (Continued)

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

(ii) The table below presents an analysis of other financial assets that are “neither past due nor impaired”, based on rating by major credit rating agencies as at 31 December 2014 and 31 December 2013:

	31 December 2014			31 December 2013				
	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000	Sovereign (no rating) RM'000	Investment grade (AAA to BBB-) RM'000	Others (no rating) RM'000	Total RM'000
The Bank								
Cash and short term funds	940,189	334,564	-	1,274,753	1,248,210	96,251	-	1,344,461
Reverse repurchase agreements	195,890	-	-	195,890	200,251	-	-	200,251
Deposits and placements with banks and other financial institutions	-	50,607	-	50,607	-	102	-	102
Derivative financial instruments	-	-	21,887	21,887	-	-	23,319	23,319
Other financial assets	-	16,202	1,060,639	1,076,841	1,189	97,942	1,041,289	1,140,420
<b>Total</b>	<b>1,136,079</b>	<b>401,373</b>	<b>1,082,526</b>	<b>2,619,978</b>	<b>1,449,650</b>	<b>194,295</b>	<b>1,064,608</b>	<b>2,708,553</b>

There were no collateral repossessed by the Bank as at 31 December 2014 and 31 December 2013.

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.1 Credit Risk (Continued)

##### 45.1.4 Credit quality of financial assets (Continued)

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

(iii) An ageing analysis of other financial assets of the Group and the Bank that are “past due but not impaired” as at 31 December 2014 and 31 December 2013 are set out as below:

	The Group and the Bank 31 December 2014		
	Past due but not impaired		
	Up to 1 month RM'000	> 1 to 3 months RM'000	Total RM'000
Other financial assets	5,497	7,314	12,811

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



## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.2 Market Risk**

Market risk is defined as any fluctuation in the market value of a trading or investment exposure arising from changes to market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

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

##### **Market Risk Management (MRM)**

Market risk is evaluated by considering the risk/reward relationship and market exposures across a variety of dimensions such as volatility, concentration/diversification and maturity. The GRC with the support of Group Market Risk Committee and Group Underwriting Committee (GUC) ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board. GRC, GRMC and GUC supported by the Market Risk Centre of Excellence in GRD is responsible to measure and control market risk of the Group through robust measurement and the setting of limits while facilitating business growth within a controlled and transparent risk management framework.

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

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.2 Market Risk (Continued)**

###### **Market Risk Management (MRM) (Continued)**

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

In addition to daily monitoring of VaR usage, on a monthly basis, all market exposures and VaR of the Group will be summarised and submitted to Group Market Risk Committee, GRC and BRC for its perusal.

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

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

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

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.2 Market Risk (Continued)**

###### **Market Risk Management (MRM) (Continued)**

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

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

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

All valuation methods and models used are documented and validated by the quantitative analysts to assess its applicability to market conditions. The process includes verification of rate sources, parameters, assumptions in modelling approach and its implementation. Existing valuation models are reviewed periodically to ensure that they remain relevant to changing market conditions.

###### *Capital Treatment for Market Risk*

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on Capital Adequacy Framework (CAF) (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks (CAFIB) (Risk Weighted Assets).

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## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.2 Market Risk (Continued)**

###### **45.2.1 VaR**

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2014 and 31 December 2013 are as follows:

	<b>The Group</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>VaR</b>		
Foreign exchange risk	310	281
Interest rate risk	27	25
Equity risk	2	5
<b>Total</b>	<b>339</b>	<b>311</b>
<b>Total shareholders fund</b>	<b>607,166</b>	<b>569,428</b>
<b>Percentage of shareholders funds</b>	<b>0.06%</b>	<b>0.05%</b>

	<b>The Bank</b>	
	<b>31 December 2014</b>	<b>31 December 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>VaR</b>		
Foreign exchange risk		
Interest rate risk	303	274
Equity risk	27	25
<b>Total</b>	<b>2</b>	<b>5</b>
<b>Total shareholders fund</b>	<b>583,591</b>	<b>547,063</b>
<b>Percentage of shareholders funds</b>	<b>0.06%</b>	<b>0.06%</b>



**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.2 Market Risk (Continued)**

**45.2.2 Interest rate risk (Continued)**

(a) The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2014 and 31 December 2013, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	Non-trading book > 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
31 December 2014								
Financial liabilities								
Deposits from customers	159,008	35,000	-	-	-	152,200	353	346,561
Deposits and placements of banks and other financial institutions	948,925	182,000	-	-	-	-	2,704	1,133,629
Derivative financial instruments	-	-	-	-	-	-	-	10,626
- Trading derivatives	-	-	-	-	-	-	953,769	953,769
Other liabilities	-	-	-	-	-	-	19,415	19,415
Amounts due to related companies	-	-	-	-	-	-	-	-
Subordinated loan	-	-	-	-	5,000	-	-	5,000
<b>Total financial liabilities</b>	<b>1,107,933</b>	<b>217,000</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>152,200</b>	<b>976,241</b>	<b>2,469,000</b>
Net interest rate sensitivity gap	345,787	(166,294)	24	2,109	4,377	17,392	15,916	
Credit related commitments and contingencies	-	-	-	-	-	-	-	22,949

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### 45.2 Market Risk (Continued)

##### 45.2.2 Interest rate risk (Continued)

(a) The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2014 and 31 December 2013, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Group							Total RM'000
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	Non-trading book > 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	
31 December 2013								
Financial assets								
Cash and short term funds	1,347,199	-	-	-	-	-	35,574	1,382,773
Reverse repurchase agreements	-	199,695	-	-	-	-	556	200,251
Deposits and placements with banks and other financial institutions	-	28	-	100	-	-	3	131
Financial assets held for trading	-	-	-	-	-	-	-	-
- Quoted securities	-	-	-	-	-	-	-	1,119
- Unquoted securities	-	-	-	-	-	-	-	1,036
Derivative financial instruments	-	-	-	-	-	-	-	-
- Trading derivatives	-	-	-	-	-	-	-	23,319
Financial investments available-for-sale	-	-	-	-	-	-	-	-
- Unquoted securities	-	-	-	-	-	-	2,824	2,824
Loans, advances and financing	2	109	36	63	9,145	121,712	-	131,067
Other assets	-	-	-	-	-	-	-	-
Amounts due from ultimate holding company	-	-	-	-	-	-	1,146,105	1,146,105
Amounts due from related companies	-	-	-	-	-	-	190	190
<b>Total financial assets</b>	<b>1,347,201</b>	<b>199,832</b>	<b>36</b>	<b>163</b>	<b>9,145</b>	<b>121,712</b>	<b>1,199,767</b>	<b>2,903,330</b>

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.2 Market Risk (Continued)****45.2.2 Interest rate risk (Continued)**

