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ATTACHED IS AN ELECTRONIC COPY OF THE INFORMATION MEMORANDUM DATED 1 AUGUST 2013 ("INFORMATION MEMORANDUM"), IN RELATION TO THE ISSUANCE OF THE TIER 2 SUBORDINATED DEBT ("SUBORDINATED DEBT") PROGRAMME HAVING A LIMIT OF RM10 BILLION IN NOMINAL VALUE ("SUBORDINATED DEBT PROGRAMME") BY CIMB BANK BERHAD (COMPANY NO. 13491-P), OF WHICH THE SUBORDINATED DEBT PROGRAMME WILL QUALIFY AS TIER 2 CAPITAL OF CIMB BANK FOR PURPOSES OF THE CAPITAL ADEQUACY FRAMEWORK (CAPITAL COMPONENTS) ("CAF") AS APPROVED BY BANK NEGARA MALAYSIA.

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THIS TRANSMISSION SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SUBORDINATED DEBT IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL UNDER THE LAWS OF SUCH JURISDICTIONS.

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Strictly Private & Confidential

CIMB Bank Berhad

(Company No. 13491-P)

INFORMATION MEMORANDUM

in relation to the proposed issue of, offer for subscription or purchase of Tier 2 Subordinated Debt pursuant to the Tier 2 Subordinated Debt Programme of up to RM10.0 billion in nominal value

Principal Adviser, Lead Arranger and Lead Manager

CIMB INVESTMENT BANK BERHAD
(Company No. 18417-M)

Date: 1 August 2013

IMPORTANT NOTICE

Responsibility Statements

This information memorandum (the "**Information Memorandum**") has been approved by the directors of CIMB Bank Berhad (Company No. 13491-P) ("**Issuer**" or "**CIMB Bank**") and the Issuer and its board of directors accept full responsibility for the information and the accuracy of the information contained in this Information Memorandum. The Issuer, after having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to the Issuer which is material in the context of the issuance of the Tier 2 subordinated debt ("**Subordinated Debt**") programme having a limit of RM10 billion in nominal value ("**Subordinated Debt Programme**"), of which the Subordinated Debt Programme will qualify as Tier 2 capital of CIMB Bank for purposes of the Capital Adequacy Framework (Capital Components) ("**CAF**") as approved by Bank Negara Malaysia. The opinions and intentions expressed in this Information Memorandum in relation to the Issuer are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions and there are no other facts in relation to the Issuer or the Subordinated Debt which would, in the context of any Subordinated Debt issuance, make any statement or information in this Information Memorandum false or misleading from which there is a material omission and all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such statements and information and statements. No representation, warranty or undertaking, expressed or implied, is made such that the information remains unchanged in any respect as of any date or dates after those stated herein, with respect to any matter concerning the Issuer or any statement made in this Information Memorandum.

Important Notice and General Statement of Disclaimer

This Information Memorandum is being furnished on a private and confidential basis solely for the purpose of enabling prospective investors to consider the purchase of the Subordinated Debt to be issued pursuant to the Subordinated Debt Programme. This Information Memorandum is not and is not intended to be a prospectus.

It is a condition precedent to the first issuance of the Subordinated Debt that the Subordinated Debt will be classified as Tier 2 capital by Bank Negara Malaysia. Further, the Subordinated Debt to be issued under the Subordinated Debt Programme has been accorded a preliminary rating of AA+ and AA1 by MARC and RAM respectively.

None of the information contained in this Information Memorandum has been independently verified by CIMB Investment Bank Berhad as the principal adviser/lead arranger/lead manager of the Subordinated Debt Programme ("**Lead Arranger**" or "**Lead Manager**"). Accordingly, no representation, warranty or undertaking, express or implied, is given or assumed by the Lead Arranger/Lead Manager as to the authenticity, origin, validity, accuracy or completeness of such information or that the information remains unchanged in any respect after the relevant date or dates shown in this Information Memorandum. The Lead Arranger/Lead Manager has not accepted and will not accept any responsibility for the information contained in this Information Memorandum or otherwise in relation to the Subordinated Debt Programme and shall not be liable for any consequences of reliance on any of the information in this Information Memorandum except as provided by Malaysian laws.

The Subordinated Debt may be listed under the Exempt Regime of Bursa Malaysia Securities Berhad or any other stock exchange.

The information in this Information Memorandum supersedes all other information and material previously supplied (if any) to the recipients. By taking possession of this Information Memorandum, the recipients are acknowledging and agreeing and are deemed to have acknowledged and agreed that they will not rely on any previous information and material (if any) supplied. No person is authorised to give any information or to make any representation or warranty other than as contained in this Information Memorandum and, if given or made, any such information, representation or warranty must not be relied upon as having been authorised by the Issuer, the Lead Arranger/Lead Managers or any other person.

This Information Memorandum has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia ("**Foreign Jurisdiction**"), and has not been and will not be lodged, registered or approved pursuant to or under any legislation of (or with or by any regulatory authorities or other relevant bodies of) any Foreign Jurisdiction and it does not constitute an issue, offer or sale of, or an invitation to subscribe or purchase the Subordinated Debt or any other securities of any kind by any party in any Foreign Jurisdiction.

The distribution or possession of this Information Memorandum in or from any Foreign Jurisdiction may be restricted or prohibited by law. Each recipient is required to seek appropriate professional advice regarding, and to observe, any such restriction or prohibition. Neither the Issuer nor the Lead Arranger/ Lead Manager accept any responsibility or liability to any person in relation to the distribution or possession of this Information Memorandum in or from any such Foreign Jurisdiction.

By accepting delivery of this Information Memorandum, each recipient agrees to the terms upon which this Information Memorandum is provided to such recipient as set out in this Information Memorandum, and further agrees and confirms that (a) it will keep confidential all of such information, (b) it is lawful for the recipient to subscribe for or purchase the Subordinated Debt under all jurisdictions to which the recipient is subject, (c) the recipient has complied with all applicable laws in connection with such subscription or purchase of the Subordinated Debt, (d) the Issuer, the Lead Arranger/ Lead Manager and their respective directors, officers, employees and professional advisers are not and will not be in breach of the laws of any jurisdiction to which the recipient is subject as a result of such subscription or purchase of the Subordinated Debt, and they shall not have any responsibility or liability in the event that such subscription or purchase of the Subordinated Debt is or shall become unlawful, unenforceable, voidable or void, (e) it is aware that the Subordinated Debt can only be offered, sold, transferred or otherwise disposed of directly or indirectly in accordance with the relevant selling restrictions and all applicable laws, (f) it has sufficient knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of subscribing or purchasing the Subordinated Debt, and is able and is prepared to bear the economic and financial risks of investing in or holding the Subordinated Debt, (g) it is subscribing or accepting the Subordinated Debt for its own account, and (h) it is a person to whom an issue, offer or invitation to subscribe or purchase the Subordinated Debt would constitute an excluded offer or excluded issue as specified in Schedule 6 or Section 229(1)(b) and Schedule 7 or Section 230(1)(b), read together with Schedule 9 or Section 257(3) of the Capital Markets and Services Act 2007, as amended from time to time ("**CMSA**") at issuance and Schedule 6 or Section 229(1)(b) read together with Schedule 9 or Section 257(3) of the CMSA thereafter. Each recipient is solely responsible for seeking all appropriate expert advice as to the laws of all jurisdictions to which it is subject. For the avoidance of doubt, this Information Memorandum shall not constitute an offer or invitation to subscribe or purchase the Subordinated Debt in relation to any recipient who does not fall within item (h) above.

This Information Memorandum or any document delivered under or in relation to the issue, offer and sale of the Subordinated Debt is not, and should not be construed as, a recommendation by the Issuer and/or the Lead Arranger/ Lead Manager to subscribe or purchase the Subordinated Debt. This Information Memorandum is not a substitute for, and should not be regarded as, an independent evaluation and analysis and does not purport to be all-inclusive. Each recipient should perform and is deemed to have made its own independent investigation and analysis of the Issuer, the Subordinated Debt and all other relevant matters, and each recipient should consult its own professional advisers. The information herein are subject to the detailed provisions of the respective documents referred to herein and are qualified in their entirety by reference to such documents.

Unless otherwise specified in this Information Memorandum, the information contained in this Information Memorandum is current as at the date hereof. Neither the delivery of this Information Memorandum nor the offering, sale or delivery of any Subordinated Debt shall in any circumstance imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Subordinated Debt Programme is correct as of any time subsequent to the date indicated in the document containing the same. Neither the Lead Arranger/ Lead Manager nor any other advisers to the Subordinated Debt Programme undertake to review the financial condition or affairs of the Issuer or to advise any investor of the Subordinated Debt of any information coming to their attention.

This Information Memorandum includes forward-looking statements and reflects projections of future events which may or may not prove to be correct. All of these statements are based on estimates and assumptions made by the Issuer and its advisers and although believed to be reasonable, are subject to risks and uncertainties that may cause actual events or future results to be materially different than expected or indicated by such statements and estimates, and no assurance can be given that any such statements or estimates will be realised. In light of these and other uncertainties, the inclusion of forward-looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer, its advisers or any other persons that the future events as anticipated by the Issuer will occur. Any such statements are not guarantees of performance and involve risks and uncertainties many of which are beyond the control of the Issuer.

This Information Memorandum includes certain historical information, estimates, or reports thereon derived from sources mentioned in this Information Memorandum and other third parties with respect to the Malaysian economy, the material businesses which the Issuer operates and certain other matters. Such information, estimates, or reports have been included solely for illustrative purposes. No representation or warranty is made as to the accuracy or completeness of any information, estimates and/or reports thereon derived from such sources or from other third party sources.

All discrepancies (if any) in the tables included in this Information Memorandum between the listed amounts and totals thereof are due to, and certain numbers appearing in this Information Memorandum are shown after rounding. Where this Information Memorandum contains or refers to a summary of a document or agreement, the summary is not meant to be exhaustive. The contents of the summary may be subject to some other provisions in the relevant document or agreement.

Acknowledgement

The Issuer hereby acknowledges that it has authorised the Lead Arranger/ Lead Manager to circulate or distribute this Information Memorandum on its behalf in respect of or in connection with the proposed issue, offer or invitation to subscribe or purchase the Subordinated Debt to prospective investors and that no further evidence of authorisation is required.

Statements of Disclaimer by the Securities Commission Malaysia

A copy of this Information Memorandum will be deposited with the Securities Commission Malaysia ("**SC**"), which takes no responsibility for its contents.

The issue, offer or invitation to subscribe or purchase the Subordinated Debt in this Information Memorandum or otherwise are subject to the fulfilment of various conditions precedent including without limitation the approval of the SC.

An application for the approval of the SC in respect of the Subordinated Debt Programme was made on 13 May 2013 and the SC has approved the Subordinated Debt Programme on 10 June 2013 pursuant to the CMSA.

However, please note that the approval of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Subordinated Debt. Further, the SC takes no responsibility for the contents of this Information Memorandum.

The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the correctness of any statements made or opinions or reports expressed in this Information Memorandum.

EACH ISSUE OF SUBORDINATED DEBT UNDER THE SUBORDINATED DEBT PROGRAMME WILL CARRY DIFFERENT RISKS AND ALL INVESTORS SHOULD EVALUATE EACH ISSUE OF SUBORDINATED DEBT BASED ON ITS MERITS. INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT.

IT IS RECOMMENDED THAT PROSPECTIVE INVESTORS CONSULT THEIR FINANCIAL, LEGAL AND OTHER ADVISERS BEFORE PURCHASING OR SUBSCRIBING FOR THE SUBORDINATED DEBT.

Documents Incorporated by Reference

The following documents published or issued from time to time after the date hereof shall be deemed to be incorporated in, and to form part of, this Information Memorandum:

(i) the most recently published audited annual financial statements and, if published later, the most recently published interim financial statements of the Issuer (if any);

(ii) the pricing supplement for each issuance of the Subordinated Debt; and

(iii) all supplements or amendments to this Information Memorandum circulated by the Issuer, if any, save that any statement contained herein or in a document which is deemed to be incorporated by reference herein shall be deemed to be modified or superseded for the purpose of this Information Memorandum to the extent that a statement contained in any such subsequent document which is deemed to be incorporated by reference herein modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Information Memorandum.

CONFIDENTIALITY

To the recipient of this Information Memorandum:

This Information Memorandum and its contents are strictly confidential and are made strictly on the basis that it will remain confidential. Accordingly, this Information Memorandum and its contents, or any information, which is made available in connection with any further enquiries, must be held in complete confidence.

In the event that there is any contravention of this confidentiality undertaking or there is a reasonable likelihood that this confidentiality undertaking may be contravened, the Issuer may, at its discretion, apply for any remedy available to the Issuer whether at law or equity, including without limitation, injunctions. The Issuer is entitled to fully recover from the contravening party all costs, expenses and losses incurred and/or suffered. For the avoidance of doubt, it is hereby deemed that this confidentiality undertaking shall be imposed upon the recipient, the recipient's professional advisors, directors, employees and any other persons concerned with the Subordinated Debt.

The recipient must return this Information Memorandum and all reproductions thereof whether in whole or in part and any other information in connection therewith to the Lead Arranger/Lead Manager promptly upon the Lead Arranger/Lead Manager's request, unless that recipient provides proof of a written undertaking satisfactory to the Lead Arranger/Lead Manager with respect to destroying these documents as soon as reasonably practicable after the said request from the Lead Arranger/Lead Manager.

This Information Memorandum is submitted to prospective investors specifically in reference to the Subordinated Debt and may not be reproduced or used, in whole or in part, for any purpose, nor furnished to any person other than those to whom copies have been sent by the Lead Arranger/Lead Manager.

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DEFINITIONS

In this Information Memorandum, the following words or expressions shall have the following meanings except where the context otherwise requires:

"**Basel III**"	"Basel III: A global framework for more resilient banks and banking systems" and "Basel III: International framework for liquidity risk measurement, standards and monitoring" published by Basel Committee on Banking Supervision in December 2010
"**BLR**"	Base lending rate
"**BNM**"	Bank Negara Malaysia
"**Board**"	Board of Directors of CIMB Bank Berhad
"**BRC**"	Board Risk Committee
"**CA Framework**"	Capital Adequacy Framework (Capital Components) issued by BNM on 28 November 2012
"**CIMB**"	CIMB Investment Bank Berhad (Company No. 18417-M)
"**CIMB Group**"	CIMB Group Holdings Berhad and its Subsidiaries
"**CIMBGH**"	CIMB Group Holdings Berhad (Company No. 50841-W)
"**CIMB Islamic**"	CIMB Islamic Bank Berhad (Company No. 671380-H)
"**CIMB Thai**"	CIMB Thai Bank Public Company Limited
"**CIMB Niaga**"	PT Bank CIMB Niaga Tbk
"**CMSA**"	the Capital Markets and Services Act, 2007 (*Act 671*), as amended from time to time
"**Companies Act**"	the Companies Act, 1965 (*Act 125*), as amended from time to time
"**EWRM**"	Enterprise Wide Risk Management
"**Facility Agent**"	CIMB
"**FSA**"	Financial Services Act 2013 *(Act 758)*
"**GRC"**	Group Risk Committee
"**Group**"	the Issuer and its Subsidiaries
"**Issuer**" or "**CIMB Bank**" or the "**Bank**"	CIMB Bank Berhad (Company No. 13491-P)
"**Lead Arranger**"	CIMB
"**Lead Manager**"	CIMB
"**Principal Adviser**"	CIMB
"**MARC**"	Malaysian Rating Corporation Berhad (Company No. 364803-V), a company incorporated in Malaysia and having its

	registered address at 5th Floor, Bangunan Malaysia Re, 17, Lorong Dungun, Damansara Heights, 50490 Kuala Lumpur
"**Material Subsidiaries**"	means the following subsidiaries: (a) CIMB Islamic Bank Berhad (Company No. 671380-H); (b) CIMB Thai Bank Public Company Limited; and (c) CIMB Bank (L) Limited
"**MFRS**"	Malaysian Financial Reporting Standards
"**RAM**"	RAM Rating Services Berhad (Company No. 763588-T), a company incorporated in Malaysia and having its registered address at Suite 20.01, Level 20, The Gardens South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur
"**RM**" and "**sen**"	Ringgit Malaysia and sen respectively
"**RWCAF**"	Risk-Weighted Capital Adequacy Framework
"**SBB**"	Southern Bank Berhad
"**SC**"	Securities Commission Malaysia
“SMEs”	Small and medium enterprises
"**Subordinated Debt**"	the subordinated debt to be issued from time to time pursuant to the Subordinated Debt Programme
"**Subordinated Debtholders**"	holders of the Subordinated Debt
"**Subordinated Debt Programme**"	the Tier 2 subordinated debt programme of up to RM10.0 billion in nominal value
"**Subsidiaries**"	a subsidiary under the Companies Act
"**Trustee**"	Malaysian Trustees Berhad

SECTION 1.0 INTRODUCTION

This summary is qualified by and must be read in conjunction with the more detailed information and financial statements appearing elsewhere in this Information Memorandum. Each investor should read this entire Information Memorandum carefully, including the Appendix attached.

1.1 Brief background of the Issuer

The Issuer was incorporated on 30 December 1972 under the Companies Act as United Asian Bank Berhad, a public company limited by shares. The Issuer subsequently changed its name to Bank of Commerce (M) Berhad on 31 October 1991 and from Bank of Commerce (M) Berhad, the Issuer change its name to Bumiputra-Commerce Bank Berhad on 30 September 1999 and CIMB Bank on 7 September 2006. The registered office of the Issuer is located at 5th Floor, Bangunan CIMB, Jalan Semantan, Damansara Heights, 50490 Kuala Lumpur.

The principal activities of the Issuer are commercial banking and related financial services including consumer banking, wholesale banking, Islamic banking, investments and foreign banking operations. The principal activities of the subsidiaries consist of Islamic banking, offshore banking, debt factoring, trustees and nominee services, and property ownership and management.

1.2 Brief description of the Subordinated Debt Programme

The Issuer proposes to establish the Subordinated Debt Programme, under which the Subordinated Debt is intended to qualify as Tier 2 capital of CIMB Bank for purposes of CA Framework effective from 28 November 2012. The Subordinated Debt Programme will have a limit of RM10.0 billion in nominal value. The total outstanding Subordinated Debt issued under the Subordinated Debt Programme shall not at any time exceed the nominal value of RM10.0 billion.

The Subordinated Debt Programme shall have an availability period of 30 years from the date the conditions precedent are met or waived accordingly under the Subordinated Debt Programme provided that each issuance of Subordinated Debt shall mature on or prior to the maturity of the Subordinated Debt Programme. Each issuance of Subordinated Debt shall have a tenure of not less than 5 years from the issue date of each Subordinated Debt.

Each issuance of Subordinated Debt under the Subordinated Debt Programme having a tenor of ten years or more may have a callable option ("**Call Option**") (to be determined prior to each issuance). Under the Call Option, if applicable for the relevant tranche, the Issuer shall have the option to redeem the Subordinated Debt on or after the 5th year prior to its maturity date and any coupon payment date thereafter as may be applicable to a particular issuance of Subordinated Debt that the Issuer and the Lead Manager agrees prior to the issuance of such Subordinated Debt ("**Call Date**").The Issuer may at its sole discretion, and subject to prior approval of BNM, redeem and cancel the Subordinated Debt in part or in whole on the Call Date at its nominal value (together with accrued but unpaid interest (if any) under the Subordinated Debt. The optional redemption by the Issuer of the Subordinated Debt of one tranche does not trigger the redemption of the Subordinated Debt in any other tranches.

1.3 Utilisation of proceeds

The proceeds of the Subordinated Debt shall be made available to the Issuer, without limitation, for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Issuer.

1.4 Rating of the Subordinated Debt Programme

The Subordinated Debt Programme has been accorded a preliminary rating of AA+ and AA1 by MARC and RAM respectively, pursuant to MARC's letter to CIMB Bank dated 19 March 2013 and RAM's letter to CIMB Bank dated 10 May 2013.

1.5 Selling Restrictions

Selling Restrictions at Issuance

The Subordinated Debt may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Subordinated Debt and to whom the Subordinated Debt is issued would fall within:

1. Schedule 6 (or Section 229(1)(b)) and Schedule 7 (or Section 230(1)(b)); and
2. read together with Schedule 9 (or Section 257(3))

of the CMSA, as amended from time to time, and such other selling restrictions as may be applicable outside Malaysia.

Selling Restrictions after Issuance

The Subordinated Debt may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Subordinated Debt and to whom the Subordinated Debt is issued would fall within:

1. Schedule 6 (or Section 229(1)(b)); and
2. read together with Schedule 9 (or Section 257(3))

of CMSA, as amended from time to time, and such other selling restrictions as may be applicable outside Malaysia.

1.6 Other regulatory approvals

The Subordinated Debt issued under the Subordinated Debt Programme is intended to be classified as Tier 2 capital of the Issuer and has been approved by BNM by its letter dated 3 May 2013. In addition, the Subordinated Debt Programme has been approved by the SC by its letter dated 10 June 2013.

General

The approvals of the SC and BNM should not be taken to indicate that the SC or BNM recommends subscription for or purchase of the Subordinated Debt. Investors should rely on their own evaluation to assess the merit and risk of investment.

SECTION 2.0 PRINCIPAL TERMS AND CONDITIONS OF THE SUBORDINATED DEBT PROGRAMME

The information set out in this section is qualified in its entirety by, and must be read in conjunction with, the further detailed information appearing elsewhere in this Information Memorandum. Words and expressions used and defined in this Section 2.0 shall, in the event of any inconsistency with the definition section of this Information Memorandum, only be applicable for this Section 2.0.

PRINCIPAL TERMS AND CONDITIONS

(a) Names of parties involved in the proposed transaction (where applicable)

(i)	*Principal Adviser*	:	CIMB Investment Bank Berhad ("**CIMB**")
(ii)	*Lead Arranger*	:	CIMB
(iii)	*Co-Arranger*	:	Not applicable
(iv)	*Solicitors*	:	Messrs Zaid Ibrahim & Co. as counsel for CIMB, acting as Principal Adviser, Lead Arranger and Lead Manager
(v)	*Financial Adviser*	:	Not applicable
(vi)	*Technical Adviser*	:	Not applicable
(vii)	*Trustee*	:	Malaysian Trustees Berhad
(viii)	*Guarantor*	:	Not applicable
(ix)	*Valuer*	:	Not applicable
(x)	*Facility Agent*	:	CIMB
(xi)	*Primary Subscriber (under a bought-deal arrangement) and Amount subscribed*	:	To be determined prior to each issuance in respect of issuance via bought deal basis only. Not applicable for issuance via private placement and book building.
(xii)	*Underwriter and amount underwritten*	:	Not applicable
(xiii)	*Central Depository*	:	Bank Negara Malaysia ("**BNM**")
(xiv)	*Paying Agent*	:	BNM
(xv)	*Reporting Accountant*	:	Not applicable
(xvi)	*Calculation Agent*	:	Not applicable
(xvii)	*Others (please specify)*	:	<u>Lead Manager</u> CIMB and such other party(ies) as may be selected by the Issuer for any particular issuance.

(b)	***Facility Description***	:	The Tier 2 subordinated debt ("**Subordinated Debt**") programme ("**Subordinated Debt Programme**"), of which the Subordinated Debt are issued under the Subordinated Debt Programme will qualify as Tier 2 capital of CIMB Bank for purposes of Capital Adequacy Framework (Capital Components) ("**CAF**") effective 1 January 2013 as approved by BNM.
(c)	***Issue/Programme Size (RM)***	:	The Subordinated Debt Programme will have limit of RM10 billion in nominal value. The total outstanding Subordinated Debt issued under the Subordinated Debt Programme shall not at any time exceed the nominal value of RM10 billion.
(d)	***Tenure of issue/debt programme***	:	Tenure of the Subordinated Debt Each issuance of Subordinated Debt under the Subordinated Debt Programme shall have a tenure of not less than five (5) years and up to thirty (30) years from the issue date of each Subordinated Debt. In respect of each issuance of Subordinated Debt, the maturity of the Subordinated Debt shall not exceed the tenure of the Subordinated Debt Programme. Tenure of the Subordinated Debt Programme The tenure of the Subordinated Debt Programme shall expire 60 years from the date of the first issuance of the Subordinated Debts under the Subordinated Debt Programme. Call Option Each issuance of Subordinated Debt under the Subordinated Debt Programme having a tenure of ten (10) years or more may have a callable option ("Call Option") (to be determined prior to each issuance). Under the Call Option, if applicable for the relevant tranche, the Issuer shall have the option to redeem the Subordinated Debt on the Call Date subject to the requirements set out in paragraph 2(u) below. Call Date is defined as "the Coupon Payment Date falling 5 years prior to the maturity date and any Coupon Payment Date thereafter as may be applicable to a particular issuance of Subordinated Debt that the Issuer and the Lead Manager agrees prior to the issuance of such Subordinated Debt".