(a) The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts as at 31 December 2014 and 31 December 2013, analysed by the earlier of contractual repricing or maturity dates. (Continued)

## The Group

	Up to 1 month RM'000	> 1 – 3 months RM'000	Non-trading book			> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
			> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000					
31 December 2013										
Financial liabilities										
Deposits from customers	178,071	10,686	-	-	-	162,200	166	-	-	351,123
Deposits and placements of banks and other financial institutions	1,043,445	100,000	-	-	-	-	2,196	-	-	1,145,641
Derivative financial instruments	-	-	-	-	-	-	-	9,383	9,383	9,383
- Trading derivatives	-	-	-	-	-	-	1,108,092	-	-	1,108,092
Other liabilities	-	-	-	-	-	-	2,281	-	-	2,281
Amounts due to related companies	-	-	-	-	-	-	-	-	-	-
Subordinated loan	-	-	-	-	-	15,000	-	-	-	15,000
<b>Total financial liabilities</b>	<b>1,221,516</b>	<b>110,686</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>177,200</b>	<b>1,112,735</b>	<b>9,383</b>	<b>9,383</b>	<b>2,631,520</b>
<b>Net interest rate sensitivity gap</b>	<b>125,685</b>	<b>89,146</b>	<b>36</b>	<b>163</b>	<b>9,145</b>	<b>(55,488)</b>				<b>16,091</b>
Credit related commitments and contingencies	-	-	-	-	-	-	-	-	-	13,285





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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.2 Market Risk (Continued)**

**45.2.2 Interest rate risk (Continued)**

(b) The table below summarises the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2014 and 31 December 2013, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Bank								Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	Non-trading book		Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	
				> 6 – 12 months RM'000	> 1 – 5 years RM'000				
31 December 2014									
Financial liabilities									
Deposits from customers	159,008	35,000	-	-	-	152,200	353	-	346,561
Deposits and placements of banks and other financial institutions	948,925	182,000	-	-	-	-	2,704	-	1,133,629
Derivative financial instruments									
- Trading derivatives								10,626	10,626
Other liabilities	-	-	-	-	-	-	951,663	-	951,663
Amounts due to related companies	-	-	-	-	-	-	19,415	-	19,415
<b>Total financial liabilities</b>	<b>1,107,933</b>	<b>217,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>152,200</b>	<b>974,135</b>	<b>10,626</b>	<b>2,461,894</b>
Net interest rate sensitivity gap	316,290	(166,323)	24	2,109	9,377	17,392	-	15,916	
Credit related commitments and contingencies	-	-	-	-	-	-	22,949	-	

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.2 Market Risk (Continued)

##### 45.2.2 Interest rate risk (Continued)

(b) The table below summarises the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2014 and 31 December 2013, analysed by the earlier of contractual repricing or maturity dates. (Continued)

31 December 2013	The Bank								Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	Non-trading book		Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	
				> 6 – 12 months RM'000	> 1 – 5 years RM'000				
Financial assets									
Cash and short term funds	1,309,759	-	-	-	-	-	34,750	-	1,344,509
Reverse repurchase agreements	-	199,695	-	-	-	-	556	-	200,251
Deposits and placements with banks and other financial institutions	-	-	-	100	-	-	2	-	102
Financial assets held for trading	-	-	-	-	-	-	-	1,119	1,119
- Quoted securities	-	-	-	-	-	-	-	1,036	1,036
- Unquoted securities	-	-	-	-	-	-	-	-	-
Derivative financial instruments	-	-	-	-	-	-	-	23,319	23,319
- Trading derivatives	-	-	-	-	-	-	-	-	-
Financial investments available-for-sale	-	-	-	-	-	-	745	-	745
- Unquoted securities	-	-	-	-	-	-	-	-	-
Loans, advances and financing	2	109	36	63	121,712	9,145	-	-	131,067
Other assets	-	-	-	-	-	-	1,144,081	-	1,144,081
Amounts due from subsidiaries	-	-	-	-	-	-	131	-	131
Amounts due from related companies	-	-	-	-	-	-	14,515	-	14,515
Amounts due from ultimate holding company	-	-	-	-	-	-	190	-	190
Total financial assets	1,309,761	199,804	36	163	121,712	9,145	1,194,970	25,474	2,861,065

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.2 Market Risk (Continued)****45.2.2 Interest rate risk (Continued)**

- (b) The table below summarises the Bank's financial assets and financial liabilities at their full carrying amounts as at 31 December 2014 and 31 December 2013, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Bank								Total RM'000	
	Up to 1 month RM'000	> 1 – 3 months RM'000	Non-trading book			Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000		
			> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000					
31 December 2013										
Financial liabilities										
Deposits from customers	178,071	10,686	-	-	-	162,200	166	-	351,123	
Deposits and placements of banks and other financial institutions	1,043,445	100,000	-	-	-	-	2,196	-	1,145,641	
Derivative financial instruments	-	-	-	-	-	-	-	9,383	9,383	
- Trading derivatives	-	-	-	-	-	-	-	-	-	
Other liabilities	-	-	-	-	-	-	1,105,078	-	1,105,078	
Amounts due to related companies	-	-	-	-	-	-	2,281	-	2,281	
Total financial liabilities	1,221,516	110,686	-	-	-	162,200	1,109,721	9,383	2,613,506	
Net interest rate sensitivity gap	88,245	89,118	36	163	9,145	(40,488)	-	16,091	-	
Credit related commitments and contingencies	-	-	-	-	-	-	-	-	13,285	-

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.2 Market Risk (Continued)****45.2.2 Interest rate risk (Continued)****(c) Sensitivity of profit**

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

		The Group			
		31 December 2014		31 December 2013	
		+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)		1,189	(1,189)	1,311	(1,311)

		The Bank			
		31 December 2014		31 December 2013	
		+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)		1,024	(1,024)	1,080	(1,080)

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.

**45.2.3 Foreign exchange risk**

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.2 Market Risk (Continued)****45.2.3 Foreign exchange risk (Continued)**

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

31 December 2014	The Group							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
<b>Financial assets</b>									
Cash and short term funds	1,258,469	-	716	16,226	18,041	2,255	9,328	46,566	1,305,035
Reverse repurchase agreements	195,890	-	-	-	-	-	-	-	195,890
Deposits and placements with banks and other	50,637	-	-	-	-	-	-	-	50,637
Financial assets held for trading									
- Quoted securities	46	7	6	5	-	23	-	41	87
- Unquoted securities	4,568	-	-	-	-	-	-	-	4,568
Derivative financial instruments									
- Trading derivatives	21,887	-	-	-	-	-	-	-	21,887
Financial investments available-for-sale									
- Unquoted securities	718	-	-	-	746	-	-	746	1,464
Loans, advances and financing	179,181	-	-	-	-	-	-	-	179,181
Other assets	997,196	11,958	3,141	3,152	7,347	5,586	42,071	73,255	1,070,451
Amounts due from related companies	19,973	46	-	213	557	-	1,150	1,966	21,939
	<b>2,728,565</b>	<b>12,011</b>	<b>3,863</b>	<b>19,596</b>	<b>26,691</b>	<b>7,864</b>	<b>52,549</b>	<b>122,574</b>	<b>2,851,139</b>
<b>Financial liabilities</b>									
Deposits from customers	346,561	-	-	-	-	-	-	-	346,561
Deposits and placements of banks and other financial institutions	1,133,203	-	-	-	-	-	426	426	1,133,629
Derivatives financial instruments									
- Trading derivatives	10,626	-	-	-	-	-	-	-	10,626
Subordinated loan	5,000	-	-	-	-	-	-	-	5,000
Other liabilities	881,687	11,335	3,134	3,170	7,306	5,573	41,564	72,082	953,769
Amounts due to related companies	15,599	-	-	3,816	-	-	-	3,816	19,415
	<b>2,392,676</b>	<b>11,335</b>	<b>3,134</b>	<b>6,986</b>	<b>7,306</b>	<b>5,573</b>	<b>41,990</b>	<b>76,324</b>	<b>2,469,000</b>
Credit related commitments and contingencies	22,949	-	-	-	-	-	-	-	22,949
	<b>22,949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,949</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.2 Market Risk (Continued)****45.2.3 Foreign exchange risk (Continued)**

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.2 Market Risk (Continued)****45.2.3 Foreign exchange risk (Continued)**

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

31 December 2014	The Bank							Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	AUD RM'000	Others RM'000		
<b>Financial assets</b>									
Cash and short term funds	1,228,926	-	716	16,206	17,688	2,255	9,003	45,868	1,274,794
Reverse repurchase agreements	195,890	-	-	-	-	-	-	-	195,890
Deposits and placements with banks and other	50,607	-	-	-	-	-	-	-	50,607
Financial assets held for trading									
- Quoted securities	46	7	6	5	-	23	-	41	87
- Unquoted securities	4,568	-	-	-	-	-	-	-	4,568
Derivative financial instruments									
- Trading derivatives	21,887	-	-	-	-	-	-	-	21,887
Financial investments available-for-sale									
- Unquoted securities	-	-	-	-	745	-	-	745	745
Loans, advances and financing	179,181	-	-	-	-	-	-	-	179,181
Other assets	994,797	11,958	3,141	3,152	7,160	5,586	42,070	73,067	1,067,864
Amounts due from subsidiaries	12	-	-	-	-	-	-	-	12
Amounts due from related companies	19,973	46	-	213	557	-	1,150	1,966	21,939
	<b>2,695,887</b>	<b>12,011</b>	<b>3,863</b>	<b>19,576</b>	<b>26,150</b>	<b>7,864</b>	<b>52,223</b>	<b>121,687</b>	<b>2,817,574</b>
<b>Financial liabilities</b>									
Deposits from customers	346,561	-	-	-	-	-	-	-	346,561
Deposits and placements of banks and other financial institutions	1,133,203	-	-	-	-	-	426	426	1,133,629
Derivatives financial instruments									
- Trading derivatives	10,626	-	-	-	-	-	-	-	10,626
Other liabilities	879,581	11,335	3,134	3,170	7,306	5,573	41,564	72,082	951,663
Amounts due to related companies	15,599	-	-	3,816	-	-	-	3,816	19,415
	<b>2,385,570</b>	<b>11,335</b>	<b>3,134</b>	<b>6,986</b>	<b>7,306</b>	<b>5,573</b>	<b>41,990</b>	<b>76,324</b>	<b>2,461,894</b>
Credit related commitments and contingencies	22,949	-	-	-	-	-	-	-	22,949
	<b>22,949</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,949</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.2 Market Risk (Continued)****45.2.3 Foreign exchange risk (Continued)**

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.2 Market Risk (Continued)****45.2.3 Foreign exchange risk (Continued)****(a) Sensitivity of profit**

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

	The Group and the Bank			
	31 December 2014		31 December 2013	
	+1% appreciation RM'000	-1% appreciation RM'000	+1% appreciation RM'000	-1% appreciation RM'000
Impact to profit (after tax)	215	(215)	204	(204)

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

**45.3 Liquidity Risk**

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

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

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.3 Liquidity Risk (Continued)**

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

Liquidity risk undertaken by the Group is governed by a set of established liquidity risk appetite and threshold. Management action triggers (MATs) have been established to alert management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Framework is subjected to regular review; 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 compiled 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 Group ALCOs, the Group Risk Committee and the Board Risk Committees/Board of Directors of the Group. The test results to date have indicated that the Group has sufficient liquidity capacity to meet the liquidity requirements under various stress test conditions. In addition, the Group is measuring, monitoring and managing its liquidity positions to comply with the regulatory Basel III Liquidity Coverage Ratio (LCR), which is expected to take effect in mid-2015.

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.3 Liquidity risk (Continued)****45.3.1 Contractual maturity of assets and liabilities**

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

31 December 2014	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Group				Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Assets								
Cash and short term funds	1,305,035	-	-	-	-	-	-	1,305,035
Reverse repurchase agreements	195,890	-	-	-	-	-	-	195,890
Deposits and placements with banks and other financial institutions	8	50,629	-	-	-	-	-	50,637
Financial assets held for trading	155	-	-	-	-	4,500	-	4,655
Derivative financial instruments	-	-	-	-	-	21,887	-	21,887
Financial investments available-for-sale	-	-	-	-	-	-	1,464	1,464
Loans, advances and financing	2	77	24	109	9,377	169,592	-	179,181
Other assets	1,145,355	-	-	-	-	-	-	1,145,355
Deferred tax assets	-	-	-	-	-	-	46,428	46,428
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,721	1,721
Investment in associates	-	-	-	-	-	-	5,835	5,835
Property, plant and equipment	-	-	-	-	-	-	107,514	107,514
Goodwill on consolidation	-	-	-	-	-	-	964	964
Amounts due from related companies	21,939	-	-	-	-	-	-	21,939
<b>Total assets</b>	<b>2,668,384</b>	<b>50,706</b>	<b>24</b>	<b>109</b>	<b>9,377</b>	<b>195,979</b>	<b>163,926</b>	<b>3,088,505</b>

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(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### 45.3 Liquidity risk (Continued)