(e)	***Availability period of debt programme***	:	The Subordinated Debt Programme shall have an availability period of 30 years from the date the conditions precedent are met or waived accordingly under the Subordinated Debt Programme provided that each issuance of Subordinated Debt shall mature on or prior to the maturity of the Subordinated Debt Programme.
(f)	***Interest/Coupon (%)***	:	The coupon rate is to be determined prior to the issue date of each issuance. The coupon rate herein is applicable throughout the tenure of the relevant Subordinated Debt (i.e. there shall be no step-up coupon rate).
(g)	***Interest/Coupon Payment Frequency***	:	Payable semi-annually in arrears from the issue date ("Coupon Payment Date") or such other period as may be agreed to between Issuer and Lead Arranger prior to the issuance of any Subordinated Debtwith the last coupon payment to be made on the maturity date or upon Early Redemption, whichever is the earlier.
(h)	***Interest/Coupon Payment Basis***	:	Coupon payment shall be calculated based on the actual number of days in the relevant period divided by 365.
(i)	***Security/Collateral (if any)***	:	None
(j)	***Details on utilization of proceeds***	:	The proceeds of the Subordinated Debt shall be made available to the Issuer, without limitation, for its working capital, general banking and other corporate purposes and/or if required, the refinancing of any existing subordinated debt previously issued by the Issuer under other programmes established by the Issuer.
(k)	***Sinking fund (if any)***	:	Not applicable
(l)	***Rating***		
	• *Indicative Credit Rating Assigned*	:	AA+ by MARC and AA1 by RAM
	• *Name of Rating Agency*	:	Malaysian Rating Corporation Berhad ("**MARC**") and RAM Rating Services Berhad("**RAM**")
(m)	***Mode of Issue***	:	The Subordinated Debt may be issued via direct placement on a best effort basis or a bought deal basis or book running on a best effort basis without prospectus. Issuance of the Subordinated Debt shall be in accordance with the (1) the Participation and Operation Rules for Payment Securities Services ("**MyClear Rules**") issued by Malaysian Electronic Clearing Corporation SdnBhd ("**MyClear**") and (2) the Operational Procedures for Securities Services

issued by MyClear ("**MyClear Procedures**"), as amended or substituted from time to time (collectively, "**MyClear Rules and Procedures**"), subject to such variation, amendments or exemptions (if any) from time to time.

(n)	***Selling Restriction***	:	The Subordinated Debt may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Subordinated Debt and to whom the Subordinated Debt are issued would fall within: 3. Schedule 6 (or Section 229(1)(b)) and Schedule 7 (or Section 230(1)(b)); and 4. read together with Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act, 2007, as amended from time to time, and such other selling restrictions as may be applicable outside Malaysia. <u>Selling Restrictions after Issuance</u> The Subordinated Debt may only be offered, sold, transferred or otherwise disposed directly or indirectly, to a person to whom an offer for subscription or purchase of, or invitation to subscribe for or purchase the Subordinated Debt and to whom the Subordinated Debt are issued would fall within: 3. Schedule 6 (or Section 229(1)(b)); and 4. read together with Schedule 9 (or Section 257(3)) of the Capital Markets and Services Act, 2007, as amended from time to time, and such other selling restrictions as may be applicable outside Malaysia.
(o)	***Listing Status and Types of Listing***	:	The Subordinated Debt may be listed under the Exempt Regime of Bursa Malaysia Securities Berhad or any other stock exchange.
(p)	***Other regulatory approvals required in relation to the issue, offer or invitation and whether or not obtained (please specify)***	:	Approval from BNM for the classification of the Subordinated Debt issued under the Subordinated Debt Programme as Tier 2 capital of the Issuer. The said approval from BNM has been obtained on 3 May 2013.
(q)	***Conditions Precedent***	:	To include but not limited to the following (all of which shall be in form and substance acceptable to the Lead Arranger):

A Main Documentation

1. The Financing Documents have been signed and, where applicable, stamped and presented for registration.

B The Issuer

1. Certified true copies of the Certificate of Incorporation, and the Memorandum and Articles of Association of the Issuer.
2. Certified true copies of the latest Forms 24 and 49 of the Issuer.
3. A certified true copy of a board resolution of the Issuer authorising, among others, the execution of the transaction documents.
4. A list of the Issuer's authorised signatories and their respective specimen signatures.
5. A report of the relevant company search of the Issuer.
6. A report of the relevant winding up search or the relevant statutory declaration of the Issuer (in form and substance acceptable to the Lead Arranger) signed by a director of the Issuer declaring that the Issuer is not wound up and that no winding up petition has been presented against the Issuer.

C General

1. The approval and authorisation from the SC and, where applicable, all other regulatory authorities.
2. The approval from BNM for the Subordinated Debt to be classified as Tier 2 Capital.
3. The Lead Arranger has received from its legal counsel a favourable legal opinion addressed to it and the Trustee advising with respect to, among others, the legality, validity and enforceability of the transaction documents and a confirmation addressed to the Lead Arranger that all the conditions precedent have been fulfilled.

(r) Representations and Warranties : Representation and warranties will include such representation and warranties customary and standard for a facility of this nature and shall include, but not limited to the following:

(i) The Issuer is duly established and validly in existence and has the power and authority to carry out its business;

(ii) The Issuer has the power to enter into the Financing Documents (as defined in paragraph

2(v)(E) below) and exercise its rights to perform its obligations under the Financing Documents;

(iii) Entry into and the exercise of the Issuer's rights and obligations under the Financing Documents do not violate any existing law or regulation;

(iv) The Financing Documents are valid, binding and enforceable;

(v) All necessary actions, authorisations and consents required under the Financing Documents and the Subordinated Debt have been obtained and remain in full force and effect;

(vi) The audited accounts of the Issuer are prepared in accordance with generally accepted accounting principles and standards and represent true and fair view;

(vii) Save as disclosed in the Information Memorandum, there is no litigation which would have a material adverse effect on the Issuer's ability to perform its obligations under the Financing Documents; and

(viii) Any other representation and warranties as may be advised by the Solicitors.

(s) Enforcement Events : An "**Enforcement Event**" means the occurrence of any of the following:

(i) a default is made in the payment of any principal amount of the Subordinated Debt on the due date for payment thereof; or

(ii) a default is made in the payment of any Coupon and such default is not remedied within fourteen (14) days of the date due for payment thereof.

If an Enforcement Event occurs, the Trustee may institute such proceedings as it chooses to enforce the obligations of the Issuer under the Trust Deed and/or institute proceedings for the winding up of the Issuer, provided that the Trustee shall have no right to accelerate payment of the indebtedness in the case of a default in the performance of any covenant of the Issuer under the Trust Deed.

If a Winding-Up Proceeding occurs in respect of the Issuer or an effective resolution of the shareholders of the Issuer is passed for a Winding-Up Proceeding in respect of the Issuer, the Trustee may, by notice in writing to the Issuer, declare that notwithstanding the maturity date of the Subordinated Debt, all outstanding amounts of principal, interest and any other amounts due from the Issuer on the

Subordinated Debt to be due and immediately payable, whereupon such amounts shall become and be immediately due and payable.

"**Winding Up Proceeding**" shall mean either of the following:

(a) a court or agency or supervisory authority in Malaysia having jurisdiction in respect thereof shall have instituted a proceeding or entered a decree or order for the appointment of a receiver or liquidator in any insolvency, rehabilitation, readjustment of debt, marshalling of assets and liabilities, or similar arrangements involving the Issuer or all or substantially all of its properties, or for the winding up of or liquidation of its affairs and such proceeding, decree or order shall not have been vacated or shall have remained in force undischarged or unstayed for a period of sixty (60) days; or

(b) the Issuer shall file a petition to take advantage of any insolvency statute.

(t) Covenants

The Issuer shall comply with such applicable positive covenants as may be advised by the Solicitors and / or which are required in order to comply with the SC's guidelines on Trust Deeds Guidelines including, but not limited to the following;

a) Exercise diligence in carrying on its business and keep in force and effect all licenses, consents and rights necessary for the conduct of its business;

b) Comply with all relevant laws and regulations;

c) Maintain a paying agent in Malaysia;

d) Maintain proper books and accounts and deliver financial statements to the Trustee on a timely manner;

e) Inform the Trustee any actual or potential Enforcement Event or commencement of Winding Up Proceeding; and

f) Deliver to the Trustee a periodic certificate of compliance.

(u) Provisions on buy-back and early redemption of bonds

<u>Buy-back</u>
Subject to the approval from BNM, the Issuer may at any time purchase and cancel the Subordinated Debt at any price in the open market or by private treaty. If purchases are made by tender, such tender must (subject to any applicable rules and regulations) be made available to all holders of the relevant issuance equally.

Early Redemption
For each tranche of the Subordinated Debt where Call Option is applicable, the Issuer may, at its sole discretion, and subject to prior approval of BNM, redeem and cancel the Subordinated Debt in part or in whole on the Call Date at its nominal value (together with accrued but unpaid interest (if any), under the Subordinated Debt). The optional redemption by the Issuer of the Subordinated Debt of one tranche does not trigger the redemption of the Subordinated Debt in other tranches.

(v) Other principal terms and conditions for the issue

A.	*Redemption at maturity*	:	Unless previously redeemed on the Call Date, or purchased from the market and cancelled, the Subordinated Debt will be redeemed at its nominal value (together with accrued but unpaid interest (if any), under the Subordinated Debt) on the maturity date.
B	*Regulatory Redemption*	:	If the Subordinated Debt no longer fully qualify as Tier 2 capital of the Issuer for the purposes of BNM's capital adequacy requirements under any regulations applicable to the Issuer or at any time there is more than an insubstantial risk that the Subordinated Debt will no longer qualify as such, the Issuer, may at its option, subject to the approval from BNM, redeem the Subordinated Debt (in whole but not in part) at its nominal value (together with accrued but unpaid interest (if any), under the Subordinated Debt)..
C	*Tax Redemption*		If there is more than an insubstantial risk that: i) the Issuer will be obliged to pay any additional taxes, duties, assessments or government charges or whatever nature in relation to the Subordinated Debt; or ii) the Issuer would no longer obtain tax deductions on the interest amount under the Subordinated Debt for the purpose of Malaysian corporation tax; as a result of a change in, or amendment to, the laws of regulations of Malaysia or any political subdivision or any authority thereof having power to tax, or change in the application or official interpretation of such laws or regulation, which such change or amendment becomes effective on or after the date of the issuance and the Issuer cannot, by taking reasonable measures available to it, avoid such obligations, then the Issuer, may at its option,

subject to the approval from BNM, redeem the Subordinated Debt (in whole but not in part) at its nominal value (together with accrued but unpaid interest (if any), under the Subordinated Debt) .

D.	*Status of Subordinated Debt*	:	The Subordinated Debt will constitute direct and unsecured obligations of the Issuer and subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Debt, ranking paripassu among themselves. The Subordinated Debt will, in the event of a winding up or liquidation of the Issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or are subordinate to the Subordinated Debt.
E.	*Financing Documents*	:	The Subordinated Debt shall be evidenced by, inter alia, the following: 1. Programme Agreement; 2. Securities Lodgment Form; 3. Trust Deed; and 4. Any other relevant agreements as advised by the Solicitors
F.	*Taxation*	:	All payments by the Issuer shall be made subject to withholding or deductions for or on account of any present or future tax, duty, or charge of whatsoever nature imposed or levied by or on behalf of Malaysia, or any authority thereof having power to tax, and the Issuer shall not be required to gross up in connection with such withholding or deduction on these payments or distributions.
G.	*Voting Rights*	:	The holders of the Subordinated Debt shall have no voting rights in CIMB Bank.
H.	*Repurchase and Cancellation*	:	Subject to the approval from the BNM, the Issuer may at any time purchase and cancel the Subordinated Debt at any price in the open market or by private treaty. If purchases are made by tender, such tender must (subject to any applicable rules and regulations) be made available to all holders of the relevant issuance equally.
I.	*Governing Laws*	:	Laws of Malaysia.
J.	*Other Conditions*	:	The Subordinated Debt shall at all times be governed by the guidelines issued and to be issued from time to time by the SC, BNM and/or any other authority having jurisdiction over matters pertaining to the Subordinated Debt.

K. *Non Viability Loss Absorption* : Following the occurrence of the following trigger events (each a "**Non-Viability Event**"), whichever is earlier,:

(i) BNM and the Malaysia Deposit Insurance Corporation ("PIDM") have notified the Issuer in writing that they are of the view that the principal write off of the Subordinated Debt, together with the conversion or write off of any other Tier 2 Instruments and Tier 1 Instruments which, pursuant to their terms or by operation of law, are capable of being converted into equity, written off at that time, is an essential requirement to prevent the Issuer from becoming non-viable; or

(ii) BNM and PIDM publicly announces that a decision has been made by BNM, PIDM or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable,

BNM shall have the option to require the entire principal outstanding or such portion thereof and all other amount owing under the Subordinated Debt be written off, and if BNM elects to exercise such option, subject to and as of the date of the occurrence of the Non-Viability Event (as defined above), each of the holders of the Subordinated Debt hereby irrevocably waives its right to receive repayment of the principal amount of the Subordinated Debt and also irrevocably waives its right to any interest (including interest accrued but unpaid up to the date of the occurrence of a Non-Viability Event).

For the avoidance of doubt, upon the occurrence of a Non-Viability Event as described under (i) or (ii) above, where the Issuer is required by BNM to write off or convert a portion of all the Tier 2 Instruments and Tier 1 Instruments of the Issuer which, pursuant to their terms or by operation of law, are capable of being converted into equity or written off at that time, the Issuer shall first convert or write off the relevant Tier 1 Instruments, to be followed by the write off or conversion of the relevant Tier 2 Instruments on a paripassu basis.

For avoidance of doubt, such write off shall not constitute an event of default or enforcement event, nor would it trigger a cross-default under the Subordinated Debt.

A Non-Viability Event shall be deemed to have occurred on the day on which the Issuer received the notification from the BNM as per the clause herein where the Issuer shall immediately inform the Trustee and Rating Agencies of the same.

SECTION 3.0 BACKGROUND INFORMATION OF THE ISSUER

3.1 Corporate history and principal activities

(a) Corporate history

The Issuer was incorporated in Malaysia under the Companies Act of Malaysia on 30 December 1972 as United Asian Bank Berhad. Subsequently, on 31 October 1991 and 30 September 1999, the Issuer's name was changed to Bank of Commerce (M) Berhad and Bumiputra Commerce Bank Berhad ("**BCB**"), respectively.

In June 2005, the acquisition of BCB was announced subsequent to the decision by Commerce Asset- Holding Berhad (now known as CIMBGH), to create a universal bank by combining its commercial and investment banks. This restructuring was completed in January 2006 and resulted in CIMB Group Sdn Bhd owning 99.99% of the Issuer. The Issuer's acquisition and integration of SBB was completed in November 2006. The acquisition of SBB enhanced the commercial banking platform of the Group by combining the Bank's considerable resources and market reach with SBB's substantial banking expertise in Malaysia. On 7 September 2006, the Issuer became known by its present name, CIMB Bank.

The principal activities of the Issuer are commercial banking and related financial services including consumer banking, wholesale banking, Islamic banking, investments and foreign banking operations. The principal activities of the subsidiaries consist of Islamic banking, offshore banking, debt factoring, trustees and nominee services, and property ownership and management.

3.2 Share capital

The authorised share capital and issued and paid-up share capital of CIMB Bank as at 30 June 2013 are as follows:

(a) Authorised share capital

Authorised share capital	Number of Shares	Par Value (RM)	Total (RM)
Ordinary Shares	7,000,000,000	1.00	7,000,000,000.00
Perpetual Preference Shares	500,000,000	1.00	500,000,000.00
Redeemable Preference Shares	1,000,000	0.10	100,000.00
Non-cumulative Redeemable Preference Shares	200,000	0.10	20,000.00
Redeemable Preference Shares	5,000,000,000	0.01	50,000,000.00
Non-cumulative Perpetual Preference Shares	5,000	1.00	5,000.00
		Total	**7,550,125,000.00**

(b) Issued and paid-up share capital

Issued share capital	Number of Shares	Par Value (RM)	Total (RM)
Ordinary Shares	3,764,468,517	1.00	3,764,468,517
Perpetual Preference Shares	200,000,000	1.00	200,000,000
Redeemable Preference Shares	2,974,009,486	0.01	29,740,094.86
		Total	**3,994,208,611.86**

3.3 Substantial Shareholders

The substantial shareholders of CIMB Bank based on the Register of Substantial Shareholders as at 30 June 2013 are as follows:

Name	***Direct Shareholding***		
	No. of shares (ordinary)	***No of shares (preference)***	***% of share capital***
CIMB Group Sdn Bhd	3,764,433,300	-	99.9% of ordinary share capital
CIMBGH	-	2,973,976,500	99.9% of redeemable preference shares
Proton Commerce Sdn Bhd	-	200,000,000	100% of perpetual preference shares

3.4 Subsidiaries and associated companies

The subsidiaries and associated companies of CIMB Bank as at 30 June 2013 are as follows:

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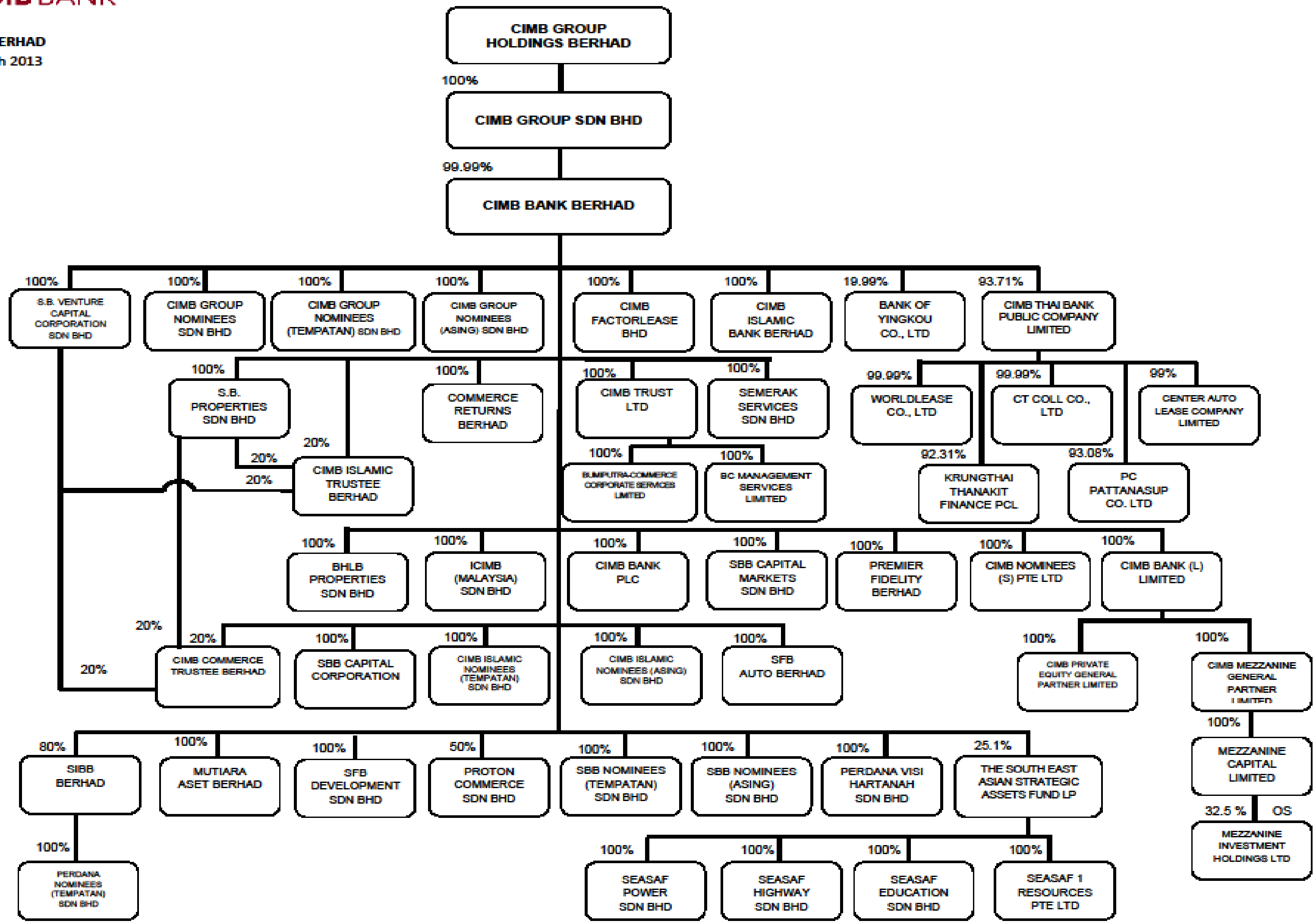
CIMB BANK BERHAD
As at 29 March 2013



3.5 Profile of directors

The directors of the CIMB Bank and their respective profiles as at 30 June 2013 are as follows:

i. Dato' Zainal Abidin bin Putih
(NRIC No. 460114-10-5191)
Chairman, Independent Non-Executive Director

Dato' Zainal Abidin bin Putih joined the Board on 1 July 2006.

Dato' Zainal Abidin qualified as a Chartered Accountant from the Institute of Chartered Accountants in England and Wales and is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Dato' Zainal Abidin sits on the Boards of CIMBGH, CIMB and Southeast Asia Special Asset Management Berhad and Chairman of Touch 'n Go Sdn Bhd. He has extensive experience in audit, management consulting and taxation, having been involved as a practicing accountant and consultant throughout his career. He was formerly the Country Managing Partner of Messrs Hanafiah Raslan and Mohamad which merged with Messrs Arthur Andersen in 1990 and was an Adviser with Messrs Ernst & Young Malaysia, until his retirement on 31 December 2004. Dato' Zainal Abidin was the Chairman of Pengurusan Danaharta Nasional Berhad up to December 2005 when it ceased operations. He is also the past president of the Malaysian Institute of Certified Public Accountants, Malaysian Accounting Standards Board and previously served as a member of the Malaysian Communication and Multimedia Commission. He was also previously a member of the investment panel of the Employees Provident Fund. Dato' Zainal Abidin sits on the boards of other publicly listed companies and is currently the Chairman of Dutch Lady Milk Industries Berhad and Land & General Berhad. He also sits on the boards of Petron Malaysia Refining and Marketing Berhad (formerly known as ESSO Malaysia Berhad) and Tenaga Nasional Berhad. He holds directorships in a number of private companies including as Chairman of Mobile Money International Sdn Bhd. He is a trustee of the National Heart Institute Foundation (IJNF) and the Perdana Leadership Foundation. Dato' Zainal Abidin is also a member of Perbadanan Putrajaya.

ii. Dato' Sri Nazir Razak
(NRIC No. 661119-10-5909)
Chief Executive Officer, Non-Independent Executive Director

Dato' Sri Nazir Razak, aged 46, Malaysian, joined the board of directors of CIMB Bank on 5 June 2005.