##### 45.3.1 Contractual maturity of assets and liabilities (Continued)

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

31 December 2014 Liabilities	The Group							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Deposits from customers	159,361	35,000	-	-	-	152,200	-	346,561
Deposits and placements of banks and other financial institutions	951,629	182,000	-	-	-	-	-	1,133,629
Derivative financial instruments	-	-	-	-	-	10,626	-	10,626
Other liabilities	962,286	-	-	-	-	-	-	962,286
Provision for taxation and Zakat	3,822	-	-	-	-	-	-	3,822
Subordinated loan	-	-	-	-	5,000	-	-	5,000
Amounts due to related companies	19,415	-	-	-	-	-	-	19,415
<b>Total liabilities</b>	<b>2,096,513</b>	<b>217,000</b>	<b>-</b>	<b>-</b>	<b>5,000</b>	<b>162,826</b>	<b>-</b>	<b>2,481,339</b>
<b>Net liquidity gap</b>	<b>571,871</b>	<b>(166,294)</b>	<b>24</b>	<b>109</b>	<b>4,377</b>	<b>33,153</b>	<b>163,926</b>	

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### 45.3 Liquidity risk (Continued)

##### 45.3.1 Contractual maturity of assets and liabilities (Continued)

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.3 Liquidity risk (Continued)****45.3.1 Contractual maturity of assets and liabilities (Continued)**

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.3 Liquidity risk (Continued)****45.3.1 Contractual maturity of assets and liabilities (Continued)**

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

31 December 2014 Assets	Up to 1 month RM'000	The Bank					Total RM'000
		> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	
Cash and short term funds	1,274,794	-	-	-	-	-	1,274,794
Reverse repurchase agreements	195,890	-	-	-	-	-	195,890
Deposits and placements with banks and other financial institutions	7	50,600	-	-	-	-	50,607
Financial assets held for trading	155	-	-	-	4,500	-	4,655
Derivative financial instruments	-	-	-	-	21,887	-	21,887
Financial investments available-for-sale	-	-	-	-	-	745	745
Loans, advances and financing	2	77	24	109	9,377	169,592	179,181
Other assets	1,142,718	-	-	-	-	-	1,142,718
Deferred tax assets	-	-	-	-	-	46,296	46,296
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,721	1,721
Investment in subsidiaries	-	-	-	-	-	9,050	9,050
Property, plant and equipment	-	-	-	-	-	108,294	108,294
Amounts due from related companies	21,939	-	-	-	-	-	21,939
Amounts due from subsidiaries	12	-	-	-	-	-	12
<b>Total assets</b>	<b>2,635,517</b>	<b>50,677</b>	<b>24</b>	<b>109</b>	<b>9,377</b>	<b>195,979</b>	<b>3,057,789</b>



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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.3 Liquidity risk (Continued)****45.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank						Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	
31 December 2014							
Liabilities							
Deposits from customers	159,361	35,000	-	-	-	152,200	346,561
Deposits and placements of banks and other financial institutions	951,629	182,000	-	-	-	-	1,133,629
Derivative financial instruments	-	-	-	-	-	10,626	10,626
Other liabilities	960,177	-	-	-	-	-	960,177
Provision for taxation and Zakat	3,790	-	-	-	-	-	3,790
Amounts due to related companies	19,415	-	-	-	-	-	19,415
<b>Total liabilities</b>	<b>2,094,372</b>	<b>217,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>162,826</b>	<b>2,474,198</b>
<b>Net liquidity gap</b>	<b>541,145</b>	<b>(166,323)</b>	<b>24</b>	<b>109</b>	<b>9,377</b>	<b>33,153</b>	<b>166,106</b>

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.3 Liquidity risk (Continued)

##### 45.3.1 Contractual maturity of assets and liabilities (Continued)

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

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

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.3 Liquidity risk (Continued)

##### 45.3.1 Contractual maturity of assets and liabilities (Continued)

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

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

# CIMB Investment Bank Berhad

(Incorporated in Malaysia)

## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### 45.3 Liquidity risk (Continued)

##### 45.3.2 Contractual maturity of financial liabilities on an undiscounted basis

###### Non-derivative financial liabilities

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

31 December 2014	The Group						Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	
Non-derivative financial liabilities							
Deposits from customers	159,574	35,234	-	-	-	152,215	-
Deposits and placements of banks and other financial institutions	952,623	183,066	-	-	-	-	-
Other liabilities	953,769	-	-	-	-	-	-
Amounts due to related companies	19,415	-	-	-	-	-	-
Subordinated loans	-	-	-	-	5,000	-	-
	2,085,381	218,300	-	-	5,000	152,215	-
							2,460,896
<u>Commitments and contingencies</u>							
Credit related commitments and contingencies	-	-	-	-	24	22,925	-
	-	-	-	-	24	22,925	-
							22,949
							22,949

# CIMB Investment Bank Berhad

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## Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

### 45 Financial Risk Management (Continued)

#### 45.3 Liquidity risk (Continued)

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

##### Non-derivative financial liabilities (Continued)

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

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

**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.3 Liquidity risk (Continued)**

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

**Non-derivative financial liabilities (Continued)**

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

31 December 2014	The Bank							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Non-derivative financial liabilities								
Deposits from customers	159,574	35,234	-	-	-	152,215	-	347,023
Deposits and placements of banks and other financial institutions	952,623	183,066	-	-	-	-	-	1,135,689
Other liabilities	951,663	-	-	-	-	-	-	951,663
Amounts due to related companies	19,415	-	-	-	-	-	-	19,415
	<b>2,083,275</b>	<b>218,300</b>	-	-	-	<b>152,215</b>	-	<b>2,453,790</b>
<b>Commitments and contingencies</b>								
Credit related commitments and contingencies	-	-	-	-	24	22,925	-	22,949
	-	-	-	-	24	22,925	-	22,949

**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.3 Liquidity risk (Continued)**

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

Non-derivative financial liabilities (Continued)

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

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

**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.3 Liquidity risk (Continued)**

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

Derivative financial liabilities

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

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

31 December 2014 Derivative financial liabilities Derivative held for trading - Interest rate derivatives	The Group and the Bank						Total RM'000
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 5 years RM'000	Over 5 years RM'000	
	(10,626)	-	-	-	-	-	(10,626)
	(10,626)	-	-	-	-	-	(10,626)



## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.3 Liquidity risk (Continued)

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

##### Derivative financial liabilities (Continued)

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

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

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.4 Fair value estimation**

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

##### **45.4.1 Determination of fair value and fair value hierarchy**

###### **Valuation model review and approval**

- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation. The validation includes an assessment of the stability of models in terms of performance over a variety of conditions and back-testing of the model outputs.
- Valuation methodologies for the purpose of determining Mark-to-Market prices will be verified by Group Risk Management Quantitative Analysts before submitting to Group Risk Committee for approval;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification;
- Any material uncertainty arising from the modelling and market inputs shall be disclosed to the Group Risk Committee;
- Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Chief Risk Officer or / and Group Risk Committee;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodology. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.4 Fair value estimation (Continued)**