Dato' Sri Nazir Razak is the Group Managing Director/Chief Executive Officer of CIMB Group, and Chief Executive Officer of CIMB Bank, CIMB and President Commissioner of CIMB Niaga. Dato' Sri Nazir graduated from the University of Bristol with a Bachelor of Science (Hons) degree and obtained a Master of Philosophy (MPhil) from the University of Cambridge. He joined the corporate advisory department of Commerce International Merchant Bankers Berhad (now known as CIMB) in 1989 and managed various fund raising, privatisation, listing and corporate restructuring exercises. In 1993, he transferred to CIMB Bank's stockbrocking arm where he rose to the position of Executive Director. He moved back to CIMB as Deputy Chief Executive on 1 June 1996 and became Chief Executive on 1 June 1999. He assumed the position of Group Managing Director/Chief Executive Officer of CIMB Group on 7 November 2006. Dato' Sri Nazir was named one of Asia's 50 most influential figures of the last decade (1996-2006) by Finance Asia magazine in 2006. He was also ranked second by Institutional Investor in its Asia's Best CEO (Bank) survey in 2008. He became the youngest recipient of Finance Asia's 'Lifetime Achievement Award' in 2009, and was also named the 'Best Top Executive in Malaysia' by Asia money in 2009 and 2010, 'Best CEO' by Finance Asia in the Asia's Best Managed Companies poll 2011 and 'Best CEO for Investor Relations' in the Malaysia Investor Relations Awards 2011. In 2012, he received the '2012 Outstanding Achievement Award' from the 'Euro money Awards for excellence 2012', in recognition of his outstanding contribution to Asian financial markets, 'Best CEO for Investor Relations' in the Malaysia Investor Relations Awards 2012 and 'Asian Corporate Director Recognition Award' in the Asian Corporate Director Recognition Awards 2012. Dato' Sri Nazir is a member of the Investment Panel and Chairman of the Investment Panel Risk Committee of the Employees Provident Fund. He holds directorships in various CIMB Group companies, Malaysian Electronic Payment System (1997) Sdn Bhd and is an Executive Committee member of the Malaysia International Islamic Financial Centre. He is trustee of the Rahah Foundation and the Pride Foundation. He does not have any family relationship with any other directors and/or major shareholders of the CIMB Bank, except being the brother of Dato' Sri Mohd Najib Tun Hj Abdul Razak, the Chairman of Khazanah Nasional Berhad.

iii. Datuk Dr. Syed Muhamad bin Syed Abdul Kadir
(NRIC No. 470203-01-5429)
Independent Non-Executive Director

Datuk Dr. Syed Muhamad joined the Board on 8 April 2004.

Datuk Dr. Syed Muhamad graduated with a Bachelor of Arts (Hons.) degree from the University of Malaya in 1971. He obtained a Masters of Business Administration degree from the University of Massachusetts in 1977 and obtained a PH.D (Business Management) from Virginia Polytechnic Institute and State University in 1986. In 2005, he obtained a Bachelor of Jurisprudence (Hons) degree from the University of Malaya and obtained a Certificate in Legal practice in 2008. He was admitted as an Advocate and Solicitor of the High Court of Malaya in July 2009. In November 2009, he completed his LLM (Corporate Law) degree from Universiti Teknologi Mara (UiTM). In June 2011, he became a member of The Chartered Institute of Arbitrators, United Kingdom and in May 2012 became the fellow of the Institute. Datuk Dr. Syed Muhamad is the Chairman of CIMB Islamic, CIMB Middle East BSC and CIMB-Principal Islamic Asset Management Sdn Bhd.

He is also a Director of CIMBGH and CIMB Group Sdn Bhd. He started his career in 1973 as Senior Project Officer, School of Financial Management at the National Institute of Public Administration (INTAN) and held various positions before his final appointment as Deputy Director (Academic). In November 1988, he joined the Ministry of Education as Secretary of Higher Education and thereafter assumed the position of Deputy Secretary (Foreign and Domestic Borrowing, Debt Management) Finance Division, Federal Treasury. From 1993 to 1997, he joined the board of directors of Asian Development Bank, Manila, Philippines, first as Alternate Executive Director and later as Executive Director. Datuk Dr. Syed Muhamad then joined the Ministry of Finance as Secretary, Tax Analysis Division and later became Deputy Secretary General (operations). Prior to his retirement, Datuk Dr. Syed Muhamad was Secretary General in the Ministry of Human Resource.

Datuk Dr. Syed Muhamad is a Director of Bursa Malaysia Berhad, Euro Holdings Berhad, Solution Engineering Holdings Berhad, BSL Corporation Berhad, ACR ReTakaful Berhad (formerly known as ACR ReTakaful SEA Berhad) and Malakoff Corporation Berhad. He also holds directorships in several private companies.

iv. Dato' Sulaiman bin Mohd Tahir
(NRIC No. 630128-08-5055)
Executive Director

Dato' Sulaiman bin Mohd Tahir, aged 50, Malaysian, joined the Board on 1 October 2009.

Dato' Sulaiman Mohd Tahir, Malaysian, was appointed as the Executive Director on 1 October 2009 and is also the Head of Consumer Sales and Distribution Division, a position he held since July 2005.

Dato' Sulaiman has held various positions in CIMB Bank, including Group Head of the Japanese Business Unit, Branch Manager and Area Business Manager managing Business Credit Relationships before being appointed as Regional Manager for Business Credit relationships. In 2002, he was appointed to lead the Credit Card Centre before assuming the role of Head of Retail Sales and subsequently, appointed to helm the Retail Sales and Distribution Division in January 2005.

In his present role, Dato' Sulaiman heads the development, implementation and management of the sales and distribution channels for the Group's consumer banking products and services.

A graduate of RMIT University, Australia with a degree in Accounting, Dato' Sulaiman served at PricewaterhouseCoopers before joining Bank of Commerce (M) Berhad (now known as CIMB Bank) in 1987.

v. Mr Joseph Dominic Silva
(NRIC No. 641211-10-7159)
Non-Independent Non-Executive Director

Joseph Dominic Silva, aged 49, Malaysian, joined the Board on 6 December 2011.

Mr. Joseph Dominic Silva joined Khazanah Nasional Berhad in August 2008 as Director, Investments. He was appointed Executive Director, Investments in May 2010. Mr. Silva is currently on the board of commissioner of CIMB Niaga.

Prior to joining Khazanah Nasional Berhad, Mr. Silva spent 18 years in the banking sector, 12 of which were spent with ABN AMRO Bank in regional and international roles across the areas of relationship management, structured finance, capital markets, risk and portfolio management and strategic business development. Prior to ABN AMRO Bank, he worked with a major Japanese financial group in Asia within the Corporate Finance division.

A finance graduate from University of Wales, Mr. Silva completed his Senior Management Program at Henley Management College, United Kingdom.

vi. Puan Rosnah Binti Kamarul Zaman
(NRIC No. 560419-03-5276)
Independent Non-Executive Director

Puan Rosnah Kamarul Zaman, aged 57, Malaysian, joined the Board on 19 January 2012.

Puan Rosnah Kamarul Zaman has more than 25 years' experience in banking and finance, covering the full spectrum of services, which includes consumer, commercial and corporate banking, as well as the non-banking functions such as policy and control, human resources, corporate planning and finance. She started as Management Trainee with Bank of Commerce Bhd (now known as CIMB Bank) in 1979. Early in her career she was seconded to JP Morgan in New York and also attended their Commercial Bank Management Program. She has presented at various local and international seminars on banking and is well respected in banking circles. In 2004 she completed the Global Leadership Development Program, initiated by the government to develop leaders in the financial industry.

Her last appointment at CIMB Bank was as the Senior Executive Vice President heading CIMB Banking Unit, responsible for the strategic businesses of Retail Banking, Business Banking, Corporate Banking, Treasury and International Banking.

Over the years, she has assisted a number of charitable organisations in their fund raising. In particular, during the past one year she has been actively involved in projects aimed at raising funds for Yayasan Orang Kurang Upaya Kelantan, a foundation set up to assist the disabled and their families to have more meaningful lives.

vii. Mr Venkatachalam Krishnakumar
(Passport No. E2069037J)
Independent Non-Executive Director

Mr. Krishnakumar, aged 61, Singaporean, joined the Board on 7 May 2012.

Mr Krishnakumar currently serves as the Chairman of Oracle Financial Services Software Ltd (Asia Pac) ("**OFSS**") which is located in Singapore. While largely a non-executive role, Mr. Krishnakumar spends a substantial amount of time calling on OFSS's senior clients and prospects in the region as part of the company's advisory and pre-sales activities.

Since his retirement from Citibank in March 2005, Mr. Krishnakumar has been working as a Senior Advisor for several organisations. Between March 2005 and August 2006, he spent time with McKinsey and Co's global clients and internal staff, advising them on current technology and infrastructural issues such as Processing Excellence/Outsourcing/Off-shoring/Core Banking Technology Replacement Strategies and building shared Centers of Excellence. Mr. Krishnakumar then completed an 18-month contract as Senior Advisor to Barclays Global Retail and Commercial Banking. He joined Barclays in August 2006 to provide leadership and experience as they rebuilt and transformed their operations and technology infrastructure and processing base then based largely out of the United Kingdom. Mr. Krishnakumar was involved in rationalising their Business Process Offshoring strategy into India and setting up a Data Center and Center Of Excellence for their model Core Banking Platform in Singapore.

He has previously served on the boards of Singapore Land Authority (a Government statutory board), The Central Depository, a subsidiary of the Singapore Stock Exchange (SGX), Singapore Computer Systems (SCS), Citibank Malaysia Berhad (board chairman), Citibank Korea Inc., Citibank Savings Manila (Philippines), E-serve International (BPO), Polaris Software Labs and SICCI (Singapore Indian Chamber of Commerce and Industry). He was also a member of the Government's Economic Review Committee (2002) for Singapore (Financial Services Working Group).

Most recently Mr. Krishnakumar spent time advising DBS Bank Ltd as they re-evaluated their Core Banking replacement strategy and presented the same to the DBS board in May 2009. He sits on the boards of ST Engineering, MediaCorp and HiSoft International (China).

viii. Mr Renzo Christopher Viegas
(NRIC No. 611009-75-5059)
Executive Director

Mr. Christopher Viegas, aged 52, Malaysian, joined the Board on 10 August 2012.

Christopher Viegas is the Deputy Chief Executive officer and Head of Consumer Banking effective 2 April 2012. He heads consumer banking in Malaysia and also oversees operations in Singapore and Cambodia. His areas of responsibility include the development and smooth implementation of overall business strategies for consumer banking in Malaysia, Singapore and Cambodia. He is also responsible for the overall performance of Malaysian consumer banking, from planning and management to day-to-day operations. Mr. Viegas has extensive experience in the banking industry and started his working career with Citibank in 1985, where he progressively held senior positions in various Asia Pacific countries including regional responsibilities. In 2008, he joined a Malaysian bank where he rose to the position of Deputy Managing Director before joining CIMB Group. He is 51 years old and holds a Bachelor of Commerce degree from the University of Bombay. He is also a fellow of the Institute of Chartered Accountants of India.

3.6 *Senior management of CIMB Bank*

As at 30 June 2013, CIMB Bank's business is managed by the following senior officers:

Dato' Sri Nazir Razak
Group Managing Director/ Chief Executive Officer

Dato' Charon Wardini Mokhzani
Deputy Chief Executive Officer Investment Banking/Chief Executive Officer, CIMB

Dato' Lee Kok Kwan
Deputy Chief Executive Officer, Corporate Banking, Treasury & Markets

Renzo Christopher Viegas
Deputy Chief Executive Officer and Head of Consumer Banking

Arwin Rasyid
Country Head, Indonesia and President Director & Chief Executive Officer CIMB Niaga

Subhak Siwaraksa
Country Head, Thailand and President & Chief Executive Officer CIMB Thai

Mak Lye Mun
Country Head, Singapore and Chief Executive Officer, CIMB Bank, Singapore

Kenny Kim
Group Chief Financial Officer and Head, Group Strategy and Strategic Investment Division

Badlisyah Abdul Ghani
Head, Group Islamic Banking Division Chief Executive Officer, CIMB Islamic Country Head, Middle East and Brunei

Iswaraan Suppiah
Head, Group Information & Operations Division

Lim Tiang Siew
Group Chief Internal Auditor

Hamidah Naziadin
Head, Group Corporate Resources Division

Kong Sooi Lin
Head, Corporate Client Solutions and Deputy Chief Executive Officer, CIMB

Effendy Shahul Hamid
Head, Group Marketing and Communications Division

David Richard Thomas
Group Chief Risk Officer

SECTION 4.0 BACKGROUND INFORMATION OF THE GROUP

4.1 Overview

The Group is the third largest commercial bank group in Malaysia based on total assets as at 31 December 2012. As at 31 December 2012, the Group had total assets of RM266.4 billion, RM3.7 billion in deposits and placements with banks and other financial institutions and RM155.7 billion in loans, advances and financing.

As one of Malaysia's leading banks, CIMB Bank possesses a strong and profitable domestic franchise. As at 31 December 2012, CIMB Bank had total assets of RM206.8 billion, RM10.7 billion in deposits and placements with banks and other financial institutions and RM108.1 billion in loans, advances and financing. As at 31 December 2012, the total assets and total profit after taxation of CIMB Bank amounted to approximately 77.6% and 79.9% respectively, of the total assets and total profit after taxation of the Group.

The main business operations of the Group are commercial banking and the provision of related financial services through CIMB Bank, as well as the provision of trustee services, nominee services, Islamic banking, investment holding, fund management, factoring, leasing, offshore banking, property investment, management services and outsourcing, through its subsidiaries, including CIMB Trust Ltd, CIMB Bank (L) Limited, CIMB Islamic, CIMB Islamic Trustee Berhad, iCIMB (Malaysia) Sdn Bhd, CIMB Commerce Trustee Berhad and CIMB Thai.

As at 31 March 2013, CIMB Bank had 311 local branches in Malaysia, 4,059 self-service terminals, including 2,300 automated teller machines, 1,136 cash deposit machines, 333 cheque deposit terminals and 290 cheque deposit machines in Malaysia to serve our customers, two branches in Singapore, one branch in London, one offshore subsidiary bank in Labuan, Malaysia, one representative office in Myanmar and one representative office in Shanghai. There are also 5 Private Banking branches in Malaysia for high net worth individuals. In addition, as at 31 March 2013, the Bank operated a domestic network of 22 business centres to service mid-sized corporations. CIMB Bank also offers a wide range of mobile banking and internet banking facilities.

CIMB Group is the fifth largest banking group by assets in Southeast Asia and the second largest listed company on Bursa Malaysia by market capitalization at the end of 2012. With about 42,000 staff and 13 million customers, CIMB Group operates across ASEAN under several corporate entities including CIMB Bank, CIMB Islamic, CIMB Niaga, CIMB Thai, CIMB Investment Bank and CIMB Securities International. CIMB Group's business lines in the core markets of Malaysia, Indonesia, Singapore and Thailand are organised primarily across the following areas: Consumer Banking, Wholesale Banking, comprising Investment Banking and Corporate Banking, Treasury & Markets, and Group Strategy & Strategic Investments. CIMB Islamic operates in parallel, following CIMB Group's dual banking model.

CIMB Group's retail banking branch network is amongst the widest in the region, with 1,080 branches in Malaysia, Indonesia, Singapore, Thailand and Cambodia. CIMB Group has substantial wholesale banking operations. Its corporate banking and treasury markets business offers one of the most comprehensive and integrated product and service suites among universal banks in ASEAN. Its investment bank is the largest in Asia Pacific (ex-Japan) with offices in ASEAN's main markets and in Bahrain, Colombo, Hong Kong, Melbourne, Mumbai, Shanghai, Seoul, Sydney and Taipei. In addition, it has equity sales operations in London and New York.

The Group has been lauded by financial institutions and publications of international standing, for its improvements and achievements in Malaysia and has received the following key achievements and awards in 2012:

Institution/Category	Awards
Asian Banking & Finance Awards 2012 (Retail Banking Awards 2012)	Core Banking System Initiative of the Year for Malaysia, Advertising Campaign of the Year for Malaysia and Online Securities Platform of the Year for Malaysia
Asiamoney (Best Bank Awards 2012)	Best Domestic Bank in Malaysia
BPA Trailblazer Awards 2012	Product Excellence in P2P Payment: CIMB Bank, Malaysia
Euromoney (Awards for Excellence 2012)	Best Bank in Malaysia
IDC Financial Insights (Financial Insights Innovation Awards 2012)	Innovation in Social Banking: CIMB Bank, Malaysia
Global Finance (World's Best Internet Bank in Asia 2012)	Best Consumer Internet Bank for Malaysia: CIMB Bank
IT Excellence Awards 2012	Best Change Management: CIMB Bank
Structured Products Asia Awards 2012	2012 Best Structured Products in Malaysia
The Asian Banker (2012 Technology Implementation Awards)	Best Risk Analytics Project Award 2012
The Asset (2012 Triple A Investment Awards)	Best Structured Products House in Malaysia
The Banker (Bank of the Year 2012 Award)	Bank of the Year in Malaysia

CIMBGH, through its wholly-owned subsidiary, CIMB Group Sdn Bhd is the ultimate holding company of CIMB Bank. CIMBGH is Malaysia's second largest financial services provider in terms of total assets and one of ASEAN's leading universal banking groups. Through CIMB Group Sdn Bhd, as at 31 December 2011, CIMBGH owns 100.0% of CIMB, the investment banking and securities franchise of CIMBGH; 100.0% of CIMB Securities International Pte Ltd, the international investment banking and securities franchise of CIMBGH; 100.0% of CIG Berhad, an insurance holding company and 60.0% of CIMB-Principal Asset Management Berhad, one of the largest asset management company in Malaysia which develops and distributes a diverse range of unit trust funds and manages customised portfolio mandates for corporations, institutions, governments and pension funds. As at 31 December 2012, CIMBGH (through the CIMB Group Sdn Bhd) held a stake of 97.9% in CIMB Niaga, which is the fifth largest bank in Indonesia in terms of assets.

4.2 Group Strategy

The Group's key business strategies are as follows:

(a) To enhance and strengthen its customer services and delivery standards

To emphasise its commitment to customers, CIMB Bank continues to enhance and strengthen its customer services by implementing various enhancement programmes at the branches, improvement in processes, supporting technology and elevating the service standards across all customer service channels to reflect the high service standard practised at CIMB Bank. CIMB Bank maintains a strong customer relationship management approach with a team of trained and dedicated professionals at all levels.

CIMB Bank has segmented each of its branches by demography and customer profile under two categories: “Preferred” and “Mass” market. Preferred customers are accorded with personalised banking services including privileges to bank at 49 Preferred centres, special rates for financial products, invitation to special investment events and assigned dedicated relationship managers who manage the customers’ banking needs. The Mass market customers are serviced by the retail branches with fast counter services and dedicated sales and operation officers. There is also a team called Mobile Sales Force (“**MSF**”), labeled as “hunters”, that seeks sales opportunities from customers who do not walk into the branches. Complementing the branches, MSF with its 37 sales centres and over 1,000 sales staff, extend Consumer Sales and Distribution’s sales reach. Besides the branches, customers can perform round-the-clock banking transactions through the Bank’s call centre and self-service terminals. CIMB Bank has also created a dedicated customer resolution unit to resolve banking issues faced by customers. These measures have elevated the service standards of CIMB Bank.

In addition, the Group’s strategically located distribution and sales network, and improved alternate channels allow for greater and easier access for customers to the Group’s services. Some examples include mobile banking, CIMB *Clicks* online banking service for individual customers, and Biz Channel, an online payment services for the business community with services like online banking, payroll, trade financing and procurement. The recent introduction of Savings Circle, the world’s first fully-integrated bank deposit campaign on the popular social media platform, Facebook is an industry’s first and a breakthrough for the Group in integrating social media and marketing. The Group also provides “one-stop” solutions to customers, for example, in wealth management, treasury services, bancassurance, trustee services, remittance services, investments in equities and international banking and transaction services.

(b) To realise group-wide synergies through the cross-selling of products and maximising synergies between various businesses in the Group

CIMB Bank leverages on its ability to cross-sell a variety of the Group’s comprehensive banking products and services to customers, thus realising group-wide synergies. The Group will continue to develop its universal banking model by further integrating capital markets and commercial banking platforms. CIMB Bank seeks to extract cost synergies between the existing divisions within the Group by minimising duplication, thus reducing operational costs. Furthermore, the Group aims to further strengthen its position and market share globally in Islamic banking by leveraging on its various business divisions to offer a comprehensive range of Shariah-compliant products and services in consumer banking, investment banking, asset management and private banking.

(c) To increase market share

The Group is focused on increasing the market share of its businesses by leveraging on the Group’s wide and diversified distribution network. The Group continues to develop innovative products that are suited to customers’ needs and leverages on its existing sizeable depositor base and the strength of the “CIMB” brand to create awareness of the Group, which, in turn, attracts customers to bank with the Group.

(d) To improve organisational effectiveness and achieve best practice in corporate governance

The Group aims to enhance transparency with sound corporate governance and seeks to improve operational processes for efficiency. The Group believes that effective management of risks is crucial for its operations to ensure that the interests of its stakeholders are protected and as a safeguard in balancing the Group’s various business activities and business prudence.

(e) To enhance asset quality and risk management policies and systems

As part of a strategic banking group, CIMB Bank has implemented various initiatives to improve its asset quality which includes creating new enhanced frameworks for credit policy and processes, developing a robust risk management framework, fund transfer pricing and the establishment of an independent debt recovery division. CIMB Bank will also concentrate on enhancing its credit capabilities to improve its asset quality and will continue to emphasise prudent and effective risk management.

(f) To continue building its human resources capabilities

The Group seeks to inculcate a high performance culture within its workforce and has introduced and developed an enhanced compensation framework with performance-driven rewards and recognition as incentives. The Group aims to continue to develop itself as a dynamic performance-oriented and competitive organisation, supported by a strong, professional, principled and dedicated workforce, focused on providing the best quality services to its customers.

(g) To develop alliances with a view to increasing the range and distribution network of the Group's products and services

The Group has developed strategic alliances to facilitate synergies within itself and through its strategic partners by complementing and leveraging on each of the respective parties' strengths and capabilities. The Group's partners to date include the following:

- Allianz General Insurance Malaysia Berhad — a strategic partnership relating to the distribution of general insurance products through CIMB Bank's extensive branch network.
- Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad ("**BTMU**") — through its strategic alliance with BTMU, the Group is able to offer integrated financial services, including investment banking and commercial banking services to assist BTMU's customers, particularly, Japanese companies operating in Malaysia.
- ICE Commercial Services Sdn Bhd ("**ICE**") — a strategic alliance through CIMB Bank's entry into a participation agreement with ICE and Lenlyn UK Limited relating to the management of CIMB Bank's retail foreign exchange business.

The Group has also entered into a number of strategic alliances with selected Development Financial Institutions, including Bank Perusahaan Kecil & Sederhana Malaysia Berhad ("**SME Bank**") and Export-Import Bank of Malaysia Berhad ("**EXIM Bank**"), with a view to further increasing the range of banking products and services that it can offer to business entities. In addition to its existing strategic alliances with SME Bank and EXIM Bank, the Group has been in close co-operation with a number of business associations, chambers of commerce and industry groups to expand its understanding and assistance of SMEs and corporates.

(h) To strengthen its regional coverage

In line with the CIMB Group's regionalisation strategy, the CIMB Group has also undertaken certain initiatives to expand its business outside Malaysia, including the acquisition of selected cash equities and advisory businesses in Asia Pacific from the Royal Bank of Scotland ("**RBS**") in 2012. These operations are predominantly in Australia, India, China/Hong Kong, South Korea and Taiwan. The exercise has allowed the CIMB Group to expand its cash equities and advisory reach to economic regions which form ASEAN's principal trading partners. The acquisition has been completed in stages with the entire platform expected to be fully operational by the 3rd quarter of 2013.

CIMB Bank has applied for a banking licence in Vietnam and Laos, with the aim of commencing and building up the Group's operations in these countries.

(i) **Competition**

The Group faces competition from a number of sources. The Group's primary competitors consist of other major Malaysian banks as well as other local and international banks operating in Southeast Asia. In addition, the Group faces indirect competition for customers from a variety of other types of financial services companies, such as credit and leasing companies as well as specialist lenders and faces competition from a variety of banks and financial institutions in international markets, many of which have extensive worldwide operations.

The rising trend towards liberalisation of the banking industry in the Southeast Asian region to allow a greater presence of foreign and Islamic banks has also brought about greater competition among banking institutions.

Despite the competition from these sources, the Group believes it has a number of competitive advantages over its competitors, including:

- its strong market reputation and the "CIMB" brand that is widely recognised in Malaysia, and increasingly, in other parts of the Southeast Asian region;

- its extensive branch network and effective delivery channels across Malaysia;

- its broad and innovative product suite that is able to offer various products across the retail, SMEs, corporate and Islamic banking customer base;

- its ability to gain significant financial strength and access to a diversified international network within the wider CIMB Group;

- its ability to implement mergers and acquisitions which will add value to the Group's business and operations;

- its ability to integrate its businesses throughout the Group, thus realising synergies across its businesses;

- its implementation and application of advanced, modern banking technology and software; and

- its effective and efficient internal management, risk assessment, credit approval and compliance systems.

4.3 The Group's Business

The Group is organised into five major operating divisions —Consumer Banking (includes Commercial Banking and Retail Financial Services and Cards), Wholesale Banking (includes Corporate Banking, Treasury and Markets and Investment Banking), Investments, Foreign Banking Operations and Support and others. The Support and others division comprise unallocated middle and back-office processes and cost centres and other subsidiaries which provide business support for each operating division of the Group and their financial results are not material to the Group.

The following table shows a breakdown of the Group's total income (consisting of net interest income, income from Islamic banking operations and non-interest income), profit or loss before allowances and profit/-(loss) before taxation by business segment for the financial years ended 31 December 2011, 31 December 2012 and 31 March 2013, respectively:

The Group

	Audited For the financial Year ended 31 December						Unaudited For the Financial Period ended 31 March		
	2011			2012			2013		
	Total Income (RM'000)	Profit/(Loss) Before Allowances (RM'000)	Profit/(Loss) Before Taxation (RM'000)	Total Income (RM'000)	Profit/(Loss) Before Allowances (RM'000)	Profit/(Loss) Before Taxation (RM'000)	Total Income (RM'000)	Profit/(Loss) Before Allowances (RM'000)	Profit/(Loss) Before Taxation (RM'000)
Consumer Banking:									
-Commercial Banking	904,134	384,496	521,197	939,303	359,905	418,385	237,591	81,517	113,594
-Retail Financial Services and Cards	3,137,958	1,191,181	895,072	3,140,355	956,138	1,025,562	792,465	215,746	165,658
Wholesale Banking:									
-Corporate Banking, Treasury and Markets	2,051,381	1,370,704	1,329,069	2,779,848	1,985,648	1,859,025	734,491	534,902	532,880
-Investment Banking	58,869	15,198	14,690	66,527	20,185	19,592	14,079	8,696	8,161
Investments	559,860	546,806	492,316	468,210	381,038	387,807	112,849	(82,537)	(66,757)
Foreign Banking Operations^	819,617	233,849	206,022	905,570	282,136	249,330	229,369	66,471	48,717
Support and Others	8,480	(57,536)	(60,702)	20,801	(78,776)	(78,200)	4,256	(32,045)	(32,681)
Total	7,540,299	3,684,698	3,397,664	8,320,614	3,906,274	3,881,501	2,125,100	792,750	769,572

(^) Foreign Banking Operations comprise of CIMB Thai, Bank of Yingkou Co Ltd ("**Bank of Yingkou**") and CIMB Bank PLC.

Retail Financial Services

Retail Financial Services ("**RFS**") is responsible for the retail financial services business, covering lending, deposits, auto finance, wealth management, remittance and others (for example, retail foreign exchange and payment products). Formerly known as the Retail Banking Division it has been renamed to Retail Financial Services in 2011 to better reflect the diverse nature of activities housed under the division, with the addition of Regional Private Banking, Enterprise Banking, Group Insurance, and Retail Banking in Singapore and Cambodia.

RFS focuses on product management, business development, campaign management and marketing. Most of the teams within the division work closely with the Consumer Sales Distribution division, which is responsible for the sales and distribution of products. The main RFS products and services, covering both conventional and Islamic financial products and services, comprise the following:

- residential property loans/financing;
- non-residential property loans/financing;
- SMEs business loans/financing;
- secured personal loans/financing;
- motor vehicle financing;
- deposits and other banking services; and
- wealth management and insurance.

As at 31 March 2013, the Bank's domestic residential mortgage base and retail deposit were RM31.0 billion and RM56.3 billion, respectively. The Bank's domestic market share for residential mortgages and retail deposits were 12.5% and 10.8% on 31 December 2012. The RFS division's strong market presence can, to a large extent, be attributed to its large customer base of 7.5 million customers, as at 31 December 2012, and its ability to leverage on the cross-selling of its products and services.

Residential Property Loans/Financing

Residential property loan/financing comprises the largest single asset of the Group's retail banking lending portfolio. These are typically secured by the property being purchased or refinanced and are generally conventional or Islamic term loans or overdrafts (or a combination of both). The Group has introduced a wide range of residential property loans/financing under various brand names (such as "*Home Loans*", "*Home Flexi*", "*Home Fixed*", "*Home Xtra*", "*Variable Home Financing-i*" and "*Flexi Home Financing-i*"), all of which offer multiple and varied financing options including fixed or floating interest/profit rate options, flexible payment options, and top-up loan/financing options. The Group's policy is to finance up to 90.0% of the assessed market value of the residential property. The marketing activities of the RFS division include various initiatives such as product-bundling options and active participation in sales launches and major property exhibitions. The Group will continue to focus on financing transactions in the mid-range residential property sector as it believes that this sector has the lowest default rate and hence, represents assets and a loan/financing book of higher quality.

Non-residential Property Loans/Financing

In addition to residential property loans/financing, the Group also has a non-residential property loan/financing portfolio which comprise non-residential conventional or Islamic property loans/financing under various brand names (such as "*Business Premises Loans*", "*BizFlexi*", "*BizXtra*", "*Business Premises Financing-i*" and "*Flexi Business Premises Financing-i*") with various flexible or built-in interest/profit rate or payment options to facilitate the customer's purchase of non-residential properties (such as factories, shop-houses and vacant land for development). The Group's policy is to finance up to 85.0% of the assessed market value of the non-residential property.

SMEs Business Loans/Financing

The Group offers lending products to micro and small enterprises, which are businesses under sole proprietorship, partnership and private limited companies with annual sales turnover of up to RM10 million, through Enterprise Banking, a business unit established in July 2010 within the RFS division.

To ensure efficient service and fast turnaround time to SMEs, Enterprise Banking has introduced a wide range of criteria driven product packages. These product packages are offered under "*Biz Series*" such as "*Biz Vacant Land*", "*Biz Overdraft*", "*BizLoan*", "*BizFlexi*" and *"Biz Access Lite"* in which the loans are mainly secured by the property being purchased/refinanced and/or through the guarantee schemes offered by the Credit Guarantee Corporation Malaysia Berhad (the "**CGC Scheme**"). The CGC Scheme offers assistance to SMEs to obtain credit facilities, such as term loans and overdrafts, from financial institutions by providing guarantee cover on such facilities to SMEs.

The Group believes it has several key advantages over its competitors and is in a position to cater to the micro and small enterprises market. Through its wide distribution network of over 300 branches nationwide, the Group is able to serve this market segment effectively. The Group's universal banking model also allows the Group to provide tailor made financial solutions through its extensive portfolio of products to its clients.

Secured Personal Loans

The Group's personal loan portfolio comprises three main financing products, which are the Amanah Saham Bumiputera loans, securities margin financing and secured overdraft facilities, all as described below.

- ***Amanah Saham Bumiputera ("ASB") Loans***

The Group offers financing in the form of term loan facilities to its customers for the purposes of financing their acquisition of ASB units. ASB is one of the funds managed by Amanah Saham Nasional Berhad, a wholly-owned subsidiary of Permodalan Nasional Berhad ("**PNB**") established in 1979 for the purpose of, amongst other things, managing the unit trust funds launched by PNB. The RFS division's main source of revenue from ASB financing will include interest earned on the outstanding loans. In addition, the RFS division also earns transactional fee income from PNB for ASB units purchased or sold by the Group's customers.

- ***Securities Margin Financing***

Securities margin financing is a service provided through the Group's distribution channels such as branches, remisiers, dealers and private bankers. The Group's securities margin financing services provide the Group's customers with the opportunity of leveraging or enhancing their investment capacities without liquidating or disposing of their existing investments or depleting any of their financial resources. The Group's securities margin financing services aims to equip customers with greater flexibility to trade in various securities including shares, structured financial products and bonds through the trading facilities provided pursuant to the Group's securities margin financing services, with such securities pledged by the customers as collateral or security in favour of the Group.

The Group will continue to grow its securities financing portfolio by constantly improving its service delivery standards and proactively reviewing and enhancing the features of its securities financing products and services. It will also identify opportunities as well as develop initiatives aimed at expanding its market share in securities financing. The Group launched various sales and marketing initiatives aimed at offering attractive and competitive securities margin financing packages and targeting diversified market segments with the ultimate objective of penetrating or creating new market segments, through collaborations and alliances with third party brokerage firms. The Group will continue to focus on product innovation and leverage on the wide distribution channels and cross-selling in order to increase its domestic market share in securities financing.

- ***Secured Overdraft Facilities***

The RFS division offers secured overdraft facilities which are aimed at meeting retail customers' needs by providing financial support without the customers having to encash their fixed deposits or investments. This means that the customers will continue to earn full interest or dividends from their investments and capitalises on their interest payout based on the prescribed rates locked-in previously.

Motor Vehicle Financing

Motor vehicle financing forms an important component of the Group's retail credit business segment. The Group's motor vehicle financing was consolidated in the Bank on 1 January 2006 following the acquisition of SBB. This type of financing is offered primarily on a flat rate basis and secured by the vehicles being purchased, with financing typically covering 90.0% of the assessed collateral value of the vehicle. The repayment term typically ranges from five to nine years.

The Bank manages motor vehicle financing through a specialised division, Automotive Financial Services ("**AFS**"), within the RFS division. AFS offers a wide range of domestic motor vehicle financing services and facilities, comprising retail hire purchase, both fixed and variable rate, block discounting and floor stocking through 30 Auto Finance Centres and 6 Mobile Sales Teams in Malaysia. The business covers conventional and Islamic products and caters for individuals as well as corporations.

As at 31 March 2013, the Bank and CIMB Islamic, collectively have a gross loan of RM11.9 billion.

In terms of purchase of transport vehicle, this places AFS as the 5th largest hire purchase lender amongst all domestic banks in Malaysia. AFS also undertakes the role of assisting Commercial Banking, as the relationship manager for the automotive sector. AFS also provides guidance and sharing of best practices for the hire purchase business undertaken by CIMB Niaga and its subsidiaries. Given the current challenging market conditions which are marked by intense price competition, the Bank will continue to focus on its key strategy by catering to a higher yield sector (comprising used cars and national new cars). The Bank has also formed non-exclusive strategic alliances with leading vehicle dealers and manufacturers to offer preferential rate motor vehicle financing to prospective customers. It also carries out cross-selling and retail product-bundling with key market players such as Allianz General Insurance Malaysia Berhad, CIMB Aviva Takaful Berhad and Takaful Ikhlas Sdn Bhd so as to attract a larger customer base and create brand awareness.

AFS had realigned its business mix to ensure sustainability and profitability through yield management and a balanced risk portfolio. The non-performing loans indicators depict improved asset quality that is supported by prudential loan origination practices, superior credit underwriting standards and relentless collection efforts. The hire purchase portfolio remains in positive territories in terms of profits and return of equity despite being stress-tested under the various severe stress factors.

The 2013 business environment (albeit tougher) provides reasonable opportunities for the firm to grow the business in the near term.

Deposits and Other Banking Services

The majority of the Group's deposits are in the form of conventional and Islamic fixed deposits that carry higher interest/profit rates than saving deposits and demand deposits generally. The total amount of individual customers' deposits of the Bank was approximately RM60.8 billion as at 31 March 2013, as compared to RM58.4 billion as at 31 December 2012.

Remittance Services

The Group offers wide range of remittance services that answer all the needs of our valued customers. Group's own international money transfer services, Speed Send, a speedy and easy remittance service across 9 countries offers remittance into banking accounts or cash collection at more than 5,500 locations. We also continue to strive for better solutions through partnership with international money transfer service providers.

Foreign Exchange Services

The Group's 48 Bureau De Change branches which grants the customer easy access to currency exchange services nationwide.

Wealth Management and Insurance

The Group offers a wide range of wealth management products and services comprising bancassurance and investment products such as life and general insurance, unit trusts, structured instruments and retail bonds. For life insurance, Sun Life Financial Inc. and Khazanah Nasional Berhad ("**Khazanah**") are the Group's new partners after CIMBGH completed the sale of its stake in CIMB Aviva Assurance Berhad and CIMB Aviva Takaful Berhad in April 2013 to a subsidiary of Khazanah. For general insurance, the Group has a distribution partnership with Allianz Malaysia.

The Group leverages on its strength in investment banking and partnership with reputable external product providers to bring suitable and timely wealth management solutions to high net-worth individuals and general investors. The Group offers customers a wide range of innovative financial solutions, based on the customers' individual priorities and preferences, so that they can achieve their financial goals and objectives within their desired time frame.

Credit Cards

The Bank's credit card business is part of the Group's Consumer Banking business.

Revenues from the Bank's credit card operations consist principally of finance charges on revolving outstanding balances, cash advance fees, and annual fees paid by cardholders and merchant discount rates payable by service establishments.

As at 31 March 2013, the Bank's Malaysia market share in terms of credit card customer base, credit card loan base, credit card spending base and merchant sales are 9.1%, 12.4%, 14.4% and 13.5% respectively. As at 31 March 2013, on an industry basis in Malaysia, the Bank is ranked fourth in terms of its credit card loan base.

For Malaysia, the strategy is to continue to create value added card products to cater for different segments. The Bank will continue to defend its position as the market leader for premier credit cards in Malaysia and in tandem, grow its mass market segments. The Bank continues to lead in terms of regional privileges, such as the award winning regional golf, dining and hotel stay programs. Partnership with key merchants will continue to be the main focus and in line with this, the Bank's card centre was awarded with a list of prestigious regional awards, such as the 2012 Largest Payment Volume Growth and Largest Visa Infinite Issuer for CIMB Visa Infinite by VISA.

The Bank will continue to increase its credit card market share by leveraging on its extensive branch network, tapping into its large consumer customer base.

Personal Financing

The Group also offers unsecured personal and micro-financing to consumers, micro entrepreneurs and small businesses. The products feature quick loan approval and disbursements and are targeted at a broad range of customer segments through differentiated pricing and service levels.

Commercial Banking

Commercial Banking offers an encompassing spectrum of products and services to SMEs and mid-sized corporations in the market. The vision and conviction is to provide a one-stop banking platform to the customers. Currently, Commercial Banking serves the main segments of the economy; manufacturing, trading and services sector.

The banking function of this division includes strategy development, credit portfolio and customer relationship management, as well as the development and bundling of products and services for these customer segments. Commercial Banking division's loan portfolio consists of medium business enterprise accounts (companies with annual turnover between RM10 million to RM50 million) and mid-sized corporations (companies with annual turnover between RM50 million to RM250 million). Consistent with the dual banking concept, this division promotes a wide range of financial products and services, encompassing Conventional and Islamic banking facilities.

Commercial Banking has adopted an integrated marketing approach with regards to its financial products and services, which are tailored to meet the customized needs of its commercial customers of a targeted customer profile and comprises of core banking credit facilities (such as term loans, trade finance facilities including letters of credit, bankers' acceptance and trust receipts), overdraft facilities, bank guarantees and foreign exchange contract facilities as well as general deposit products such as current accounts, savings accounts and fixed deposit accounts.

Commercial Banking will continue to leverage on CIMB Groups expertise by bundling and cross-selling various financial products and services through its strategic business units. With increasing presence of mid-sized corporations in the commercial segment, Commercial Banking Solutions department has been established specifically to provide products and services that serve this growing segment.

The Bank's strengths in commercial banking is enshrined on its serious emphasis on customer relationship management and local presence, which is made possible with Commercial Banking Centres in 22 locations. These centres are managed by teams of relationship managers who consistently develop in-depth knowledge of Commercial Banking customers and their requirements. The customer relationship management approach has also resulted in the formation of a Regional Network, linking all Commercial Banking Businesses in Indonesia, Singapore, Thailand and Cambodia to provide insights on the specific commercial banking requirements of the division's regional corporate clients operating in Malaysia.

Commercial Banking views our relationship with the community as a long term commitment and thus was pleasantly surprised to receive the Privileged "Sahabat SME award", from SMI Association of Malaysia in 2012. This award recognizes Commercial Banking's contribution to the development and growth of SMEs. With this recognition, it has spurred us to a higher level of collaboration in the business arena, both in Malaysia and in ASEAN.

To maintain and enhance its position as a leading commercial bank in Malaysia, Commercial Banking will continue to focus on product innovation and loan asset quality by capitalizing on its access to the extensive nationwide branch network and infrastructure of the CIMB Group, as well as through alliances with strategic partners.

Commercial Banking will continue to rely on its multi-tiered credit risk evaluation system , to evaluate and decide on loan applications so as to ensure a high level of asset quality and ultimately, the profitability of the division. Active restructuring and rescheduling of weaker accounts and the imposition of stricter compliance standards have also intensified our focus in ensuring optimal asset quality.

Corporate Banking, Treasury and Markets

The Corporate Banking, Treasury and Markets division comprises mainly of Corporate Banking and Regional Banking, Capital Markets, Rates, Funding & Structuring, Global Sales, FX & Transaction Banking, Equity Derivatives Group and Islamic Treasury.

Corporate Banking and Regional Banking

Corporate Banking Malaysia

The Corporate Banking Malaysia division focuses on the provision of a wide range of financial and lending services for large listed and non-listed corporates with a view of supporting and enhancing their growth. Its customers are from various sectors, such as natural resources, telecommunication, media and technology, infrastructure and construction, real estate, agriculture, financial institutions, services, consumer products, healthcare, education, the Government, governmental agencies, government-linked companies and manufacturing.

Its funding solutions range from the simple capital expenditure financing, trade financing and working capital lines to the more complex leveraging and mergers and acquisition financing. Core lending products cover both conventional and Islamic products (both Ringgit-denominated and foreign currency-denominated), ranging from term loans, bridging loans, leveraging financing, revolving credit, overdraft, foreign exchange, trade financing (including letters of credit, bankers acceptance, trust receipts, bills discounting, export credit refinancing, shipping guarantees, bankers guarantees, collection bills), leasing to factoring while core deposit products cover (both Ringgit-denominated and foreign currency-denominated) term, savings and current account deposits.

The Corporate Banking Malaysia division works closely with other departments within the Group to offer its customers a wide range of financial solutions. Apart from the cross-selling of products of the Group, it also actively participates in product feedback, development and delivery of the new products with the various service teams of the Group.

This synchronisation of efforts helps the Bank to leverage on the Group's expertise in banking and financial services and has enhanced the Bank's ability to provide seamless, single stop and optimal banking solutions for the Bank's corporate customers, their related entities, shareholders, directors and employees.

Corporate Banking Malaysia also practices prudent risk management to ensure good asset quality with fair returns and assistance to its customers in a challenging economic environment.

As a result, the Group's structure, forward planning, strong local relationships, extensive distribution network, dedicated relationship managers, product innovation and delivery of personalised services has enabled the Bank to become a popular choice for many local and foreign corporations, the Government and Government-linked and state-owned companies in Malaysia.

Regional Banking

The Regional Banking division is responsible for providing financing solutions to the Group's large regional corporate clients based in the ASEAN region as well as multi-national corporations. It's primary focus is to provide a comprehensive solution which includes provides such as financing, hedging, transaction banking, trade and supply chain financing, leveraging on the Group's presence in Malaysia, Singapore, Thailand, Indonesia, Cambodia and Philippines, as well as its overseas branch in London and its offshore banking subsidiary in Labuan, Malaysia to cross sell CIMB's products and services.

Credit Markets

Debt Markets

The Debt Markets unit specialises in origination activities, primarily providing funding, capital, liability management solutions to sovereign and corporate issuers with a core focus in the ASEAN region. Underlying its leading position in the regional capital and loan markets is the Group's capability in the regional bond markets, syndicated loan markets, Islamic capital markets and structured finance markets and in securities offerings such as commercial papers, medium term notes programmes, convertible bonds, asset-backed securities and credit derivatives.

Credit Trading & Market Making

The Credit Trading and Market Making unit trades and make-markets over-the-counter and exchange-traded cash instruments and derivatives, including fixed income, foreign exchange and gold-related products in domestic currency and foreign currency markets.

EXCO Fixed Income Investment

The EXCO Fixed Income Investment unit actively manages the investment of the Bank's shareholders' funds in the fixed income markets.

Structured Credit

The Structured Credit unit provides credit intermediation to market participants via credit derivatives with the aim of developing a local currency credit derivatives market.

Central Dealing Team

The Central Dealing Team unit actively develops trade ideas and sources for debt instruments in the form of bonds to build a respectable inventory to provide market-making for its regional retail channels.

FX Options

The FX Options unit is engaged in the trading of over-the-counter foreign exchange options and also primarily serves to conduct market-making for the Group's foreign exchange options.

Structured Finance

Structured Finance seeks to generate attractive, risk-adjusted returns by focusing primarily on structuring, financing, and investing in privately arranged loans and debt in the Asia Pacific region, as well as other debt opportunities including mezzanine debt, public debt, convertible debt, bank loans traded in the secondary market and structured credit. It is also responsible for delivering holistic customised funding solutions to its clients' specific needs, taking into account accounting, tax, legal and business issues. Structured Finance arranges debt to finance corporate acquisitions, privatisations, leveraged buyouts and recapitalisation exercises, as well as providing mezzanine debt to bridge the gap between the clients' debt and equity requirement. In addition, it also provides short and long term aviation finance solutions to airlines, corporates and individuals for the purchase of business jets and helicopters.

Rates, Funding and Structuring
Structured Banking Products and Rates Market Making

The Structured Products and Rates Market Making unit is responsible for making a market in government bonds, interest rate derivatives as well as developing derivative-linked solutions for the Group. It offers customised solutions for various client segments of the Group, including corporates, government agencies, institutional investors and individuals.

The unit also originates structured investment products across different asset classes on a Group-wide basis which is distributed across its various distribution channels including CIMB Niaga and CIMB Thai.

Group Funding

The Group Funding unit undertakes the responsibility for the efficient funding and gapping of the Group's balance sheet, including its foreign branches in Singapore, London and Labuan, Malaysia. In addition to managing the interest rate risk and liquidity risk of the Group's balance sheet, the Group Funding Unit also offers a wide range of products to corporate and institutional investors and depositors to help them generate return on their funds. These products include overnight placements to investments of up to one year at competitive rates and in a highly customised manner, across all local and major currencies.

Global Sales, FX & Transaction Banking
Global Sales

The Global Sales unit represents the client facing unit for the Group's entire suite of treasury products. Its client activities are divided into three main areas, namely Corporate FX Sales, Derivatives Sales and Fixed Income Sales.

Trade Finance & Cash Management

The Trade Finance and Cash Management unit provides trade finance and cash management products and services on a regional platform across Malaysia, Indonesia, Singapore and Thailand. It provides solutions along the entire trade value chain to address the business needs of its customers in funding, risk mitigation and trade documentary services. Its cash management products and services are tailored for companies to accelerate collections, control disbursements, maximise the use of excess cash and minimise cost of funding. All products and services may be customised to meet the requirements of domestic and international trade flows.

Global Financial Institutions

The Global Financial Institutions unit is the correspondent banking arm of the Group which maintains relationships with financial institutions worldwide.