###### **45.4.1 Determination of fair value and fair value hierarchy (Continued)**

The fair value hierarchy has the following levels:

- |         |  |
|---------|--|
| Level 1 | Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.  |
| Level 2 | Inputs to the valuation methodology include: <ul style="list-style-type: none"><li>• Quoted prices for similar assets and liabilities in active markets; or</li><li>• Quoted prices for identical or similar assets and liabilities in non-active markets; or</li><li>• Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.</li></ul> |
| Level 3 | One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.  |

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

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

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

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

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.4 Fair value estimation (Continued)**

**45.4.1 Determination of fair value and fair value hierarchy (Continued)**

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

	The Group				The Bank					
	Fair Value				Fair Value					
	Carrying amount	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Carrying amount	Quoted market prices (Level 1)	Observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2014</b>										
<b>Financial assets</b>										
Financial assets held for trading	4,655	87	4,568	-	4,655	4,655	87	4,568	-	4,655
Financial investments available-for-sale	1,464	-	-	1,464	1,464	745	-	-	745	745
Derivative financial instruments	21,887	-	21,887	-	21,887	21,887	-	21,887	-	21,887
<b>Total</b>	<b>28,006</b>	<b>87</b>	<b>26,455</b>	<b>1,464</b>	<b>28,006</b>	<b>27,287</b>	<b>87</b>	<b>26,455</b>	<b>745</b>	<b>27,287</b>
<b>Financial liabilities</b>										
Derivative financial instruments	10,626	-	10,626	-	10,626	10,626	-	10,626	-	10,626
<b>Total</b>	<b>10,626</b>	<b>-</b>	<b>10,626</b>	<b>-</b>	<b>10,626</b>	<b>10,626</b>	<b>-</b>	<b>10,626</b>	<b>-</b>	<b>10,626</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.4 Fair value estimation (Continued)****45.4.1 Determination of fair value and fair value hierarchy (Continued)**

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

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

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 45 Financial Risk Management (Continued)

##### 45.4 Fair value estimation (Continued)

##### 45.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2014 and 31 December 2013 for the Group and the Bank.

	The Group Financial Assets Financial investments available-for-sale RM'000
<b>2014</b>	
At 1 January	2,824
Total gain recognised in statement of income	44
Total loss recognised in other comprehensive income	(277)
Redemption of securities	(1,127)
At 31 December	<u>1,464</u>
Total gain recognised in profit or loss relating to assets held on 31 December 2014	44
Total loss recognised in other comprehensive income relating to assets held on 31 December 2014	<u>(277)</u>
<b>2013</b>	
At 1 January	4,732
Total loss recognised in statement of income	(1,117)
Total loss recognised in other comprehensive income	(791)
At 31 December	<u>2,824</u>
Total loss recognised in profit or loss relating to assets held on 31 December 2013	(1,117)
Total loss recognised in other comprehensive income relating to assets held on 31 December 2013	<u>(791)</u>

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.4 Fair value estimation (Continued)**

##### **45.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2014 and 31 December 2013 for the Group and the Bank. (Continued)

	<b>The Bank Financial Assets Financial investments available-for-sale RM'000</b>
<b>2014</b>	
At 1 January / 31 December	<u>745</u>
<b>2013</b>	
At 1 January / 31 December	<u>745</u>

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.4 Fair value estimation (Continued)**

##### **45.4.2 Quantitative information about fair value measurements using significant unobservable inputs (level 3)**

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

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

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

- Credit correlation –
  1. Long correlation positions will be shocked with lower correlation
  2. Short correlation positions will be shocked with higher correlation
- Credit & FX correlation –
  1. Short Quanto CDS position shocked with larger negative correlation
  2. Long Quanto CDS position shocked with larger positive correlation
- FX Volatility -
  1. Long volatility shocked with lower volatility
  2. Short volatility shocked with higher volatility

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations.

These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e. volatility derived from the shares’ historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

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



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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.4 Fair value estimation (Continued)**

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

**The Group  
31 December 2014**

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial investments available-for-sale - unquoted shares	1,464	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

**31 December 2013**

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

**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.4 Fair value estimation (Continued)**

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

**The Bank**

**31 December 2014**

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

**31 December 2013**

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

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.4 Fair value estimation (Continued)****45.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed**

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2014 and 31 December 2013 but for which fair value is disclosed.

	Carrying value RM'000	The Group Fair Value		Total RM'000
		Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	
<b>31 December 2014</b>				
<b>Financial assets</b>				
Cash and short-term funds	1,305,035	1,305,035	-	1,305,035
Reverse repurchase agreements	195,890	-	195,890	195,890
Deposits and placement with banks and other financial institutions	50,637	-	50,637	50,637
Loans, advances and financing	179,181	-	113,791	113,791
Other assets	1,145,355	-	1,145,355	1,145,355
Amounts due from related companies	21,939	-	21,939	21,939
Statutory deposits with Bank Negara Malaysia	1,721	1,721	-	1,721
<b>Total</b>	<b>2,899,758</b>	<b>1,306,756</b>	<b>1,527,612</b>	<b>2,834,368</b>
<b>Financial liabilities</b>				
Deposits from customers	346,561	-	345,939	345,939
Deposits and placements of banks and other financial institutions	1,133,629	-	1,133,629	1,133,629
Other liabilities	962,286	-	962,286	962,286
Amounts due to related companies	19,415	-	19,415	19,415
Subordinated loan	5,000	-	4,940	4,940
<b>Total</b>	<b>2,466,891</b>	<b>-</b>	<b>2,466,209</b>	<b>2,466,209</b>

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.4 Fair value estimation (Continued)****45.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2014 and 31 December 2013 but for which fair value is disclosed. (Continued)

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

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.4 Fair value estimation (Continued)****45.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2014 and 31 December 2013 but for which fair value is disclosed.

	Carrying value RM'000	The Bank Fair Value		Total RM'000
		Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	
<b>31 December 2014</b>				
<b>Financial assets</b>				
Cash and short-term funds	1,274,794	1,274,794	-	1,274,794
Reverse repurchase agreements	195,890	-	195,890	195,890
Deposits and placement with banks and other financial institutions	50,607	-	50,607	50,607
Loans, advances and financing	179,181	-	113,791	113,791
Other assets	1,142,718	-	1,142,718	1,142,718
Amounts due from subsidiaries	12	-	12	12
Amounts due from related companies	21,939	-	21,939	21,939
Statutory deposits with Bank Negara Malaysia	1,721	1,721	-	1,721
<b>Total</b>	<b>2,866,862</b>	<b>1,276,515</b>	<b>1,524,957</b>	<b>2,801,472</b>
<b>Financial liabilities</b>				
Deposits from customers	346,561	-	345,939	345,939
Deposits and placements of banks and other financial institutions	1,133,629	-	1,133,629	1,133,629
Other liabilities	960,177	-	960,177	960,177
Amounts due to related companies	19,415	-	19,415	19,415
<b>Total</b>	<b>2,459,782</b>	<b>-</b>	<b>2,459,160</b>	<b>2,459,160</b>

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****45 Financial Risk Management (Continued)****45.4 Fair value estimation (Continued)****45.4.3 Assets and liabilities not measured at fair value but for which fair value is disclosed (Continued)**

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2014 but for which fair value is disclosed.