Structured Trade and Commodity Finance

The Structured Trade and Commodity Finance ("**STCF**") unit was established in 2011 and commenced business in 2012. It is a regional business and is currently located in Singapore. The STCF unit leverages on CIMB Bank's extensive presence in ASEAN to finance commodities and companies with businesses in countries where CIMB Bank has a presence.

The STCF unit's core expertise is in the area of commodities and the short-term financing of the commodity sector. The aim of the STCF unit is to go beyond the traditional balance sheet analysis of a company and to obtain security for CIMB Bank by focusing on the underlying transaction either in the form of goods in transit, inventory or receivables. It combines financing together with other risk mitigating tools such as hedging solutions offered by the Group to provide a suitable financing solution in a risk mitigated manner.

Equity Derivatives Group

The Equity Derivatives Group is responsible for the issuance and market-making of structured warrants, equity options, and equity-linked investments to provide investors with alternative investment avenues. The department also provides equity structured solutions to corporate clients.

Islamic Treasury

The Islamic Treasury unit, an operating division of CIMB Islamic, offers a wide range of Shariah-compliant products and services covering foreign exchange, money market, fixed income, derivatives and structured products to corporations, institutional investors and individuals, in the region and in the Middle East.

Regional Treasury

Our regional treasury oversees all CIMB treasuries in the region. It coordinates with all treasuries to ensure that all concepts and policies which are implemented across the region consistently.

Islamic Banking

CIMB Islamic is CIMB Group's global Islamic banking and finance franchise, anchored by CIMB Islamic, a licensed bank under Islamic Financial Services Act 2013. CIMB Group's Islamic banking business is supported by an experienced senior management team and an experienced global team of Islamic banking and financial services professionals in all core components of the Islamic banking and financial services market. CIMB Group also has the largest retail branch network in ASEAN of more than 1,000 branches as at 31 March 2013 and both CIMB Bank and CIMB Islamic offer their retail banking services to over 8.6 million customers on a dual banking platform in 311 branches throughout Malaysia.

CIMB Islamic provides innovative and comprehensive *Shariah*-compliant financial solutions in investment banking, consumer banking, asset management, *takaful*, private banking and wealth management. CIMB Islamic products and operations are managed in strict compliance with *Shariah* principles under the guidance of the CIMB Islamic *Shariah* Committee, which comprises some of the world's leading Islamic scholars.

CIMB Islamic has consistently won awards and accolades in the Malaysian and global Islamic banking and financial services markets from various leading international financial publications. In 2012, it was awarded, among others, The Asset Triple A Islamic Finance Award 2012 for Islamic Bank of the Year, Asiamoney Best Islamic Banks Awards 2012 for Best Islamic Bank in Asia, The Banker Investment Banking Awards 2012 for Most Innovative Investment Bank for Islamic Finance, Euromoney Islamic Finance Awards 2012 for Best Islamic Bank in Asia, Global Finance Best Islamic Institutions Awards 2012 for Best Islamic Bank, FinanceAsia Achievement Award for Best Islamic Finance House and Islamic Finance News Awards 2012 for Most Innovative Islamic Bank.

Properties

The majority of CIMB Bank's branches and outlets are leased by CIMB Bank. In the event that CIMB Bank's leases are not renewed, CIMB Bank believes that it would be able to secure alternative office space which would not have a material effect on CIMB Bank's operations.

Technology

The Group is committed to investing in technology to foster and support its business objectives. To facilitate the appropriate level of investment in technology, the Group has earmarked considerable resources to building future capabilities in areas such as information and strategic applications. The Group will continue to make new investments to promote new levels of process efficiency and effectiveness to improve its business performance and risk management policies. The Group's information technology policies and procedures comply with national standards and BNM's requirements.

CIMBGH is in the process of executing its information technology roadmap through its project ("**Project Optimus**"), which will result in enhancements to its information technology platform security framework, operational and technical capabilities and capacities. In addition, CIMBGH's service delivery channels such as mobile/internet banking, teller services and contact centre facilities will be strengthened and improvements will be made to customer experience and market penetration. The total investment amount allocated under Project Optimus is RM2 billion over a five year period. As part of Project Optimus, 1Platform serves as the first major building block in its roadmap towards providing customers with a seamless banking experience across CIMBGH's key operations in Malaysia, Indonesia, Singapore and Thailand. The 1Platform project will deliver common capabilities across CIMB Group in terms of standardised processes, governance and a regional operating model. The operational integration and single manufacturing function will increase efficiency and provide significant business benefits. Implementation of 1Platform will be completed on a country-by-country basis with Singapore being the first site, followed by Thailand, Malaysia and lastly, Indonesia. We have completed both Singapore and Thailand to date and midway through the Malaysian implementation. The Group is expected to be on 1Platform by 2015.

Recent Developments

CIMB Bank had on 8 May 2012 entered into sale and purchase agreements ("**SPA**") with San Miguel Properties, Inc., San Miguel Corporation Retirement Plan, Q-Tech Alliance Holdings, Inc. and various minority shareholders in relation to the proposed acquisition of 59.98% of the total issued and paid-up share capital of Bank of Commerce ("**Proposed Acquisition**").

However, on 21 June 2013 it was announced that the SPAs in relation to the Proposed Acquisition have lapsed. The parties to the SPAs have been engaged in negotiations since the lapse of the SPAs, but have not been able to reach an agreement on new terms in relation to the Proposed Acquisition. As such, the parties will not proceed with the Proposed Acquisition.

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Principal Subsidiaries

CIMB Bank engages in certain financial and non-financial service activities through its subsidiaries and affiliates. These subsidiaries and associated companies include retail banking, commercial banking, Islamic banking, finance and investment holding companies. Each of these entities has the necessary licences, exchange memberships and other regulatory requirements to enable the Group to provide a comprehensive and diversified range of financial and non-financial services and products to its customers.

CIMB Islamic

CIMB Islamic is the core Islamic banking and finance brand entity and franchise of the Group and a vital part of the Group's platform as South East Asia's Most Valued Universal Bank.

CIMB Islamic started in 2002 as an Islamic investment banking arm of the Group. Following the internal reorganisation of the Group in 2006, CIMB Islamic was transformed into an Islamic universal bank and CIMB Islamic was established. It is a licensed Islamic bank in Malaysia and as at 31 March 2013, had a branch network of 311 local branches in Malaysia and 22 business centres. CIMB Islamic currently offers a comprehensive range of Shariah-compliant products and services in consumer banking, investment banking, asset management and private banking and operates Southeast Asia to major financial markets such as Hong Kong, London, New York and the Middle East. As at 31 December 2012, CIMB Islamic had 63 employees.

Selected financial information of CIMB Islamic is set out below:

	Audited As At 31 December		**Unaudited As At 31 March**
	2011	**2012**	**2013**
	(RM'000 except %)		
Total assets	43,102,785	51,225,040	52,423,776
Shareholders' funds...	1,933,577	2,343,444	2,421,000
Profit after taxation	335,732	401,070	78,548
Percentage of total assets of the Group	18.4%	19.3%	18.4%
Percentage of profit after taxation of the Group………………………………………	12.3%	12.9%	13.4%

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CIMB Thai

CIMB Thai was established in 1998 and is licensed by the Ministry of Finance of Thailand and related authorities to engage in commercial banking, which constitutes its primary business. On 5 November 2008, CIMB Bank became the largest shareholder of CIMB Thai, and through a mandatory general tender offer which was completed on 6 January 2009, CIMB Bank increased its equity holding in CIMB Thai to 92.04%. During the annual general meeting held on 12 April 2012, the shareholders of CIMB Thai had approved a rights offering to raise approximately an additional THB4.895 billion (equivalent to RM489.5 million, based on exchange rate of RM1.00 : THB10.00 (the "**Rights Offering**"). The Rights Offering was subsequently completed in August 2012. Upon completion of the Rights Offering, CIMB Bank's shareholding in CIMB Thai was raised to 93.71%. As at 31 December 2012, CIMB Thai operated 164 branches, with 14 branches equipped with foreign exchanges facilities, as well as 25 stand-alone and 2 versatile foreign exchange booths selectively concentrated in premises with high business potential. CIMB Thai had 2,779 employees as at 31 December 2012.

Selected financial information of CIMB Thai is set out below:

	Audited As At 31 December		Unaudited As at 31 March
	2011	2012	2013
	(THB'000 except %)		
Total assets	168,023,094	201,516,073	208,409,306
Shareholders' funds	13,410,923	19,698,472	20,877,409
Profit after taxation	1,325,106	1,589,811	313,057
Percentage of total assets of the Group	7.2%	7.6%	7.7%
Percentage of profit after taxation of the Group	4.9%	5.1%	5.5%

Notes:

(1) The figures in this table are based on Generally Accepted Accounting Principles in Thailand.

CIMB Bank (L) Limited

CIMB Bank (L) Limited was incorporated on 1 April 1993 in the Federal Territory of Labuan under the Labuan Companies Act, 1990 as a limited liability company, and holds a Labuan banking license as permitted by the Labuan Financial Services and Securities Act 2010. It is a wholly-owned subsidiary of CIMB Bank. It provides mainly Labuan banking services. As at 31 December 2012, CIMB Bank (L) Limited had 21 employees.

Selected financial information of CIMB Bank (L) Limited is set out below:

	Audited As At 31 December		Unaudited As At 31 March
	2011	2012	2013
	(U.S.$'000 except %)		
Total assets	2,399,409	2,477,421	3,116,118
Shareholders' funds	540,954	396,395	401,888
Profit after taxation	46,987	26,350	5,987
Percentage of total assets of the Group	3.3%	2.8%	3.3%
Percentage of profit after taxation of the Group	5.3%	2.6%	3.1%

SECTION 5.0 INVESTMENT CONSIDERATIONS

An investment in the Subordinated Debt involves risks and such investment is only suitable for investors who have knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and merits of such an investment. The following section summarises certain of such risks associated with the investment in the Subordinated Debt and may not be exhaustive and does not purport to be complete. Only sophisticated investors who have knowledge and experience in financial and business matters necessary to enable them to evaluate the risks and the merits of an investment in the Subordinated Debt should consider any investment therein. In addition to the other information contained in this Information Memorandum, prospective investors of the Subordinated Debt are strongly advised to read and carefully consider, in light of their own financial circumstances and investment objectives, the factors discussed below and to conduct their own independent investigation of the risks posed by the Subordinated Debt and consult their own financial and legal advisors on the risks associated with the investment in the Subordinated Debt prior to making an investment in the Subordinated Debt.

The Issuer believes that the considerations described below represent the principal risks inherent in investing in the Subordinated Debt, but the Issuer's inability to pay any amounts on or in connection with any of Subordinated Debt may occur for other reasons and the Issuer do not represent that the statements below regarding the considerations or risks of holding any of the Subordinated Debt are exhaustive. Although the Issuer believe that the various structural elements described in this Information Memorandum lessen some of these risks for an investor, there can be no assurance that these measures will be sufficient to ensure payment to any investor of any principal or interest on the Subordinated Debt on a timely basis or at all. Prospective investors are strongly encouraged to undertake their own investigations and analysis on the Issuer, its business and the risks associated with the Subordinated Debt. Prospective investors should also read the detailed information set out elsewhere in this Information Memorandum and reach their own views prior to making any investment decision.

Each Subordinated Debt will carry different risks and all potential investors are strongly encouraged to evaluate each Subordinated Debt on its own merit before investing in such Subordinated Debt.

5.1 Considerations Relating to the Subordinated Debt

(a) Non Viability Loss Absorption Event

The purpose of Basel III rules is to ensure greater stability of the banking institutions by requiring them to hold more capital to serve as a buffer against losses and reduce the likelihood of bank failures, and, ultimately, government intervention. The Basel III rules are intended to ensure that all classes of capital instruments can, as fully as possible, absorb losses at the point in time of non-viability.

BNM's CA Framework require that the terms and conditions of all Tier 1 and Tier 2 capital instruments issued from 1 January 2013 onwards must contain features that ensure loss absorbency at the point of non-viability. All Tier 1 and Tier 2 capital instruments shall have a provision that requires such instruments to be either written-off in whole or in part or converted in whole or in part into ordinary shares upon the occurrence of a trigger event.

Under the terms of the Subordinated Debt Programme, following the occurrence of the trigger events (each a "**Non-Viability Event**"), whichever is earlier:

(i) BNM and PIDM have notified the Issuer in writing that they are of the view that the principal write off of the Subordinated Debt, together with the conversion or write off of any other Tier 2 Instruments and Tier 1 Instruments which, pursuant to their terms or by operation of law, are capable of being converted into equity, written off at that time, is an essential requirement to prevent the Issuer from becoming non-viable; or

(ii) BNM and PIDM publicly announces that a decision has been made by BNM, PIDM or any other federal or state government in Malaysia, to provide a capital injection or equivalent support to the Issuer, without which the Issuer would cease to be viable,

BNM shall have the option to require the entire principal outstanding or such portion thereof and all other amount owing under the Subordinated Debt be written off, and if BNM elects to exercise such option, subject to and as of the date of the occurrence of the Non-Viability Event, each of the Subordinated Debtholders shall irrevocably waives its right to receive repayment of the principal amount of the Subordinated Debt and also irrevocably waives its right to any interest (including interest accrued but unpaid up to the date of the occurrence of a Non-Viability Event).

Based on CA Framework, in assessing whether a banking institution would cease to be viable, BNM may consider amongst others, whether any of the following circumstances exist in respect of the banking institution:

(a) the banking institution fails to follow any directive of compliance issued by BNM, which is necessary to preserve or restore its financial soundess;

(b) the banking institution fails to meet all or any of its financial obligations as they fall due, that may significantly impair its capital position;

(c) the capital of the banking institution has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public, and the banking institution is unable to recapitalise on its own;

(d) the banking institution’s assets are insufficient to provide protection to its depositors and creditors;

(e) the banking institution has lost the confidence of depositors and the public; or

(f) any other state of affairs exists in respect of the banking institutions that would put the interest of the depositors or creditors of the banking institution at risk.

For the avoidance of doubt:

(i) upon the occurrence of a Non-Viability Event as described under (i) or (ii) above, where the Issuer is required by BNM to write off or convert a portion of all the Tier 2 Instruments and Tier 1 Instruments of the Issuer which, pursuant to their terms or by operation of law, are capable of being converted into equity or written off at that time, the Issuer shall first convert or write off the relevant Tier 1 Instruments, to be followed by the write off or conversion of the relevant Tier 2 Instruments on a paripassu basis.

(ii) such write off shall not constitute an event of default or enforcement event, nor would it trigger a cross-default under the Subordinated Debt. A Non-Viability Event shall be deemed to have occurred on the day on which the Issuer received the notification from the BNM where the Issuer shall immediately inform the Trustee and Rating Agencies of the same.

Upon the occurrence of a Non-Viability Event, there is a real risk that an investor in the Subordinated Debt will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Subordinated Debt. The Issuer, Lead Arranger and Trustee are not liable for any liabilities arising upon the occurrence of a Non-Viability Event.

(b) Rating of the Subordinated Debt Programme

The Subordinated Debt Programme has been accorded preliminary ratings of AA+ and AA1 by MARC and RAM respectively. A rating is not a recommendation to purchase, hold or sell the Subordinated Debt. Although CIMB Bank will endeavour to maintain the credit rating, there is no assurance that the rating will remain in effect for any given period of time or that the rating will not be lowered or withdrawn entirely if the circumstances in the future so warrant. In the event that the ratings initially assigned to the Subordinated Debt Programme are subsequently lowered or withdrawn for any reason, no person or entity will be obligated to provide any additional credit enhancement with respect to the Subordinated Debt. Any reduction or withdrawal of a rating may have an adverse effect on the liquidity and market price of the Subordinated Debt. Any reduction or withdrawal of a rating will not constitute an event of default or enforcement event. There is no obligation on the part of CIMB Bank, the Lead Arranger or the Trustee or any other person or entity to maintain or procure maintenance of the ratings for the Subordinated Debt Programme.

(c) No prior market for the Subordinated Debt

There is no existing market for the Subordinated Debt and there can be no assurance that a secondary market for the Subordinated Debt will develop, or if a secondary market does develop, that it will provide Subordinated Debtholders with liquidity of investment or that it will continue for the life of the Subordinated Debt. Accordingly, no assurance can be given as to the liquidity of, or trading market for, the Subordinated Debt and an investor in the Subordinated Debt must be prepared to hold the bond for an indefinite period of time or until their maturity. Further, no assurance can be given on the ability of the Subordinated Debtholders to sell the Subordinated Debt, or the prices at which the Subordinated Debtholders would be able to sell the Subordinated Debt.

(d) The market value of the Subordinated Debt may be subject to fluctuation

Trading prices of the Subordinated Debt are subject to fluctuations and may be influenced by numerous factors, including the prevailing interest rates, the market for similar securities, the operating results and/or the financial condition of the Group, political, economic, financial and any other factors that can affect the capital markets or the industry in which the Group is operating in. Consequently, any sale of the Subordinated Debt by the Subordinated Debtholders in any secondary market which may develop may be at prices that may be higher or lower than the initial offering price. Adverse economic developments could also have a material adverse effect on the market value of the Subordinated Debt.

(e) An investment in the Subordinated Debt is subject to interest rate risks

Subordinated Debtholders may suffer unforeseen losses due to fluctuations in interest rates. The Subordinated Debt is similar to fixed income securities and may therefore see their prices fluctuate due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in bond prices. The Subordinated Debt may be similarly affected resulting in a capital loss for Subordinated Debtholders. Conversely, when interest rates fall, bond prices and the prices at which the Subordinated Debt trade may rise. Subordinated Debtholders may enjoy a capital gain but the profit received may be reinvested for lower returns.

(f) An investment in the Subordinated Debt is subject to inflation risk

Subordinated Debtholders may suffer erosion on the return of their investments due to inflation. Subordinated Debtholders would have an anticipated rate of return based on expected inflation rates on the purchase of the Subordinated Debt. An unexpected increase in inflation could reduce the actual return to the Subordinated Debtholders.

(g) Suitability of investments

The Subordinated Debt may not be a suitable investment for all investors. Each potential Subordinated Debtholder must determine the suitability of that investment in light of its own circumstances. In particular, each potential Subordinated Debtholder should:

(i) have sufficient knowledge and experience to make a meaningful evaluation of the Subordinated Debt, the merits and risks of investing in the Subordinated Debt and the information contained in this Information Memorandum;

(ii) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Subordinated Debt and the impact the Subordinated Debt will have on its overall investment portfolio;

(iii) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Subordinated Debt, including where the currency of payment is different from the potential Subordinated Debtholder's currency;

(iv) understand thoroughly the terms of the Subordinated Debt and be familiar with the behaviour of any relevant indices and financial markets; and

(v) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

(h) The Issuer's obligations under the Subordinated Debt are subordinated

The Subordinated Debt constitute direct and unsecured obligations of the Issuer and subordinated in right and priority of payment, to the extent and in the manner provided in the Subordinated Debt, ranking pari passu among themselves. Subject to the insolvency laws in Malaysia and other applicable laws, the Subordinated Debt will, in the event of a winding up or liquidation of the Issuer, be subordinated in right of payment to all deposit liabilities and other liabilities of the Issuer, except in each case to those liabilities which by their terms rank equally in right of payment with or are subordinate to the Subordinated Debt. In the event of a shortfall of funds on a winding-up of the Issuer, there is a real risk that an investor in the Subordinated Debt will lose all or some of its investment and will not receive a full return of the principal amount or any unpaid amounts due under the Subordinated Debt. Further, the Subordinated Debt will not be the obligations or responsibilities of any other person other than the Issuer and shall not be the obligations or responsibilities of any of the Issuer's subsidiaries or affiliates or any other person involved or interested in the Subordinated Debt. None of such persons will accept any liability whatsoever to the Subordinated Debtholders in respect of any failure by the Issuer to pay any amount due under the Subordinated Debt.

(i) Limited remedies for non-payment under the Subordinated Debt

The Subordinated Debt, being Tier 2 subordinated securities, do not provide for any events of default which would ordinarily under other securities issues trigger a right to accelerate the securities. Notwithstanding any of the provisions relating to non-payment defaults, the only remedy for non-payment is to institute proceeding for winding-up where the Issuer does not satisfy the payment obligations when due and/or claim/prove in the winding up/liquidation of the Issuer.

(j) CIMB Bank may redeem the Subordinated Debt early under certain circumstances

CIMB Bank may, subject to prior approval from BNM, at its sole discretion, elect to early redeem and cancel:

(i) In part or in whole, for each tranche of the Subordinated Debt issuance where Call Option (as defined in the Principal Terms and Conditions of the Subordinated Debt Programme) is applicable; and

(ii) In whole but not in part, pursuant to either a Regulatory Redemption or a Tax Redemption (as defined in the Principal Terms and Conditions of the Subordinated Debt Programme).

BNM in giving its approval may take into account (including but not limited to) whether:

(a) the called instrument is replaced with capital of the same or better quality, and the replacement of this capital is done at conditions which are sustainable for the income capacity of the banking institution; or

(b) the banking institution demonstrates that its capital position is well above the minimum capital adequacy requirements and capital buffer requirements, after call option is exercised.

There is a risk that the amount received on redemption may be less than the current market value of the Subordinated Debt or the timing of such redemption may not accord with a Subordinated Debtholder's individual financial circumstances or tax position.

5.2 Considerations Relating To the Group

Before investing in the Subordinated Debt, prospective investors should pay particular attention to the fact that the Group and its activities are subject to the legal, regulatory and business environment in Malaysia and the other markets in which the Group operates. In the event of any of the following investment considerations materialising, the Group's business, business condition and/or results of operations could be materially and adversely affected.

Further, in the course of its business activities, the Group is exposed to a variety of risks, the most significant of which are credit risks, operational risks, liquidity risks and market risks. While the Group believes that it has implemented appropriate policies, systems and processes to prevent, control and mitigate these risks, an investor should note that any failure to adequately control these risks could be greater than anticipated and which could result in adverse effects on the Group's financial condition, results of operations, prospects and reputation.

(a) The Group's risk management and control framework may be inadequate or ineffective, thereby affecting the Group's ability to respond effectively to adverse circumstances

The Group recognises that risk management is an integral part of its day-to-day operations and that the effectiveness and efficiency of its risk management activities will affect the achievement of the Group's business objectives and protect shareholder value. In pursuing these objectives, the Group has adopted the Enterprise-wide Risk Management Framework to manage its risks and opportunities. The EWRM Framework involves an on-going process of identifying, assessing, evaluation, measuring, monitoring and reporting the material risks affecting the achievement of the Group's business objectives. The EWRM Framework represents an integrated and structured risk management approach on an enterprise-wide basis applied in a consistent manner. It aims to provide the management of the Group with the tools necessary or desirable for the anticipation and management of both existing and potential risks to its businesses and operations while taking into consideration the changing risk profiles as dictated by changes in business strategies, operating and regulatory environment.

The Group's risk management structure comprises various committees, beginning with the BRC, which determines the Group's risk policy objectives in line with best practices in corporate governance and assumes ultimate responsibility for risk management on behalf of the Board. The BRC also establishes the yearly allocation of risk capital to support all risks undertaken by the Group. The BRC reports directly to the Board, oversees the entire EWRM Framework, provides strategic guidance and reviews decisions made by the various risk committees.

The day-to-day responsibility for risk management and control is delegated to the GRC, which reports directly to the BRC. The GRC, comprising senior Group managers, undertakes the oversight function for capital allocation and overall risk limits, in line with the risk appetite determined by the Board. The GRC is supported by several specialised sub-committees, each addressing one or more categories of risks, namely, market risks, credit risks, liquidity risks and operational risks. These committees meet either weekly or monthly to review the risk exposure profile reports.

Although the Group has established a comprehensive risk management and control framework comprising detailed guidelines, processes and procedures, there can be no assurance that the Group's risk management structure will function effectively or be adequately supported to combat all risk exposures of the Group, especially arising from events beyond the Group's anticipation, such as sudden collapse of financial market or market movements that vary significantly from historical norm. The failure to maintain an effective and adequate framework to efficiently respond to such challenges, may adversely affect the business, financial condition and results of operations of the Group. See "Risk Management" for a description of the Group's risk management structure.