(Continued)

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

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.4 Fair value estimation (Continued)**

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

The total fair value of each financial assets and liabilities presented on the statements of financial position as at 31 December 2014 and 31 December 2013 of the Group and the Bank approximates the total carrying value as at the reporting date, except for the following:

	The Group and the Bank	
	Carrying amount	Fair value
	RM'000	RM'000
<u>31 December 2014</u>		
<u>Financial assets</u>		
Loans, advances and financing	179,181	113,791
<u>31 December 2013</u>		
<u>Financial assets</u>		
Loans, advances and financing	131,067	95,066

## **CIMB Investment Bank Berhad**

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### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **45 Financial Risk Management (Continued)**

##### **45.4 Fair value estimation (Continued)**

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

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

##### **Short term funds and placements with financial institutions**

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

##### **Other assets**

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

##### **Loans, advances and financing**

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

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

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



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**Notes to the Financial Statements**  
**for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.4 Fair value estimation (Continued)**

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

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

**Amounts due (to)/from subsidiaries and related companies**

The estimated fair values of the amounts due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

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

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

**Deposits from customers**

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

**Deposits and placements of banks and other financial institutions**

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

**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements**  
**for the financial year ended 31 December 2014 (Continued)**

**45 Financial Risk Management (Continued)**

**45.4 Fair value estimation (Continued)**

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

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

**Other liabilities**

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

**Due from brokers and clients and corporate finance debtors**

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

**Other borrowings**

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

**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.

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****46 The operations of Islamic Banking****Statements of Financial Position as at 31 December 2014**

	Note	The Group and the Bank	
		31 December 2014 RM'000	31 December 2013 RM'000
<b>Assets</b>			
Cash and short term funds	(a)	470,664	538,321
Deposits and placements with banks and other financial institutions	(b)	50,605	-
Islamic derivative financial instruments	(c)	21,887	23,319
Other assets	(d)	158,638	164,118
Tax recoverable		2,740	-
Deferred tax assets	(e)	15	-
Property, plant and equipment	(f)	434	66
Amounts due from related companies	(g)	1,321	109
<b>Total assets</b>		<b>706,304</b>	<b>725,933</b>
<b>Liabilities and Islamic Banking capital funds</b>			
Deposits from customers	(h)	152,200	162,200
Deposits and placements of banks and other financial institutions	(i)	85,674	132,143
Islamic derivative financial instruments	(c)	10,626	9,383
Provision for taxation and Zakat	(j)	7	2,667
Other liabilities	(k)	35,740	8,494
Amounts due to related companies	(g)	271	274
<b>Total liabilities</b>		<b>284,518</b>	<b>315,161</b>
Islamic Banking capital funds		55,250	55,250
Reserves		366,536	355,522
<b>Total Islamic Banking capital funds</b>		<b>421,786</b>	<b>410,772</b>
<b>Total liabilities and Islamic Banking capital funds</b>		<b>706,304</b>	<b>725,933</b>

**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements**  
**for the financial year ended 31 December 2014 (Continued)**

**46 The operations of Islamic Banking (Continued)**

**Statements of Income for the financial year ended 31 December 2014**

	Note	The Group and the Bank	
		2014 RM'000	2013 RM'000
Income derived from investment of depositors' funds and others	(l)	1,515	14,957
Income derived from investment of shareholders' funds	(m)	32,867	60,659
Allowance for impairment losses on other receivables		(43)	(147)
<b>Total attributable income</b>		<b>34,339</b>	<b>75,469</b>
Income attributable to the depositors	(n)	(4,148)	(13,958)
<b>Total net income</b>		<b>30,191</b>	<b>61,511</b>
Personnel expenses	(o)	(544)	(515)
Other overheads and expenditures	(p)	(14,466)	(21,861)
<b>Profit before taxation</b>		<b>15,181</b>	<b>39,135</b>
Taxation	(q)	(4,167)	(10,320)
<b>Profit after taxation/total comprehensive income for the financial year</b>		<b>11,014</b>	<b>28,815</b>
<b>Total net income</b>		<b>30,191</b>	<b>61,511</b>
Add : allowance for impairment losses on other receivables		43	147
		<b>30,234</b>	<b>61,658</b>

**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements**  
**for the financial year ended 31 December 2014 (Continued)**

**46 The operations of Islamic Banking (Continued)**

**Statements of Changes in Equity for the financial year ended 31 December 2014**

	Islamic Banking capital fund RM'000	Statutory reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Group and the Bank</b>				
At 1 January 2014	55,250	1,336	354,186	410,772
Net profit for the financial year	-	-	11,014	11,014
Total comprehensive income for the financial year	-	-	11,014	11,014
<b>At 31 December 2014</b>	<b>55,250</b>	<b>1,336</b>	<b>365,200</b>	<b>421,786</b>
At 1 January 2013	55,250	1,336	381,371	437,957
Net profit for the financial year	-	-	28,815	28,815
Total comprehensive income for the financial year	-	-	28,815	28,815
Final dividend paid in respect of the financial year ended 31 December 2012	-	-	(56,000)	(56,000)
<b>At 31 December 2013</b>	<b>55,250</b>	<b>1,336</b>	<b>354,186</b>	<b>410,772</b>

**CIMB Investment Bank Berhad**  
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**Notes to the Financial Statements**  
**for the financial year ended 31 December 2014 (Continued)**

**46 The operations of Islamic Banking (Continued)**

**Statements of Cash Flows for the financial year ended 31 December 2014**

	The Group and the Bank	
	2014	2013
Note	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit before taxation	15,181	39,135
Add/(less) adjustments:		
Unrealised foreign exchange gain	(3)	(1)
Allowance for impairment losses on other receivables	43	147
Net unrealised loss on revaluation of Islamic derivative financial instruments	2,675	7,401
Depreciation of property, plant and equipment	58	7
Cash flow from operating profit before changes in operating assets and liabilities	<u>17,954</u>	<u>46,689</u>
<b>Operating assets</b>		
Deposits and placements with banks and other financial Islamic derivative financial instruments	(50,605)	692,756
Other assets	5,440	9,191
Amounts due from related companies	(1,212)	(109)
<b>Operating liabilities</b>		
Deposits from customers	(10,000)	(146,536)
Deposits and placements of banks and other financial institutions	(46,469)	(131,688)
Other liabilities	27,246	(126,260)
Amounts due to related companies	(3)	52
Cash flow (used in)/generated from operating activities	<u>(57,649)</u>	<u>345,887</u>
Taxation paid	(9,582)	(8,260)
Net cash (used in)/generated from operating activities	<u>(67,231)</u>	<u>337,627</u>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(442)	(51)
Proceeds from disposal of property, plant and equipment	16	-
Net cash used in investing activities	<u>(426)</u>	<u>(51)</u>
<b>Cash flows from financing activities</b>		
Dividends paid	-	(56,000)
	-	(56,000)
<b>Net (decrease)/increase in cash and cash equivalents during the financial year</b>	<u>(67,657)</u>	<u>281,576</u>
<b>Cash and cash equivalents at beginning of the financial year</b>	<u>538,321</u>	<u>256,745</u>
<b>Cash and cash equivalents at end of the financial year</b>	<u>(a) 470,664</u>	<u>538,321</u>

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 46 The operations of Islamic Banking (Continued)

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
(a) <b>Cash and short term funds</b>		
Cash and balances with banks and other financial institutions	119	48
Money at call and deposit placements maturing within one month	470,545	538,273
	<u>470,664</u>	<u>538,321</u>
(b) <b>Deposits and placements with banks and other financial institutions:</b>		
<b>General investment funds:</b>		
Licensed banks	50,605	-
	<u>50,605</u>	<u>-</u>
(c) <b>Islamic derivative financial instruments</b>		

The following tables summarise the contractual or underlying principal amounts of Islamic derivative financial instruments held at fair value through profit or loss. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the end of the reporting period, and do not represent amounts at risk.

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

	The Group and the Bank		
	Principal amount RM'000	Fair values	
		Assets RM'000	Liabilities RM'000
<b>At 31 December 2014</b>			
<b>Held for trading purposes</b>			
<u>Islamic profit rate derivatives</u>			
Islamic profit rate swaps	456,600	21,887	(10,626)
<u>Equity derivatives</u>			
Equity options	267,395	-	-
Total derivative assets/(liabilities)	<u>723,995</u>	<u>21,887</u>	<u>(10,626)</u>

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## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 46 The operations of Islamic Banking (Continued)

##### (c) Islamic derivative financial instruments (Continued)

	The Group and the Bank		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
At 31 December 2013			
Held for trading purposes			
<u>Islamic profit rate derivatives</u>			
Islamic profit rate swaps	486,600	23,319	(9,383)
<u>Equity derivatives</u>			
Equity options	267,752	-	-
Total derivative assets/(liabilities)	<u>754,352</u>	<u>23,319</u>	<u>(9,383)</u>

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
(d) <b>Other assets</b>		
Due from brokers and clients net of allowance for impairment loss	466	905
Other debtors, deposits and prepayments	158,172	163,213
	<u>158,638</u>	<u>164,118</u>

##### (e) Deferred taxation

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

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
Deferred taxation asset (net)	<u>15</u>	<u>-</u>



**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****46 The operations of Islamic Banking (Continued)****(e) Deferred taxation (Continued)**

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

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
At 1 January	-	-
(Charged)/credited to income statement		
- Excess of capital allowance over depreciation	(14)	-
- Other temporary differences	29	-
	15	-
At 31 December	15	-
<b>Deferred tax assets (before offsetting)</b>		
Provision for expenses	(14)	-
Other temporary differences	29	-
<b>Deferred tax assets (after offsetting)</b>	15	-

**(f) Property, plant and equipment**

The Group and the Bank	Office equipment and furniture and fittings	Computer equipment and software	Motor vehicles	Renovation	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2014</b>					
<b>Cost</b>					
At 1 January	332	151	119	713	1,315
Additions	172	59	-	211	442
Disposal	(213)	(54)	-	(712)	(979)
At 31 December	291	156	119	212	778
<b>Accumulated depreciation</b>					
At 1 January	320	115	119	695	1,249
Charge for the financial year	17	21	-	20	58
Disposal	(210)	(54)	-	(699)	(963)
At 31 December	127	82	119	16	344
<b>Net book value as at 31 December 2014</b>	164	74	-	196	434
<b>31 December 2013</b>					
<b>Cost</b>					
At 1 January	325	127	119	693	1,264
Additions	7	24	-	20	51
At 31 December	332	151	119	713	1,315
<b>Accumulated depreciation</b>					
At 1 January	317	113	119	693	1,242
Charge for the financial year	3	2	-	2	7
At 31 December	320	115	119	695	1,249
<b>Net book value as at 31 December 2013</b>	12	36	-	18	66

**CIMB Investment Bank Berhad**

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**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****46 The operations of Islamic Banking (Continued)**

		<b>The Group and the Bank</b>	
		<b>31 December</b>	<b>31 December</b>
		<b>2014</b>	<b>2013</b>
		<b>RM'000</b>	<b>RM'000</b>
<b>(g)</b>	<b>Amounts due from/(to) related companies</b>		
	(i) Amounts due from:		
	- Related companies	<u>1,321</u>	<u>109</u>
	(ii) Amounts due to:		
	- Related companies	<u>(271)</u>	<u>(274)</u>
<b>(h)</b>	<b>Deposits from customers</b>		
	(i) By type of deposits:		
	<b>Term deposits</b>		
	<b>Specific investment account</b>		
	Mudharabah	<u>152,200</u>	<u>162,200</u>
	(ii) The deposits are sourced from the following customers:		
	- Government and statutory bodies	54,400	54,400
	- Business enterprises	7,100	7,100
	- Individuals	86,950	96,950
	- Others	3,750	3,750
		<u>152,200</u>	<u>162,200</u>
	(iii) Maturity structure of term deposits :		
	- More than five years	<u>152,200</u>	<u>162,200</u>
<b>(i)</b>	<b>Deposits and placements of banks and other financial institutions</b>		
	<b>Mudharabah fund:</b>		
	Licensed Islamic bank	<u>85,674</u>	<u>132,143</u>
	(i) The maturity structure of deposits is as follows:		
	Due within six months	<u>85,674</u>	<u>132,143</u>
<b>(j)</b>	<b>Provision for taxation and Zakat</b>		
	Taxation	-	2,560
	Zakat	7	107
		<u>7</u>	<u>2,667</u>
<b>(k)</b>	<b>Other liabilities</b>		
	Due to brokers and clients	35,371	6,446
	Other liabilities	369	2,048
		<u>35,740</u>	<u>8,494</u>