(b) **Credit risks arising in connection with the Group's businesses or a deterioration in the credit quality of the Group's counterparties could affect the recoverability and value of the Group's assets and require increased provisioning**

Credit risks arising from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties are inherent in a wide range of the Group's businesses. Credit risks could arise from a deterioration in the credit quality of the Group's specific counterparties, from a general deterioration in local or global economic and market conditions or from systemic risks within the financial systems, all of which could affect the recoverability and value of the Group's assets and require an increase in the Group's provisions for the impairment of its assets and other credit exposures.

CIMB Bank adopts prudent credit risk management policies to manage its asset quality. CIMB Bank recognises the need for credit policies to be responsive to the changing environment and diverse market conditions and that lending rules, policies and guidelines must be consistently applied throughout the Group.

Although CIMB Bank believes that it has adopted a sound credit risk management system and intends to maintain it, there is no assurance that such system will remain effective or adequate in the future. A significant deterioration in CIMB Bank's asset quality, any material non-compliance with its credit risk management policies or deficiencies in its asset quality management system may adversely affect the business, financial condition and results of operations of CIMB Bank and in turn, the Group. See "Risk Management" for a description of the Group's exposure to credit risks.

(c) **Operational risks arising in connection with the Group's failure or neglect to comply with rules and regulations could adversely impact the Group**

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems (such as clearing agents, exchanges, clearing houses or other financial intermediaries the Issuer uses to facilitate its securities transactions or those of the Group's counterparties or vendors) and the occurrence of natural disasters. Although the Group has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, it is not possible to entirely eliminate any of the operational risks. Any failure to successfully implement the Group's risk management and control policies could have an adverse effect on the Group's financial condition and results of operations. See "Risk Management" for a description of the Group's exposure to operational risks.

(d) **Liquidity risks arising in connection with the Group's inability to efficiently meet its funding needs and regulatory obligations when they fall due could adversely impact the Group**

Liquidity risks arise from mismatches in the timing of cashflows. The Group ensures that it can meet its cash obligations in a timely and cost-effective manner by maintaining high quality and well diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. The Group has a stable customer deposit base comprising savings, demand and fixed deposits as its main source of long-term funding. The stable growth in deposits is attained through CIMB Bank's extensive branch network, marketing focus and its reputation as a leading financial institution in the domestic market.

Other sources of funding for the Group include debt securities, interbank and swap market, bank loan syndication market and medium term funds. Primary funding sources for overseas branches are customers' deposits, interbank borrowings and borrowings from the head office. Additionally, standby lines are available on a need basis for emergency contingency use. See "Funding and Capital Adequacy".

The Group continuously explores different avenues to diversify its funding sources both locally and globally through a variety of instruments, including certificates of deposit, debt securities issuance and asset securitisation.

Although the Group's policy is to maintain prudent liquidity risk management, a diversified and stable source of cheaper funding and minimise undue reliance on any particular funding source, there is no assurance that such a policy can be maintained. In addition, liquidity risk could still arise from events such as severe deterioration in financial market or from systemic risks within financial system, which could affect the Group's ability to raise the required funds in a timely manner. This uncertainty could adversely affect CIMB Bank's liquidity position and may adversely affect the business, financial condition and results of operations of the Group. See "Risk Management" for a description of the Group's exposure to liquidity risks.

(e) **Market risks arising in connection with the Group's trading activities and investments could adversely impact the Group**

The Group is an active participant in the financial markets and maintains positions in the fixed income, currencies, commodities and equity markets to facilitate client transaction and for proprietary investment. Market risk arising from adverse changes in the financial market may cause loss of earnings or economic value in our trading and or investment portfolios.

The Group manages the exposures to market risk by employing various strategies, including the use of derivative instruments to hedge our exposures, active review of trading strategies as well as constant monitoring of trading positions and limit usage.

Although the Group believes that it has adopted a sound market risk management practices and strategies, there is no assurance that they respond efficiently to mitigate the risks in all market environments and against all market risks on a timely basis, or that there will be a perfect hedge for each type of market risk it is exposed to. Delay in responding to market condition with effective market risk management measures may adversely affect the business, financial condition and results of operations of the Group. See "Risk Management" for a description of the Group's exposure to market risks.

(f) **Interest rate risks arising in connection with the Group's loan portfolio, holdings of securities, customer deposits, interbank deposits and placements could adversely impact the Group**

The Group's exposure to interest rate risk arises from its loan portfolio, holdings of securities, customer deposits, interbank deposits and placements. When the market interest rates decline, the Group's net interest margin generally decreases due to the immediate repricing of its BLR based loans compared with slower adjustments in the interest rates paid on its customers' deposits. Interest rate risk could also affect the Group's economic value of its potential future earnings and capital as the value of its asset and liability portfolios would rise and fall with changes in market interest rates. The actual effect on net interest income due to changes in interest rates will depend on the degree and timing of changes in interest rates, the behaviour and contractual repricing dates of the Group's assets and liabilities and the Group's ability to respond to changes in its interest rates on loans and deposits. Although CIMB Bank believes that it has adopted sound interest rate risk management strategies, there is no assurance that such strategies will remain effective or adequate in the future.

(g) **A significant deterioration in CIMB Bank's asset quality could adversely affect the business, financial condition, results of operations or prospects of the Group if their loan impairment or credit and risk management policies are insufficient to cover its liabilities or ineffective for any reason**

Asset quality is a key driver of a financial institution's performance. CIMB Bank adopts prudent credit risk management policies to manage its asset quality. CIMB Bank recognises that credit policies need to be responsive to the changing environment and diverse market conditions. Additionally, the establishment and application of lending rules, policies and guidelines must be consistently applied throughout the Group. CIMB Bank appreciates that loan pricing has to reflect the cost of risk in order to generate an optimal return on capital.

Although CIMB Bank believes that it has adopted a sound asset quality management system and intends to maintain it, there is no assurance that the system will remain effective or adequate in the future. A significant deterioration of asset quality or material non-compliance with its credit risk management policies or asset quality management system may adversely affect the business, financial condition and results of operations of CIMB Bank and in turn, the Group.

(h) **Deterioration in collateral values or inability to realise collateral value may necessitate an increase in CIMB Bank's provisions**

A significant portion of CIMB Bank's loans are secured by collateral such as real estate and securities, the values of which may decline with a downturn in global economic conditions and/or outlook. Any downward adjustment in collateral values may lead to a portion of CIMB Bank's loans exceeding the value of the underlying collateral, resulting in an increase in CIMB Bank's loan loss provisions and potentially reducing its loan recoveries from foreclosures of collateral, which could have an adverse effect on the business, financial condition and results of operations of the Group.

(i) **Challenges arising in connection with further consolidation of the Group's businesses or its pending or future acquisitions or mergers may have a material adverse effect on the Group**

Although CIMB Bank's performance has been further strengthened after the successful merger with SBB in 2006, as reflected in its enlarged share of the banking system's gross loans and customer deposits and the successful integration on to a single platform in March 2007, there can be no assurance that the Group's pending or future mergers or acquisitions will be guaranteed a similar successful integration of the relevant businesses and operations, achieve the level of performance that CIMB Bank anticipates or will not have any adverse effect on the Group's business, financial condition, results of operations or prospects. In particular, if the Group makes a decision relating to any acquisition or merger in uncertain or highly competitive economic or market conditions, respectively, or for a substantial consideration, such an acquisition or a merger may result in an increase to its risk factor or a depletion of the resources of the Group, which could have an adverse effect on the business, financial condition and results of operations of CIMB Bank.

(j) Implementation of CA Framework

On 28 November 2012, BNM issued revised guidelines for its CA Framework, which took effect from 1 January 2013 onwards. These guidelines are largely in line with the package of measures finalised by the Basel Committee in December 2010, which include enhancing the definition of capital, raising minimum capital requirements, amortisation and phasing out of non Basel III compliant capital instruments and introducing capital surplus, as well as introducing liquidity standards and a leverage cap. BNM has adopted the Basel Committee timeline of a gradual phase-in of these standards beginning 2013 until 2019 as shown in the table below:

Calendar Year	2013	2014	2015	2016	2017	2018	2019
Leverage Ratio	Observation period reporting					Standard in force	
Minimum Common Equity Capital Ratio	3.5%	4.0%	4.5%	4.5%	4.5%	4.5%	4.5%
Capital Conservation Buffer				0.625%	1.250%	1.875%	2.5%
Minimum Common Equity + Conservation Buffer	3.5%	4%	4.5%	5.125%	5.750%	6.375%	7%
Minimum Tier 1 Capital	4.5%	5.5%	6%	6%	6%	6%	6%
Minimum Tier 1 Capital + Conservation Buffer	4.5%	5.5%	6%	6.625%	7.250%	7.875%	8.5%
Minimum Total Capital	8%	8%	8%	8%	8%	8%	8%
Minimum Total Capital + Conservation Buffer	8%	8%	8%	8.625%	9.25%	9.875%	10.5%
Capital Instruments that No Longer Qualify as Non-Core Tier 1 or Tier 2 Capital	Phased out over a 10 year horizon beginning 2013						
Liquidity Coverage Ratio	Observation period reporting		Standard in force				
Net Stable Funding Ratio	Observation period reporting					Standard in force	

The Group has always maintained a strong capital position that consistently ensures an optimal capital structure to meet the requirements of various stakeholders. There can be no assurance that the Group will not face increased pressure on its capital in the future under the Basel III standards and that the Group will be able to raise additional capital on favourable terms, or at all. However, the Group will retain its policy to maintain capital sufficiently above regulated levels incorporating capital buffers introduced under the new framework.

While BNM has, through the CA Framework, provided clarity on the capital adequacy requirements in Malaysia, BNM has yet to publish any guidance on the Basel III liquidity standards. Therefore, there is still uncertainty as to how BNM will adopt the Basel III liquidity standards in Malaysia.

The more stringent regulatory requirements pursuant to this Basel lll implementation may affect the Group's return on equity and profitability. Any failure by the Group to satisfy such regulatory requirements within the applicable timeline could result in administrative actions or sanctions, which in turn may have a material adverse effect on the Group's business, financial condition and results of operations. As at 31 March 2013, the Group was in compliance with the regulatory capital and liquidity requirements of each of the jurisdictions in which it and its subsidiaries and associated companies operate.

***(k)* The Group may be required to raise additional capital if its capital adequacy ratio deteriorates in the future or in order to comply with any new regulatory capital framework.**

CIMB Bank is subject to capital adequacy guidelines issued by BNM which provide for minimum Common Equity Tier 1 ("**CET1**") capital ratio of at least 3.5%, a Tier 1 capital ratio of at least 4.5% and a total capital ratio of at least 8.0% in 2013.

As at 31 March 2013, CIMB Bank had CET1 capital ratio of 9.58%, Tier 1 capital ratio of 11.69% and total capital ratio of 12.55%. Please refer to "Section 7.0 Funding and Capital Adequacy" for more information.

The Group's capital base and capital adequacy ratio may deteriorate in the future if its results of operations or financial condition deteriorate for any reason, including as a result of any deterioration in the asset quality of its loans, or if the Group is not able to deploy its funding into suitably low-risk assets. If the Group's capital adequacy ratio deteriorates, it may be required to obtain additional capital in order to remain in compliance with the applicable capital adequacy guidelines. However, the Group may not be able to obtain additional capital on favourable terms, or at all.

(l) **Any failure to keep pace with technological advances or to maintain an appropriate level of investment in information technology may adversely affect the Group's competitiveness, business, financial condition, results of operations, prospects and reputation**

The Group is committed to keeping pace with technological advances and has earmarked considerable resources to invest in information technology to foster and support the Group's business objectives. Although the Group intends to continue to make investments to promote new levels of process efficiency and effectiveness to improve its business performance and risk management capabilities, these investments and the ensuing changes with respect to its information technology may expose the Group to technical or operational risks or difficulties associated with transitioning or integrating its existing systems and infrastructure with the introduction of new technologies, systems or other equipment.

Although the Group is committed to devoting sufficient resources to ensure the successful implementation of new technologies, and on upgrading the knowledge and skills of its existing employees aimed at leveraging its technological advantages and enhancing employee, business and operational efficiency, there can be no assurance that the Group's efforts in enhancing its information technology will be successful or adequate. Any strategic error in implementing its new information technology platform and any failure to maintain an appropriate level of investment in information technology for the Group could adversely affect its business, financial condition, results of operations, prospects and reputation.

(m) **The Group depends on the recruitment and retention of qualified personnel and any failure to attract and retain such personnel could affect the Group's business**

The Group's success depends on the ability and experience of its senior management and other key employees. Competition for personnel is intense and the Group may not be successful in attracting or retaining qualified personnel. The loss of any senior management members or key employees, the Group's inability to attract new qualified employees or adequately trained employees, or the delay in hiring key personnel could affect the Group's business, financial condition and results of operations.

(n) **Outbreaks of infectious diseases in Asia and elsewhere could adversely affect the business, financial condition, results of operations or prospects of the Group**

The outbreak of an infectious disease such as Influenza A (H1N1, H5N1), avian influenza, or Severe Acute Respiratory Syndrome in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy and business activities in Asia and could thereby adversely impact the Group's business, financial condition and results of operations. There can be no assurance that any precautionary measures taken against infectious diseases would be effective.

The Group Business Continuity Management ("**BCM**") procedures include planning for an impact to entire locations. Such impact could be due to an outbreak as suggested above. Further, the Group procedures include specific planning for impact due to pandemics. The Group BCM function facilitates planning by business units to enhance preparedness to manage outbreaks and the impacts arising from pandemics. The knowledge and the response are hence available within the Group if a situation of a pandemic outbreak happens.

5.3 Considerations Relating To Malaysian Banking Industry

(a) **The business, financial conditions and results of operations of CIMB Bank may be adversely affected by changes to the Malaysian banking and regulatory environment**

The Group's core business is subject to regulatory purview and measures imposed by the relevant regulatory agencies. Banking activity in Malaysia is regulated by BNM under the FSA. Regulatory measures imposed on banks in Malaysia include restrictions on operations and measures requiring maintenance of reserves and minimum capital adequacy requirements.

The Group is regulated by BNM, which was established on 26 January 1959 pursuant to the Central Bank of Malaya Ordinance, 1958 (now the Central Bank of Malaysia Act, 1958) (Revised 1994) as the central bank of Malaysia. BNM is directly involved in the regulation and supervision of Malaysia's financial system. Its principal functions are to (i) formulate and conduct monetary policy in Malaysia (ii) issue currency in Malaysia; (iii) regulate and supervise financial institutions which are subject to the laws enforced by BNM; (iv) provide oversight over money and foreign exchange markets; (v) exercise oversight over payment systems; (vi) promote a sound, progressive and inclusive financial system; (vii) hold and manage the foreign reserves of Malaysia; (viii) promote and exchange rate regime consistent with the fundamentals of the economy; and (ix) act as financial adviser, banker and financial agent of the government of Malaysia.

BNM and the Minister of Finance of Malaysia have extensive powers under FSA, which is the principal statute that sets out the laws for the licensing and regulation of institutions carrying on banking, finance company, merchant banking and other financial businesses. In addition to FSA, Malaysian licenced institutions are subject to guidelines issued by BNM from time to time.

Accordingly, potential investors should be aware that BNM could, in the future, set interest rates at levels or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including the Issuer, and may otherwise significantly restrict the activities of the Issuer and Malaysian banks and financial institutions generally.

The following sets out information with respect to the regulation of the banking industry by BNM:

(i) Licensing and limitation of business activities of banks

Under FSA, banking business, which is defined to include deposit taking, provision of financing, can only be conducted by a public company (which includes domestic public limited companies and subsidiaries of foreign banks incorporated as public limited companies in Malaysia) which has obtained a licence from the Minister of Finance of Malaysia on the recommendation of BNM.
Banks are also subject to a number of other restrictions on the operation of their business. In particular, a bank may not: (i) pay any dividend on its shares except with the prior written approval of BNM or where BNM has specified standards permitting the declaration of payments of any dividend has been fulfilled; (ii) acquire or hold any material interest in any other corporation except as permitted

under FSA or by prescribed regulation; and (iii) open any branch offices unless the approval of BNM has been obtained, amongst others.

(ii) Statutory reserves

BNM requires Malaysian banks to maintain a sum equivalent to the Statutory Reserve Requirement ratio in the form of non-interest bearing reserves with BNM. The Statutory Reserve Requirement is currently set at 4% of eligible liabilities.

The regulatory measures presently imposed, and as may be introduced from time to time, by the regulatory agencies could affect the Group's business activities. The increase in the SRR may require the Group to redirect capital to meeting the SRR as opposed to revenue producing activities. There can also be no assurance that BNM will not increase the SRR requirements in the future.

(iii) **Single Counterparty Exposure Limit**

BNM announced the implementation of the new Single Counterparty Exposure Limit ("**SCEL**") guidelines with effect from 1 March 2013 where banks are prohibited from extending credit facilities to any customer in excess of 25% of the total capital of the bank (total capital has the same meaning assigned to it in the CA Framework). Exposures refers to all claims, commitments and contingent liabilities arising from on- and off-balance sheet transactions (in both the banking and trading books) in ringgit and foreign currency denomination, which include, but not limited to the following:

- Outstanding loans, advances and receivables;
- Deposit placements and margins held with counterparties;
- Debt and equity securities held, including exposures arising from holdings of primary market securities for distributions;
- Investments in collective investment schemes;
- Exposure arising from derivative contracts; and
- Exposures under off-balance sheet instruments.

The SCEL is exempted for the following:

- Interbank money market transaction (less than 1 year) with banking institutions licensed by BNM;
- Exposures of an overseas branch or subsidiary of a banking institution to the sovereign government or central bank in the jurisdiction, where the exposure is denoted in local currency and to meet regulatory requirements;
- Exposures arising from granting of intra-day facilities; and
- Exposures deducted in the calculation of a banking institution's total capital as specified in Regulatory Adjustments of the CA Framework (e.g. investments in financial subsidiaries).

In addition, BNM imposes limits on the interest rates charged by banks on certain types of loans, caps on lending to certain sectors of the Malaysian economy and has established priority lending guidelines in furtherance of certain social and economic objectives and a change in credit policies by BNM may restrict certain businesses of the Group and could require the Group to scale down its operations in a particular business area. On 3 November 2010, BNM announced, with immediate effect, a maximum loan-to-value ratio of 70%, which is applicable to a loan taken out by a borrower to finance their third property. On 18 March 2011, BNM placed further restrictions on credit cards provided to low income individuals, raising the minimum income eligibility requirement to RM24,000 per annum (from RM18,000 per annum) and stipulating that persons earning RM36,000 per annum or below may only hold cards from a maximum of two card issuers and that the maximum credit limit on each card must not exceed two times the monthly income of the cardholder. On 18 November 2011, BNM issued new guidelines to financial institutions aiming to promote prudent, responsible and transparent retail financing practices which took effect on 1 January 2012. At present, loans with a loan-to-value ratio greater than 90% will now have to carry a risk weightage of 100%, compared with 75% previously. These regulations place restrictions on the business of the Group and may cause the Group to scale down operations in the areas of its business most affected.

BNM also has broad investigative and enforcement powers. Contravention of BNM regulations and guidelines may expose the Group to enquiries from an investigation by BNM and other Malaysian regulatory agencies. These enquiries or investigations may result in sanctions including fines, corrective orders, restriction of business lines and possible loss of licences required for the Group to operate its businesses and, in addition, may cause the Group's reputation to be adversely affected. Contravention of regulations, policies or guidelines of BNM (or any other regulatory agency) therefore carries with it financial and reputational risks that could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The FSA 2013 and IFSA 2013 are the new legislations that provide for the regulation and supervision of financial institutions in Malaysia, payment systems and other relevant entities and also the oversight of the money market and foreign exchange market. These new legislations generally provide for a stricter financial services regime, including the increase in duties and responsibilities of financial institutions and enhanced level of governance and disclosure.

The Group have compliance procedures in place to ensure compliance with the new legislations, and effort is taken to ensure the Group meets the requirements of new regulations. There are no certainties or indications on the approach that will be taken by our regulators, and there is additional compliance cost to the Group with the changing and increasing regulation.

Failure to comply with such rules and regulations may result in penalties, loss of regulatory licences and permits and damage to business reputation, which may have a material adverse effect on our business, prospects, financial condition and/or results of operations.

(b) ***Increasing competition and market liberalisation may adversely impact CIMB Bank***

The Malaysian banking industry operates in a very competitive environment fostered by BNM's policies (e.g. the entry of, *inter alia*, foreign banks and domestic licensed Islamic banks which are now allowed to offer/perform products and services that are similar to those of the Group). Further, BNM announced further measures to liberalise the Malaysian financial sector, including a framework for the issuance of up to five new commercial banking licences and two new Islamic banking licences to foreign financial institutions and the increase of foreign equity limits to 70% for existing domestic Islamic banks, investment banks, insurance and takaful companies. The foreign equity limit for existing domestic commercial banks is currently 30%. There can be no assurance that current foreign equity limits in the Malaysian financial sector will not be increased in the future.

All of the above mentioned new commercial banking licences have been issued to foreign financial institutions. Although these policies are designed, in part, to encourage development of financial institutions in Malaysia and to strengthen domestic financial institutions in preparation for increased foreign competition, any increased competition could have an adverse effect on the Group's operations in the form of reduced margins, smaller market share and reduced income generally. The issuance of new commercial banking licences to foreign financial institutions has resulted in intensified competition as domestic banks increase their efficiency to ensure sustainability over the medium to long term. This has created a more challenging business environment due to aggressive pricing, price offerings and product promotions (resulting in shrinking margins) and increasing customer demand for more sophisticated products and improved service standards.

In addition, the Group's future growth will be subject to competition from other service providers in the markets into which the Group exports its services or in which it operates. The Competition Act 2010 ("**Competition Act**") which took effect on 1 January 2012, was introduced to promote economic development by promoting and protecting the process of competition in order to maximise consumer welfare through the prohibition of anti-competitive practices. The Competition Act applies to all commercial activities undertaken within Malaysia and those outside Malaysia which have effects on competition in the Malaysian market. The scope of the Competition Act includes prohibitions of anti-competitive agreements and the abuse of dominant position. However, there can be no assurance that in the future, CIMB Bank's business and operations will be in full compliance with the Competition Act. Further, there can be no assurance that the Group will be able to maintain or increase its present market share in the future or that increased competition will not materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Although the Group plans for expansion and growth in future business, the Group's future growth will inevitably be subject to competition from other service providers as well as customer preference. As such, there can be no assurance that the Group will be able to maintain or increase its present market share in the future.

(c) ***Deposit insurance premium is an added cost to CIMB Bank***

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions, although it has, in the past and on a case-by-case basis, provided a safety net for individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. On 1 September 2005, BNM introduced a deposit insurance system (the "**Deposit Insurance System**") pursuant to the establishment of an independent statutory body namely Malaysia Deposit Insurance Corporation (Perbadanan Insurans Deposit Malaysia) ("**PIDM**"), under the Malaysia Deposit Insurance Corporation Act 2005 ("**PIDM Act**") and all licensed commercial banks (including subsidiaries of foreign banks operating in Malaysia) and Islamic banks are member institutions of the Deposit Insurance System.

On 16 October 2008, the Government of Malaysia (the "**Government**") moved to guarantee all bank deposits in an effort to shore up confidence in the Malaysian financial system to curb potentially damaging capital outflows. BNM announced the guarantee for all local and foreign currency deposits from 16 October 2008 until 31 December 2010. With effect from 31 December 2010, the Malaysia Deposit Insurance Corporation Act 2011 (the "**2011 Act**") came into effect and replaced the PIDM Act.

The 2011 Act was enacted to implement an enhanced financial consumer protection package, whereby, amongst other changes, the deposit insurance limit was increased to RM250,000 per depositor per member bank. In addition, under the 2011 Act, foreign currency deposits will now benefit from deposit insurance protection.

Under the Deposit Insurance System, explicit deposit protection is provided to eligible deposits up to the prescribed limit of RM250,000 per depositor, per member institution and such amount is inclusive of principal and interest effective as of 31 December 2010. The RM250,000 limit provides for 99% of existing depositors to be protected in full. A separate coverage for the same amount is provided for Islamic deposits (i.e. those accepted under Shariah principles), accounts held under joint ownership and trust accounts, sole proprietorships and partnerships. It is envisaged that the level of coverage will provide protection for up to 95% of such depositors.

Notwithstanding the aforesaid, the fact that deposits exceeding the prescribed limits are not insured up to their full amount could lead to or exacerbate liquidity problems, which, if severe, could have an adverse effect on the Group's business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally. In addition, the Deposit Insurance System could potentially decrease the Group's stability by encouraging risk-taking on the part of the Group.

5.4 Forward Looking Statements

Certain statements in this Information Memorandum are based on historical data which may not be reflective of future results. Other statements which are forward-looking in nature are also subject to uncertainties and contingencies.

All forward looking statements are based on estimates and assumptions made by the Issuer, and although believed to be reasonable by the Issuer, are subject to known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements to differ materially from the future results, performance or achievements expressed or implied in such forward looking statements. In light of these and other uncertainties, the inclusion of forward looking statements in this Information Memorandum should not be regarded as a representation or warranty by the Issuer or its advisers or the Lead Arranger/Lead Manager that the plans and objectives of the Issuer will be achieved.

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SECTION 6.0 SELECTED FINANCIAL INFORMATION

The following tables present summary audited consolidated financial information of the Group for each of the financial years ended 31 December, 2011 and 2012 (save for the financial ratios which have not been audited) and the Group's unaudited interim financial statements for the three months period ended 31 March 2013. The audited and unaudited financial information set out below has been derived from (adjusted for rounding effects), and should be read in conjunction with, the consolidated financial statements of the Group set out in the Appendix.

The financial statements of the Group for the year ended 31 December 2012 are the first set of financial statements prepared in accordance with MFRS, including MFRS 1 "First-time adoption of MFRS". The Group's MFRS statements of income for the financial year ended 2011 and the MFRS statements of financial position at 31 December 2011 have been restated as if the new policies had always been in effect.

The Group

	Audited For the Year Ended 31 December		**Unaudited For the 3 months period ended 31 March**	
	2012	**2011**	**2013**	**2012**
	(RM'000)	**(RM'000)**	**(RM'000)**	**(RM'000)**
Consolidated Statements of Income				
Interest income	8,361,169	7,655,001	2,247,043	2,028,707
Interest expense	(3,833,092)	(3,438,638)	(1,031,275)	(960,262)
Net interest income	4,528,077	4,216,363	1,215,768	1,068,445
Income from Islamic Banking operations	1,406,962	1,304,990	333,171	348,100
Non-interest income	2,385,575	2,018,946	576,161	631,555
Net income	8,320,614	7,540,299	2,125,100	2,048,100
Overheads	(4,414,340)	(3,855,601)	(1,332,350)	(1,055,556)
Profit before allowances	3,906,274	3,684,698	792,750	992,544
Allowances for impairment losses on loans, advances and financing	(135,981)	(340,617)	(61,176)	(33,294)
Allowances for losses on other receivables written back/(made)	578	(3,551)	(636)	(181)
Allowances for commitments and contingencies written back	13,473	19,220	1,334	738
Allowances for other impairment losses (made)/written back	(1,114)	(70,478)	2,524	356
Profit after allowances	3,783,230	3,289,272	734,796	960,163
Share of results of jointly controlled entity	4,349	9,359	2,338	(1,119)
Share of results of associates	93,922	99,033	32,438	22,617
Profit before taxation	3,881,501	3,397,664	769,572	981,661
Taxation	(765,078)	(662,183)	(179,253)	(212,577)
Profit after taxation	3,116,423	2,735,481	590,319	769,084
Profit for the financial year/ period attributable to:				
Owners of the Parent	3,104,119	2,725,882	587,432	768,098
Non-controlling interests	12,304	9,599	2,887	986
	3,116,423	2,735,481	590,319	769,084
Earnings per share attributable to ordinary equity holders of the Parent — basic (sen)	82.46	72.41	15.60	20.40

The Group

	Audited For the Year Ended 31 December		Unaudited For the 3 months period ended 31 March	
	2012	2011	2013	2012
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Consolidated Statements of Comprehensive Income				
Profit for the financial year/ period	3,116,423	2,735,481	590,319	769,084
Other comprehensive income/(expense):				
Revaluation reserve — financial investments available for sale	81,473	72,403	(54,757)	(3,570)
- Net gain from change in fair value	345,498	251,340	5,658	38,558
- Realised gain transferred to statements of income on disposal and impairment	(268,308)	(148,960)	(60,349)	(42,966)
- Disposal of subsidiary	(2,937)	-	-	-
- Income tax effects	8,389	(29,916)	(66)	838
- Currency translation difference	(1,169)	(61)	-	-
Net investment hedge	79,813	(59,404)	(7,186)	64,460
Cash flow hedge				
- Net (loss)/ gain from change in fair value	(45)	226	(653)	(13)
Exchange fluctuation reserve	(121,852)	42,533	183,777	(103,564)
Share of other comprehensive (expense)/income of associate	(7,851)	13,849	5,212	(8,613)
Other comprehensive income for the year, net of tax	31,538	69,607	126,393	(51,300)
Total comprehensive income for the financial year/period	3,147,961	2,805,088	716,712	717,784
Total comprehensive income attributable to:				
Owners of the Parent	3,139,122	2,795,818	707,068	718,254
Non-controlling interests	8,839	9,270	9,644	(470)
	3,147,961	2,805,088	716,712	717,784

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The Group

	Audited As At 31 December		Unaudited As At 31 March	
	2012	2011	2013	2012
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Consolidated Statements of Financial Position				
Assets				
Cash and short-term funds	22,978,876	28,241,623	27,644,982	25,226,471
Reverse repurchase agreements	5,379,786	3,957,059	10,629,727	4,353,225
Deposits and placements with banks and other financial institutions	3,737,020	4,045,865	4,363,406	6,324,656
Financial assets held for trading	24,148,212	12,627,696	25,506,160	20,620,106
Derivative financial instruments	3,956,310	4,135,377	3,720,191	3,525,170
Financial investments available-for-sale	25,637,990	15,735,494	25,893,308	18,172,407
Financial investments held-to-maturity	8,367,409	10,172,218	8,053,606	9,209,744
Loans, advances and financing	155,691,566	139,509,675	160,905,151	139,576,085
Other assets	2,335,148	2,092,419	2,671,327	3,126,493
Tax recoverable	2,055	2,464	21,611	-
Deferred taxation	25,702	23,487	104,851	-
Statutory deposits with central banks	5,263,859	5,082,585	5,714,048	5,384,343
Investment in jointly controlled entity	153,557	149,208	155,894	148,089
Investment in associates	625,039	589,816	663,332	578,593
Amount due from holding company and ultimate holding company	28,853	29,138	28,853	28,856
Amount due from related companies	1,417,749	1,673,748	1,348,673	1,639,415
Goodwill	4,891,433	4,899,904	4,957,323	4,885,707
Intangible assets	845,097	721,647	786,351	693,806
Prepaid lease payments	1,648	1,964	1,641	1,872
Property, plant and equipment	893,952	906,185	860,026	944,389
Investment properties	17,451	8,653	17,451	8,110
	266,398,712	234,606,225	285,047,912	244,447,537
Non-current assets/disposal groups held for sale	7,920	17,248	7,961	14,324
Total assets	266,406,632	234,623,473	285,055,873	244,461,861
Liabilities				
Deposits from customers	196,913,500	176,478,016	213,620,667	186,052,684
Deposits and placements of banks and other financial institutions	21,631,372	13,873,413	18,928,065	15,936,731
Repurchase agreements	3,083,499	1,083,039	6,815,550	1,424,883
Derivative financial instruments	3,986,306	4,087,789	3,913,373	3,486,916
Bills and acceptances payable	3,295,081	6,771,502	3,712,134	5,059,956
Amount due to ultimate holding company	-	-	-	17
Amount due to related companies	25,352	6,444	29,467	2,165
Other liabilities	3,225,313	3,196,860	4,046,848	3,853,754
Provision for taxation and Zakat	181,804	301,868	126,861	327,212
Deferred taxation	22,034	85,287	44,104	18,932
Bonds and debentures	2,045,409	-	3,459,846	-
Other borrowings	182,203	462,720	123,378	386,808
Subordinated obligations	10,119,872	8,243,955	8,776,709	7,999,005
Redeemable preference shares	703,724	741,429	712,727	726,034
Total liabilities	245,415,469	215,332,322	264,299,729	225,275,097

	Audited As At 31 December		Unaudited As At 31 March	
	2012	2011	2013	2012
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Equity				
Capital and reserves attributable to owners of the Parent				
Ordinary share capital	3,764,469	3,764,469	3,764,469	3,764,469
Reserves	16,679,305	15,018,007	16,434,642	14,914,090
	20,443,774	18,782,476	20,199,111	18,678,559
Perpetual preference shares	200,000	200,000	200,000	200,000
Redeemable preference shares	29,740	29,740	29,740	29,740
Non-controlling interests	317,649	278,935	327,293	278,465
Total equity	20,991,163	19,291,151	20,756,144	19,186,764
Total equity and liabilities	266,406,632	234,623,473	285,055,873	244,461,861
Commitments and contingencies	447,763,689	407,043,765	515,783,231	406,390,724
Net assets per ordinary share (RM)	5.43	4.99	5.37	4.96

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Financial Ratios of the Group[1]

	As at and for the year ended 31 December		As at and for the year ended 31 March	
	2012	2011	2013	2012
	(%)	(%)	(%)	(%)
Net Interest Margin……………….....	1.81	1.89	0.44	0.45
Return on Assets…………………….	1.24	1.22	0.21	0.32
Return on Equity………………….....	15.83	15.04	2.89	4.10
Cost to Income………………………..	53.05	51.13	62.70	51.54
Gross impaired loans ratio…………..	2.85	3.56	2.78	3.46
Allowance for impairment on loans, advances and financing/impaired loans…………………………………..	82.45	83.40	82.05	82.54
Loans and Advances/Total Deposits	79.07	79.05	75.32	75.02
Core Capital Ratio (net of proposed dividend)………………………………	9.86^	11.28^	-	10.58^
Tier 1 ratio (net of proposed dividend)...........................	-	-	9.53*	-
Risk – Weighted Capital Ratio (net of proposed dividend)………………..	15.58^	16.18^	-	15.06^
Total capital ratio (net of proposed dividend)...........................	-	-	12.64*	-

^ based on Basel II computation
* based on Basel III computation

Notes: (1) The Financial Ratios used are defined as:

Return on assets means net profit after taxation as a percentage of the average of beginning and year-end total assets.

Return on equity means net profit after taxation as a percentage of the average of beginning and year-end shareholders' funds.

Cost to income means total overheads as a percentage of total income (Net Interest Income plus Income from Islamic Banking operations plus Non-interest Income).

Net interest margin means net interest income, as a percentage of the average of beginning and year-end total assets.

Gross impaired loans ratio means gross impaired loans as a percentage of gross loans, advances and financing.

Allowance for impairment on loans, advances and financing / impaired loans means total individual impairment allowance and portfolio impairment/allowance as a percentage of gross impaired loans.

Core Capital Ratio means the ratio of eligible tier 1 capital (net of proposed dividend) to risk-weighted assets.

Tier 1 Ratio means the ratio of total tier 1 capital (net of proposed dividend) to risk-weighted assets.

Risk-Weighted Capital Ratio means the ratio of total eligible capital (net of proposed dividend) to risk-weighted assets.

Total Capital Ratio means the ratio of total capital (net of proposed dividend) to risk-weighted assets.

SECTION 7.0 FUNDING AND CAPITAL ADEQUACY

7.1 Capital adequacy

Capital adequacy is measured by risk-weighted capital ratios, which are calculated as the percentage of the capital base divided by the risk-weighted assets. The capital base is the sum of Total Eligible Tier I Capital and Total Eligible Tier II capital less investments in subsidiary, joint venture companies and associated companies. The amount of risk-weighted assets is the sum of (i) the credit risk-weighted assets which include on-balance sheet assets and off-balance sheet exposures after applying the credit conversion factors to the types of off-balance sheet instruments; (ii) the risk weighted assets equivalent for market risk calculated based on BNM's Market Risk Capital Framework; (iii) the operational risk-weighted assets; and (iv) large exposure risk-weighted assets for equity holdings.

As at 31 December 2011 and 31 December 2012 , CIMB Bank's core capital ratios (which are the ratio of Tier I capital to risk-weighted assets) were 14.26% and 12.35%, respectively (net of proposed dividend), and its risk-weighted capital ratios (the ratio of capital base to risk-weighted assets) were 16.59% and 15.53%, respectively (net of proposed dividend), all of which are considerably higher than BNM's minimum requirement of 8.0% risk-weighted capital ratio.

BNM's risk-adjusted capital standards require all banks in Malaysia to maintain a core capital ratio of at least 4.0% and total risk weighted capital ratio of at least 8.0%, based on both the entity and consolidated financial statements. To the extent a bank fails to maintain such a ratio, BNM may impose penalties on such a bank ranging from a fine to the revocation of its license.

BNM and Bank of Thailand ("**BOT**") issued revised guidelines on the capital adequacy framework on 28 November 2012 and 8 November 2012 respectively, of which both took effect beginning 1 January 2013. The revised guidelines sets out the general requirements concerning regulatory capital adequacy, components of eligible regulatory capital and requirements for computing risk-weighted assets.

The risk-weighted assets of the Group (other than CIMB Thai and CIMB Bank PLC) and CIMB Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The Internal Rating Based approach ("**IRB Approach**") is applied for the major credit exposures. It prescribes two approaches, the Foundation IRB Approach and Advanced IRB Approach. The remaining credit exposures and market risk are on the Standardised Approach ("**SA**") while operational is based on Basic Indicator Approach. The components of eligible regulatory capital are based on the CA Framework. The comparative capital adequacy ratios as at 31 December 2012 were based on BNM's RWCAF (Basel ll) – Disclosure Requirements.

The capital adequacy ratio of CIMB Thai is based on the revised "Notification of The BOT. No. SoNoRSor. 87/2551 - The supervisory capital funds of commercial banks". Credit Risk and Market Risk are based on SA approach while Operational Risk is based on Basic Indicator Approach.

The comparative capital adequacy ratios as at 31 December 2012 were based on Notification of The BOT. No. SoNoRSor. 12/2555 - The supervisory capital funds of commercial banks". The amount presented for CIMB Bank PLC is the Solvency Ratio which is the nearest equivalent regulatory compliance ratio. It is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. The ratio is derived at CIMB Bank PLC's net worth dividend by its risk-weighted assets.

The following table sets out the capital adequacy ratios of the Bank and the Group as at 31 December 2011, 31 December 2012 and 31 March 2013:

As at 31 March 2013 (Basel III)

	The Bank*	The Group
	RM'000	RM'000
Common Equity Tier I Capital		
Ordinary Shares	3,764,469	3,764,469
Others reserves	13,368,244	15,930,216
Qualifying non-controlling interests	-	2 11,451
Common Equity Tier I capital before regulatory adjustments	17,132,713	19,906,136
Less: Regulatory adjustments		
Goodwill	(3,555,075)	(4,957,323)
Intangible assets	(691,236)	(708,587)
Deferred tax assets	(136,249)	(182,416)
Others	(1,314,177)	(1,596,142)
Common Equity Tier I capital after regulatory adjustments	11,435,976	12,461,668
Additional Tier I capital		
Perpetual preference shares	180,000	180,000
Non-innovative Tier I Capital	900,000	900,000
Innovative Tier I Capital	1,450,620	1,450,620
Qualifying capital instruments held by third parties	-	44,372
Additional Tier I capital before regulatory adjustments	2,530,620	2,574,992
Less: Regulatory adjustments		
Investment in Additional Tier I capital instruments of unconsolidated financial and insurance/takaful entities	(10,359)	(6,934)
Additional Tier I capital after regulatory adjustments	2,520,261	2,568,058
Total Tier I capital	13,956,237	15,029,726
Tier II capital		
Subordinated notes	5,000,000	5,000,000
Redeemable preference shares	29,740	29,740
Surplus eligible provisions over expected loss	214,998	98,363
Qualifying capital instruments held by third parties	-	33,050
Portfolio impairment allowance and regulatory reserves^	310,314	553,903
Tier II capital before regulatory adjustments	5,555,052	5,715,056
Less: Regulatory adjustments		
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(4,528,887)	(813,472)
Total Tier II capital	1,026,165	4,901,584
Total capital	14,982,402	19,931,310
Common equity tier I ratio	9.58%	7.91%
Tier I ratio	11.69%	9.53%
Total capital ratio	12.55%	12.64%

Notes:

CIMBGH has implemented a Dividend Reinvestment Scheme ("DRS") for the second interim dividend in respect of the financial year ended 2012. Pursuant to completion of the DRS, CIMBGH intends to reinvest the excess cash dividend into the Bank, which would increase the capital adequacy ratios above those stated above.

As at 31 December 2011 and 31 December 2012 (Basel II)

	The Bank*		The Group	
	As At 31 December 2012	As At 31 December 2011	As At 31 December 2012	As At 31 December 2011
	RM'000	RM'000	RM'000	RM'000
Tier I capital				
Paid-up capital	3,764,469	3,764,469	3,764,469	3,764,469
Perpetual preference shares	200,000	200,000	200,000	200,000
Non-innovative Tier I Capital	1,000,000	1,000,000	1,000,000	1,000,000
Innovative Tier I Capital	1,611,800	1,635,400	1,611,800	1,635,400
Other reserves	12,712,661	12,481,830	14,442,524	13,740,524
Non-controlling interests	-	-	306,905	266,211
Less:				
Deferred tax assets	(140,439)	(118,506)	(146,237)	(89,237)
Goodwill	(3,555,075)	(3,555,075)	(4,891,433)	(4,899,904)
Total Tier I capital	15,593,416	15,408,118	16,288,028	15,617,373
Tier II capital				
Subordinated notes	6,500,000	5,000,000	7,881,400	5,813,057
Redeemable preference shares	29,740	29,740	29,740	29,740
Regulatory reserve	930,953	431,514	1,173,577	490,627
Portfolio impairment allowances^	133,220	188,389	278,012	397,291
Surplus of total eligible provision over expected loss	250,350	359,190	91,670	255,860
Total Tier II	7,844,263	6,008,833	9,454,399	6,986,575
Less:				
Investment in subsidiaries	(3,688,556)	(3,208,833)	(158,742)	(136,135)
Securitisation exposures subject to deductions^^	(65,621)	(70,116)	(65,621)	(70,116)
Investment in associates	(305,584)	(306,061)	(305,584)	(306,061)
Holding of other banking institutions' capital instruments	(28,159)	(40,990)	(28,159)	(40,990)
Total Eligible Tier II capital	3,756,343	2,382,833	8,896,293	6,433,273
Total capital base	19,349,759	17,790,951	25,184,321	22,050,646
Core capital ratio	13.16%	15.07%	10.47%	11.91%
Risk-weighted capital ratio	16.34%	17.40%	16.19%	16.81%
Core capital ratio (net of proposed dividends)	12.35%	14.26%	9.86%	11.28%
Risk-weighted capital ratio (net of proposed dividends)	15.53%	16.59%	15.58%	16.18%

Notes:

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

(^) The capital base of the Bank as at 31 March 2013 has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM314 million (31 December 2012: RM323 million, 31 December 2011: RM442 million).

(^^) The following has been applied in computing the capital adequacy ratio:

- *financing of hire purchase under Proton Commerce Sdn Bhd ("**PCSB**") (excluding those securitised) is included in the computation of Risk Weighted Assets ("**RWA**") under the Advanced IRB approach;*
- *the investment in owner's note is accounted in accordance with Securitisation Framework under RWCAF (Basel II — Risk Weighted Assets Computation) Guidelines dated 31 December 2009.*

The breakdown of RWA of the Bank and the Group by each major risk category as at 31 December 2011, 31 December 2012 and 31 March 2013 is set out below.

The Bank*	**31 December 2011**	**31 December 2012**	**31 March 2013**
	(Basel II)	**(Basel II)**	**(Basel III)**
	RM'000	**RM'000**	**RM'000**
Credit Risk	83,785,262	94,244,713	97,854,936
Market Risk	8,105,302	13,283,095	10,461,664
Large exposure risk requirements	400,148	397,786	397,786
Operational risk	9,949,736	10,528,945	10,675,012
Total risk-weighted assets	102,240,448	118,454,539	119,389,398

The Group	**31 December 2011**	**31 December 2012**	**31 March 2013**
	(Basel II)	**(Basel II)**	**(Basel III)**
	RM'000	**RM'000**	**RM'000**
Credit Risk	109,351,226	126,983,208	131,128,925
Market Risk	8,785,131	14,568,174	12,249,419
Large exposure risk requirements	400,148	397,786	397,786
Operational risk	12,620,584	13,560,253	13,851,957
Total risk-weighted assets	131,157,089	155,509,421	157,628,087

* Includes the operations of CIMB Bank (L) Limited

7.2 Funding

The Group's primary source of funding is customer deposits, accounting for 82.0% and 80.2% of the Group's total liabilities as at 31 December 2011 and 31 December 2012, respectively, with other sources of funding, including interbank deposits, bonds and debentures, other borrowings, subordinated obligations and other liabilities comprising the remaining 18.0% and 19.8%, respectively. The Group has established comprehensive funding and liquidity policy guidelines, setting out measures to manage and monitor its funding and liquidity requirements. Such measures include the diversification of funding sources, subjecting future cash flows to sensitivity and stress analyses as well as managing adequate contingent funding sources.

7.3 Customer Deposits

As at 31 December 2012, the Group's customer deposit structure comprised primarily fixed deposits, demand deposits and savings deposits, representing 42.7%, 23.7% and 9.5%, respectively, of the Group's total customer deposits. These deposits were mainly sourced by the Retail Financial Services and Cards, Commercial Banking, Corporate Banking, Treasury and Markets, Investment Banking and Foreign Banking Operations divisions or segments which amounted to RM67.0 billion, RM28.0 billion, RM41.1 billion and RM13.4 billion, respectively.

The top ten customer depositor to total customer deposit ratio reduced to 14.6% as at 31 December 2012 compared to 18.2% as at 31 December 2011. As at 31 December 2011 and 31 December 2012, approximately 83.6% and 86.3%, respectively, of total customer fixed deposits and negotiable instruments of deposit had maturities of less than six months and a further 12.4% and 10.5%, respectively, of customer fixed deposits and negotiable instruments of deposit were due within the period of six months to a year, respectively. Based on the Group's previous experience, a substantial portion of deposits will be rolled over upon maturity, thereby providing the Group with a stable source of funding.

Based on BNM's statistics, as at 31 December 2011 and 31 December 2012, CIMB Bank and CIMB Islamic collectively had a 12.4% and 12.6%, respectively, share of total customer deposits in the Malaysian market. Further, CIMB Bank and CIMB Islamic collectively had a share of approximately 10.8%, 19.1% and 11.5% as at 31 December 2011 and 11.3%, 19.3% and 12.1% as at 31 December 2012, of fixed deposits, demand deposits and savings deposits, respectively, as at the same dates. The Group is focusing on increasing its savings deposits by leveraging on its strong distribution network and bundling of service-offerings.

The following tables illustrate the profile of the Group's customer deposits and the maturity structure of fixed deposits and negotiable instruments of deposit as at 31 December 2011, 31 December 2012 and 31 March 2013.