## CIMB Investment Bank Berhad

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### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 46 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		2014	2013
		RM'000	RM'000
(l)	<b>Income derived from investment of depositors' funds</b>		
	Income derived from investment of:		
	(i) General investment deposits	1,515	14,957
		<u>1,515</u>	<u>14,957</u>
	<b>Income derived from investment of general investment deposits :</b>		
	<b>Finance income and hibah:</b>		
	Money at call and deposit and placements with financial institutions	1,515	14,957
		<u>1,515</u>	<u>14,957</u>
(m)	<b>Income derived from investment of shareholders' funds</b>		
	<b>Finance income and hibah:</b>		
	Money at call and deposit and placements with financial institutions	15,133	14,839
		<u>15,133</u>	<u>14,839</u>
	<b>Other trading income:</b>		
	Unrealised loss on revaluation of derivatives	(2,675)	(7,401)
	Net realised gain on derivatives	4,012	7,960
		<u>1,337</u>	<u>559</u>
	<b>Fee and commission income:</b>		
	Advisory fees	1,577	2,583
	Placement fees	5,750	20,385
	Brokerage fees	4,302	7,408
	Underwriting commission	640	3,147
	Others	4,123	10,872
		<u>16,392</u>	<u>44,395</u>
	<b>Other income:</b>		
	Foreign exchange gain	5	-
	Others	-	866
		<u>5</u>	<u>866</u>
		<u>32,867</u>	<u>60,659</u>
(n)	<b>Income attributable to depositors</b>		
	<b>Deposits from customers</b>		
	- Mudharabah Fund	2	1,727
		<u>2</u>	<u>1,727</u>
	<b>Deposits and placements of banks and other financial institutions</b>		
	- Mudharabah Fund	4,146	12,231
		<u>4,148</u>	<u>13,958</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 46 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		2014	2013
		RM'000	RM'000
(o)	<b>Personnel expenses</b>		
	- Salaries, allowances and bonuses	470	441
	- EPF	42	38
	- Others	32	36
		<u>544</u>	<u>515</u>
(p)	<b>Other overheads and expenditure</b>		
	<b>Establishment expenses</b>		
	- Depreciation of property, plant and equipment	58	7
	- Rental	223	231
	- Others	149	145
		<u>430</u>	<u>383</u>
	<b>Marketing expenses</b>		
	- Advertisement	4	-
	- Others	96	91
		<u>100</u>	<u>91</u>
	<b>Administration and general expenses</b>		
	- Legal and professional fees	-	6
	- Others	86	102
		<u>86</u>	<u>108</u>
	<b>Shared services cost</b>		
	-Personnel cost	9,222	14,190
	-Establishment cost	3,031	4,064
	-Marketing expenses	589	770
	-Administration and general expenses	1,008	2,255
		<u>13,850</u>	<u>21,279</u>
		<u>14,466</u>	<u>21,861</u>

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 46 The operations of Islamic Banking (Continued)

		The Group and the Bank	
		2014	2013
		RM'000	RM'000
(q)	<b>Taxation</b>		
	(i) <b>Tax expense for the financial year</b>		
	Current year tax		
	- Malaysian income tax	4,154	10,320
	- (Under)/over provision in prior years	(2)	-
	Deferred tax	15	-
		<u>4,167</u>	<u>10,320</u>

#### (ii) Numerical reconciliation of income tax expense

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

		The Group and the Bank	
		2014	2013
		RM'000	RM'000
	Profit before taxation	<u>15,181</u>	<u>39,135</u>
	Tax calculated at tax rate of 25% (2013: 25%)	3,795	9,784
	Expenses not deductible for tax purposes	374	536
	Under accrual in prior years	(2)	-
	Tax expense	<u>4,167</u>	<u>10,320</u>

**CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

**Notes to the Financial Statements  
for the financial year ended 31 December 2014 (Continued)****46 The operations of Islamic Banking (Continued)****(r) Related party transactions and balances****(i) Related parties and relationships**

The related parties of, and their relationship with the Bank, is disclosed in Note 37 (a).

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

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

	31 December 2014	31 December 2013
	Other related companies RM'000	Other related companies RM'000
<b>The Group and the Bank</b>		
<b>Income:</b>		
Net realised loss on derivatives	(792)	(12,789)
Dividend income	<u>15,351</u>	<u>28,309</u>
	<u>14,559</u>	<u>15,520</u>
<b>Expenses:</b>		
Dividend expense	<u>(4,146)</u>	<u>(12,397)</u>
	<u>(4,146)</u>	<u>(12,397)</u>
<b>The Group and the Bank</b>		
<b>Amounts due from:</b>		
Cash and short term funds	150,517	230
Deposits and placements with banks and other financial institutions	<u>50,605</u>	<u>-</u>
	<u>201,122</u>	<u>230</u>
<b>Amounts due to:</b>		
Deposits and placements of banks and other financial institutions	<u>85,674</u>	<u>132,143</u>
<b>Principal</b>		
<b>Equity related contracts:</b>		
Equity options	<u>133,697</u>	<u>133,876</u>

Company No: 18417-M

## CIMB Investment Bank Berhad

(Incorporated in Malaysia)

### Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)

#### 46 The operations of Islamic Banking (Continued)

##### (s) Capital adequacy ratio

(A) 31 December 2014 - Basel III

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

	The Group and the Bank	
	31 December 2014	31 December 2013
Common Equity Tier 1 Ratio	112.821%	110.483%
Tier 1 ratio	112.821%	110.483%
Total capital ratio	112.821%	110.483%

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

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
Credit risk	213,688	181,076
Market risk	14,616	17,359
Operational risk	145,538	173,362
Total risk-weighted assets	<u>373,842</u>	<u>371,797</u>

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

	The Group and the Bank	
	31 December 2014 RM'000	31 December 2013 RM'000
<b>Common Equity Tier I capital</b>		
Ordinary shares	55,250	55,250
Other reserves	366,536	355,522
Common Equity Tier I capital / total Tier I Capital	421,786	410,772
<u>Less: Regulatory adjustments</u>		
Deferred Tax Assets	(15)	-
Common equity tier I capital after regulatory adjustments / total Tier I capital	<u>421,771</u>	<u>410,772</u>
Total capital base	<u>421,771</u>	<u>410,772</u>

Company No: 18417-M

## **CIMB Investment Bank Berhad**

(Incorporated in Malaysia)

### **Notes to the Financial Statements for the financial year ended 31 December 2014 (Continued)**

#### **47 Client trust accounts**

As at 31 December 2014, cash held in trust for clients by the Group and the Bank amounted to RM783,168,000 and RM587,310,000 respectively (31 December 2013: RM962,855,000, and 31 December 2013: RM696,454,000). These amounts are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

#### **48 Authorisation for issue of Financial Statements**

The Financial Statements have been authorised for issue in accordance with a resolution of the Board of Directors on 9 March 2015.