	Audited		**Unaudited**
	As at 31 December		**As at 31 March**
	2011	**2012**	**2013**
	RM'000	**RM'000**	**RM'000**
Demand deposits	40,989,837	46,654,411	45,209,401
Saving deposits	15,704,254	18,671,940	19,965,522
Fixed deposits	72,962,052	84,142,375	86,157,358
Negotiable instruments of deposit	3,158,825	3,486,671	4,846,553
Others	43,663,048	43,958,103	57,441,833
	176,478,016	196,913,500	213,620,667

	Audited		**Unaudited**
	As at 31 December		**As at 31 March**
	2011	**2012**	**2013**
	RM'000	**RM'000**	**RM'000**
Due within six months	63,621,905	75,588,715	77,780,935
Six months to less than one year	9,473,621	9,229,944	9,572,878
One year to less than three years	1,457,823	1,599,009	1,750,445
Three years to less than five years	1,335,103	416,731	512,334
Five years and more	232,425	794,647	1,387,319
	76,120,877	87,629,046	91,003,911

7.4 Interbank Deposits

The Group has the capacity to obtain funds, comprising short term funds, deposits, placements and negotiable instrument of deposits, from corporate clients and other financial institutions in the interbank market. The Group obtains interbank funds primarily from other Malaysian banks for periods spanning from overnight to 1 year at prevailing interbank rates and maintains similar credit lines for the usage of other Malaysian banks.

As at 31 December 2011 and 31 December 2012, deposits and placements from financial institutions accounted for approximately 6.4% and 8.8% of the Group's total liabilities, respectively.

7.5 Other Funding Sources

The Group's local and foreign currency funding and liquidity requirements are managed centrally and are sourced from the domestic and international debt capital markets. As at 31 March 2013, the other funding sources include but not limited to the following:

(a) Bonds and Debentures

Year	Issuer/ Borrower	Issuance	Maturity
2012	CIMB Bank	HKD$462 million senior unsecured notes	8 May 17
2012	CIMB Bank	USD$350 million senior unsecured notes	26 July 17
2012	CIMB Thai	THB1.2 billion various unsecured structured debentures	In 5 years from respective issuance dates
2013	CIMB Bank	HKD430 million 3 year senior unsecured fixed rate notes	22 January 16
2013	CIMB Bank	HKD$171 million senior unsecured fixed rate notes	22 January 18
2013	CIMB Bank	USD$45 million senior unsecured floating rate notes	Interest payment date falling in or nearest to January 2015
2013	CIMB Bank	HKD$350 million senior unsecured notes	14 March 16
2013	CIMB Bank	SGD$20 million senior unsecured notes	22 March 18
2013	CIMB Bank	USD$20 million senior unsecured notes	8 April 16
2013	CIMB Thai	THB1.61 billion various unsecured structured debentures	In 5 years from respective issuance dates

(b) Subordinated obligations

Year	Issuer/ Borrower	Issuance	Maturity
2008	CIMB Bank	RM1.5 billion subordinated bonds	Callable with step-up in 2013 (fully redeemed on 28 March 2013)
2008	CIMB Bank	RM1.0 billion subordinated bonds	Due on 7 October 2038 callable with step-up on 7 October 2018
2008	CIMB Bank	RM1.0 billion subordinated bonds	Due on 26 December 2058 redeemable on 26 December 2018
2009	CIMB Islamic	RM300 million unsecured subordinated sukuk	Due on 25 September 2024 redeemable on 25 September 2019
2010	CIMB Bank	2 tranches of RM1.0 billion unsecured subordinated debt	10 years and 15 years callable at the end of year 5
2011	CIMB Bank	2 tranches of RM1.35 billion and RM150 million unsecured subordinated debt	10 years and 15 years callable at the end of year 5
2011	CIMB Islamic	RM250 million unsecured subordinated sukuk	Due on 25 September 2024 redeemable on 21 April 2021
2011	CIMB Thai	THB3 billion unsecured 10-year subordinated notes	10 years redeemable after 5 years
2012	CIMB Islamic	RM300 million unsecured subordinated sukuk	18 September 2022 redeemable on 18 September 2017
2012	CIMB Thai	THB3 billion unsecured 10-year subordinated notes	10 years and redeemable after 5 years.
2012	CIMB Bank	RM1.5 billion unsecured Subordinated Debt	10 years callable at the end of year 5

The Group has in place comprehensive funding and liquidity policy guidelines, detailing measures to manage and monitor its funding and liquidity requirements. Such measures include the diversification of funding sources as well as managing adequate contingent funding sources.

7.6 Negotiable Certificates of Deposits

The Group has the capacity to obtain funds, comprising short-term and long-term funds by issuing Negotiable Certificates of Deposits (the "**NCDs**") in the market. As at 31 December 2011 and 31 December 2012, the Group's NCDs amounted to RM6.0 billion and RM6.8 billion respectively.

SECTION 8.0 ASSET QUALITY

8.1 Loan Portfolio

The Group has a stable and diversified loan portfolio, with loans for purchase of residential property and for working capital purposes being the two largest exposures, followed by loans for purchase of non-residential property, for both financial years ended 31 December 2011 and 2012. As at 31 December 2011 and 31 December 2012, the Group's total outstanding gross loans were RM143.4 billion and RM159.1 billion respectively, of which 71.3% and 69.7% were loans of CIMB Bank respectively.

(a) Loans, advances and financing by type

The following table sets out a breakdown of the Group's gross loan portfolio by product type as at 31 December 2011, 31 December 2012 and 31 March 2013:

The Group	**Audited**		**Unaudited**
	As at 31 December		**As at 31 March**
	2011	**2012**	**2013**
	RM'000	**RM'000**	**RM'000**
Overdrafts	5,768,540	5,758,467	5,537,460
Term loan/financing			
Housing loan/financing	41,257,312	45,080,347	46,142,572
Syndicated term loan	9,654,363	9,286,127	10,972,407
Other term loan/financing	55,204,174	62,695,639	65,162,765
Factoring receivables	12,172	19,007	22,396
Lease receivables	40,003	73,811	65,221
Hire Purchase Receivables	11,614,260	12,772,502	13,270,078
Bills Receivable	3,644,191	3,675,350	3,952,684
Trust receipts	1,230,199	2,295,493	2,414,744
Claim on customers under acceptance credit	3,537,136	3,919,377	3,732,630
Staff loans	384,590	413,561	433,086
Credit card receivables	4,649,029	4,535,888	4,443,038
Revolving credit	5,815,428	7,857,212	7,601,876
Share margin financing	560,088	692,016	554,125
Gross loans, advances and financing	143,371,485	159,074,797	164,305,082
Fair value changes arising from fair value hedges	398,797	360,979	353,458
	143,770,282	159,435,776	164,658,540
Individual impairment allowance	(2,062,708)	(1,902,985)	(1,887,445)
Portfolio impairment allowance	(2,197,899)	(1,841,225)	(1,865,944)
Total net loans, advances and financing	139,509,675	155,691,566	160,905,151

(b) Loans, advances and financing by economic purpose

The following table illustrates the breakdown of the Group's gross loan portfolio by economic purpose as at 31 December 2011, 31 December 2012 and 31 March 2013:

	Audited As at 31 December		Unaudited As at 31 March
	2011	2012	2013
	RM'000	RM'000	RM'000
Personal use	6,502,902	6,854,549	6,911,347
Credit Card	4,649,029	4,535,885	4,443,038
Purchase of consumer durables	464	25,165	32,728
Construction	4,568,490	6,374,956	6,554,230
Residential property (Housing)	41,211,363	45,206,176	46,340,113
Non-residential property	12,593,580	15,844,104	16,414,321
Purchase of fixed assets other than land and building	1,652,118	2,077,105	2,054,785
Merger and acquisition	5,186,293	1,987,139	3,404,667
Purchase of securities	8,185,688	11,548,716	12,060,762
Purchase of transport vehicles	11,396,621	12,659,783	13,265,738
Working capital	29,512,883	34,549,290	35,091,988
Other purpose	17,912,054	17,411,929	17,731,365
Gross loans, advances and financing	143,371.485	159,074,797	164,305,082

(c) Purchase of residential properties

The Group's largest concentration of loans, as at 31 December 2011 and 31 December 2012, was granted for the purchase of residential properties. This sector, as at 31 December 2011 and 31 December 2012, accounted for 28.7% and 28.4% of the Group's total loans, respectively.

(d) Working capital

The Group's second largest concentration of loans, as at 31 December 2011 and 31 December 2012, was for working capital purposes. This sector, as at 31 December 2011 and 31 December 2012, accounted for 20.6% and 21.7%, respectively, of the Group's total loans. The Group produces internal economic sector information and guidelines on specific industrial sectors with clear indications on the direction of new marketing efforts and guidance on whether certain of the Group's exposures should be reduced or more closely monitored.

(e) Purchase of non-residential property

The third largest concentration of the Group's loans as at 31 December 2011 and 31 December 2012 was for the purchase of non-residential property, which made up 8.8% and 10.0%, respectively, of the Group's total loans as at the abovementioned dates. The Group retains a strong market share in this sector.

(f) *Loan maturity profile*

As at 31 December 2011 and 31 December 2012, loans maturing in less than one year constituted approximately 21.6% and 20.2% of the Group's gross loans respectively. 10.1% and 11.7% of gross loans had maturities of one to less than three years respectively, 7.9% and 8.1% had maturities of three to less than five year as at the two reporting dates and 60.4% and 60.0% had maturities of five years and more respectively.

The category of loans with maturities of less than one year includes revolving credit and overdraft facilities and trade financing facilities.

The following table sets out the Group's gross loan portfolio as at 31 December 2011, 31 December 2012 and 31 March 2012 by maturity:

	Audited		Unaudited
	As at 31 December		As at 31 March
	2011	2012	2013
	RM'000	RM'000	RM'000
Maturing within one year	30,970,688	32,190,584	35,193,934
One year to less than three years	14,438,318	18,570,972	14,966,932
Three years to less than five years	11,357,133	12,806,619	13,183,482
Five years and more	86,605,346	95,506,622	100,960,734
Gross loans, advances and financing	143,371,485	159,074,797	164,305,082

(g) *Twenty Largest Borrowers*

As at 31 December 2011 and 31 December 2012, the Group's 20 largest borrowers accounted for approximately RM41.4 billion and RM41.2 billion, or 28.9% and 25.9% of the Group's total gross loans, respectively. These borrowers are involved in diversified activities such as finance, insurance and business services, transport, storage, telecommunications, construction, utilities and general commerce.

(h) *Classification and Allowance for Impairment Losses on Loans, Advances and Financing*

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a portfolio of loans has occurred. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, the probability that they will enter bankruptcy or other financial reorganisation, default of delinquency in interest or principal payments and, where observable, data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The Group 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 there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows 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. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of interest income.

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

The following tables set out movements in the Group's allowance for impairment losses on loans, advances and financing, as at 31 December 2011, 31 December 2012 and 31 March 2013:

The Group	**Audited As at 31 December**		**Unaudited As at 31 March**
	2011	**2012**	**2013**
	RM'000	**RM'000**	**RM'000**
Individual impairment allowance			
At 1 January	1,975,959	2,062,708	1,902,985
Net allowance made during the financial year/period	158,185	150,751	(7,702)
Allowance made /(written-back) and charged to deferred assets	140	1,221	(151)
Amount written off	(28,605)	(330,229)	(42,693)
Disposal of subsidiary	-	(2,429)	-
Amount transferred (to)/from portfolio impairment allowance	(1,831)	9,598	-
Amount transferred to related company	-	(56,608)	-
Unwinding income	(45,829)	84,193	22,480
Exchange fluctuation	4,689	(16,220)	12,526
At 31 December/ 31 March	2,062,708	1,902,985	1,887,445
Portfolio impairment allowance			
At 1 January	2,282,616	2,197,899	1,841,225
Net allowance made during the financial year/period	504,947	316,497	155,662
Allowance made/(written- back) and charged to deferred assets	844	(1,510)	(48)
Amount written off	(566,248)	(723,895)	(143,973)
Amount transferred from/(to) individual impairment allowance	1,831	(9,598)	-
Amount transferred to related company	-	(1,553)	-
Unwinding income	(23,389)	65,104	-
Exchange fluctuation	(2,702)	(1,719)	13,078
At 31 December/ 31 March	2,197,899	1,841,225	1,865,944

The Group seeks to prevent loans from being impaired through early detection and proactive action. The Group maintains a "watchlist" of accounts in order to identify and monitor potential impairment while tracking information such as outstanding loan balances, interest and principal payments, targeted actions and responses and other information about the borrower. Generally, once the Group is concerned about a particular loan or sector, frequent reviews and proactive management of the relevant account is undertaken by the relevant account relationship officer and credit recovery officer.

(i) Group Special Asset Management

With the establishment of Group Special Asset Management ("**G-SAM**") on 1 July 2007, impaired loans were carved out enabling the "Good Bank" division to concentrate on its core business of lending, customer relationship, and quality loan asset growth, and avoid the distraction of impaired loans. Impaired loans (inclusive of written off loans) were sold to Southeast Asia Special Asset Management Berhad ("**SEASAM**"), severing the legacy impaired loans from the Bank.

G-SAM primarily comprises of four frontline units consisting of Commercial Recovery, Corporate Recovery, Retail Recovery and Property Mart and is supported by several centralised support units including Legal Affairs, Commercial Financial Management & Analytics and Support. G-SAM also services the impaired loans of SEASAM.

To proactively manage impaired loans, G-SAM will commence initial debt recovery or rehabilitation efforts by entering into negotiations with the borrowers, guarantors or other relevant parties with the aim of rescheduling debt payments or restructuring existing borrowings/financings.

In the event of unsuccessful debt recovery or rehabilitation attempts, G-SAM will enforce the Bank's rights against recalcitrant parties through the commencement of legal proceedings. These will usually relate to the recovery of the debt (including all accrued interest/profit, costs and expenses incurred therefrom), the winding up or bankruptcy of the relevant parties, foreclosure and sale of collateral properties and the appointment of receivers and managers or private liquidators against the relevant parties. The commencement of any legal proceedings against the borrowers, guarantors or other relevant parties usually compels, in the majority of cases, some form of settlement or compromise negotiations between the relevant parties and the Bank. G-SAM will deal with these negotiations on a case by case basis, depending on the prevailing circumstances.

(j) Write-Off Policy

Write-off of all loans must be approved by the Board. The Bank holds impaired loans on its books longer than is customary under international standards because Malaysian banks are required to comply with extensive recovery procedures prior to any write-off. Losses incurred by write-offs are tax deductible under Malaysian law only if it can be shown that all legally available and necessary steps for recovery have been taken. Except for credit cards and personal financing where write-offs are automatically applied, prior to writing off a loan, the Bank will begin legal proceedings, which, in the case of collateralised loans, will involve foreclosure proceedings. In the case of collateralised loans, the Bank will attempt to sell the collateral. Alternatively, a court may conduct a public sale of the property and distribute the proceeds to the Bank. Any proceeds recovered from a sale of collateral will reduce the amount of the classified loan. After foreclosure, any uncollected amounts with respect to interest, penalty or principal will be written off.

Partial write-off will be considered where full recovery is not possible taking present value of securities held or where customers have been allowed time to repay on a negotiated settlement basis for an amount lower than the outstanding amount. The amount is written down to the value of collateral, which means the shortfall in collateral value over the outstanding balance is written off.

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(k) *Profile of Impaired Loans*

The Group's gross impaired loans stood at RM5.11 billion and RM4.54 billion as at 31 December 2011 and 31 December 2012, respectively, representing 3.6% and 2.9% of total loans as at the above-mentioned dates.

The table below illustrates the movements of the Group's impaired/ non-performing loans as at 31 December 2011, 31 December 2012 and 31 December 2013:

	Audited As at 31 December		**Unaudited As at 31 March**
	2011	**2012**	**2013**
	RM'000	**RM'000**	**RM'000**
At 1 January	5,058,292	5,108,543	4,541,316
Classified as impaired during the year/period	3,293,236	2,621,969	727,462
Reclassified as non-impaired during the year/period	(1,626,487)	(1,132,311)	(300,830)
Amount written-back in respect of recoveries	(999,377)	(1,052,310)	(257,604)
Amount written-off	(629,413)	(1,062,380)	(189,227)
Reclassification from unwinding income	-	135,686	22,480
Amount transferred to related company	-	(68,504)	-
Disposal of subsidiary	-	(2,464)	-
Exchange fluctuation	12,292	(6,913)	30,733
At 31 December/31 March	5,108,543	4,541,316	4,574,330
Ratio of gross impaired loans to total loans, advances and financing	3.6%	2.9%	2.8%

(l) *Impaired Loans by Economic Purpose*

The Group's largest component of impaired loans was for working capital purposes, which accounted for 36.5% and 31.5% of the Group's total impaired loans as at 31 December 2011 and 31 December 2012 respectively. The Group's second largest component of impaired loans was for construction, followed by loans for the purchase of residential property (housing) which constituted 21.6% and 24.1%, and 15.6% and 19.2% respectively, of the Group's impaired loans at the above-mentioned dates.

The table below sets out the Group's impaired loans by economic purpose as at 31 December 2011, 31 December 2012 and 31 March 2013:

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	Audited As at 31 December				Unaudited As at 31 March	
	2011		2012		2013	
	RM'000	%	RM'000	%	RM'000	%
Personal use	139,300	2.7	129,177	2.8	124,430	2.7
Credit card	101,554	2.0	19,443	0.4	18,854	0.4
Purchase of consumer durables	80	0.0	26	0.0	18	0.0
Construction	1,104,991	21.6	1,092,381	24.1	1,132,414	24.8
Residential property (Housing)	794,760	15.6	870,768	19.2	878,523	19.2
Non-residential property	243,533	4.8	220,496	4.9	202,278	4.4
Purchased of fixed assets other than land and building	74,320	1.5	40,625	0.9	35,850	0.8
Purchase of securities	74,793	1.5	150,494	3.3	153,299	3.4
Purchase of transport vehicles	337,612	6.6	285,033	6.3	299,898	6.6
Working capital	1,863,700	36.5	1,430,290	31.5	1,381,149	30.2
Other purpose	373,900	7.3	302,583	6.7	347,617	7.6
	5,108,543	100.0	4,541,316	100.0	4,574,330	100.0

8.2 Financial Assets and Investments Portfolio

(a) Financial Assets Held for Trading

Financial assets are classified as held for trading if they are 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.

As at 31 December 2011 and 31 December 2012, the financial assets held for trading constituted 5.4% and 9.1% of the Group's total assets, respectively. The Group's financial assets held for trading comprise mainly Government securities and Government issues (26.4% and 17.8% respectively), BNM monetary notes (15.6% and 31.7% respectively), private and Islamic debt securities (25.3% and 27.9% respectively) and negotiable instruments of deposit (16.4% and 12.1%, respectively) as at the above-mentioned dates.

(b) 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 investment held-to maturity. Financial investments available for sale are measured 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 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 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 available for sale constituted 6.7% and 9.6% of the Group's total assets as at 31 December 2011 and 31 December 2012, respectively, and comprised mainly private debt securities which constituted 65.8% and 69.0%, respectively, as at the abovementioned dates.

(c) 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 management has the positive intent and ability to hold to maturity. If the Group 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. Financial investments held-to-maturity are initially recognised at fair value and 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. The Group's financial investments held-to-maturity constituted 4.3% and 3.1% of the Group's total assets as at 31 December 2011 and 31 December 2012, respectively, and comprised mainly private debt securities which constituted 83.8% and 86.5%, respectively as at the abovementioned dates.

The following tables set out the Group's financial assets and investment portfolio as at 31 December 2011, 31 December 2012 and 31 March 2013:

	Audited As at 31 December		**Unaudited As at 31 March**
	2011	**2012**	**2013**
	RM'000	**RM'000**	**RM'000**
Financial Assets Held For Trading			
Money market instruments:			
Malaysian government securities	253,409	310,623	532,202
Cagamas bonds	52,511	-	10,020
Khazanah bonds	-	16,914	4,268
Malaysian government treasury bills	90,484	215,116	184,290
Other government securities	2,933,501	3,574,330	3,441,741
Bank Negara Malaysia Monetary Notes	1,974,149	7,647,761	8,564,852
Bankers' acceptances and Islamic accepted bills	575,819	584,737	1,026,466
Negotiable instruments of deposit	2,069,683	2,929,556	3,021,387
Credit-linked notes	46,059	46,291	46,597
Commercial papers	168,458	320,059	364,843
Government investment issue	147,201	413,357	249,251
	8,311,274	16,058,744	17,445,917
Quoted securities:			
In Malaysia			
Shares	835,886	1,002,337	1,011,334
	835,886	1,002,337	1,011,334
Outside Malaysia			
Shares	2,659	-	-
Private debt securities	4,818	35,846	13,676
Other government bonds	216,609	294,207	663,154
	224,086	330,053	676,830
Unquoted securities:			
In Malaysia			
Shares	6,243	6,544	6,593
Private and Islamic debt securities	1,869,106	4,868,623	4,706,349
	1,875,349	4,875,167	4,712,942
Outside Malaysia			
Private and Islamic debt securiites	1,322,944	1,822,142	2,596,950
Shares	58,157	59,769	62,187
	12,627,696	24,148,212	26,506,160

	Audited As at 31 December		Unaudited As at 31 March
	2011	2012	2013
	RM'000	RM'000	RM'000
Financial Investments Available-For-Sale			
Money market instruments:			
Malaysian Government securities	1,422,455	860,826	787,391
Khazanah bonds	190,187	400,350	406,436
Government investment Issue	1,198,283	3,480,923	3,428,722
Other government treasury bills	-	49,398	124,680
Other government securities	25,874	104,099	70,325
Bank Negara Malaysia Monetary Notes	-	497,386	-
Cagamas bonds	453,651	290,288	-
Commercial papers	-	9,999	289,314
	3,290,450	5,693,269	5,106,868
Quoted securities:			
Outside Malaysia			
Shares	4,398	289	384
Other government bonds	834,022	1,107,829	1,004,282
Unit trusts	292,209	292,855	307,961
Private debt securities	19,826	91,723	114,210
	1,150,455	1,492,696	1,426,837
Unquoted securities:			
In Malaysia			
Private debt securities	8,924,328	13,955,518	14,704,831
Shares	797,611	826,572	827,075
Bond funds	12,790	-	-
Loan stocks	19,774	18,507	16,321
	9,754,503	14,800,597	15,548,227
Outside Malaysia			
Shares	167,240	33,719	33,744
Private equity funds	60,479	69,444	70,867
Unit trusts	21,125	18,847	16,987
Private debt securities	1,612,707	3,758,797	3,912,972
	1,861,551	3,880,807	4,034,570
	16,056,959	25,867,369	26,116,502
Allowance for impairment losses:			
Private debt securities	(210,510)	(117,466)	(112,488)
Quoted shares	(2,504)	-	-
Unquoted shares	(94,532)	(95,454)	(96,327)
Loan stocks	(12,806)	(14,561)	(12,375)
Unit trusts	(1,113)	(1,898)	(2,004)
	(321,465)	(229,379)	(223,194)
	15,735,494	25,637,990	25,893,308

	Audited As at 31 December		Unaudited As at 31 March
	2011	2012	2013
	RM'000	RM'000	RM'000
Financial Investments Held-To-Maturity			
Money market instruments:			
Malaysian government securities	13,228	-	-
Malaysian government investment issue	11,403	20,686	20,490
Other government securities	490,820	754,593	749,284
Cagamas bonds	5,977	4,834	4,833
	521,428	780,113	774,607
Quoted securities:			
Outside Malaysia			
Private debt securities	1,835,931	2,218,812	2,104,868
	1,835,931	2,218,812	2,104,868
Unquoted securities:			
In Malaysia			
Loan stocks	30,781	28,813	28,576
Danaharta Urus Sdn Bhd bonds	795,335	130,139	130,139
Private debt securities	4,760,561	3,734,412	3,540,644
	5,586,677	3,893,364	3,699,359
Outside Malaysia			
Private debt securities	1,932,271	1,485,557	1,485,776
Accretion of discount net of amortisation of premium	332,317	23,913	23,418
Less: Allowance for impairment losses	(36,406)	(34,350)	(34,422)
	10,172,218	8,367,409	8,053,606

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SECTION 9.0 RISK MANAGEMENT OVERVIEW

A robust and effective risk management system is critical for the Group to achieve continued profitability and sustainable growth in shareholder value in today's globalised and inter-linked financial and economic environment.

The Group embraces risk management as an integral component of the 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.

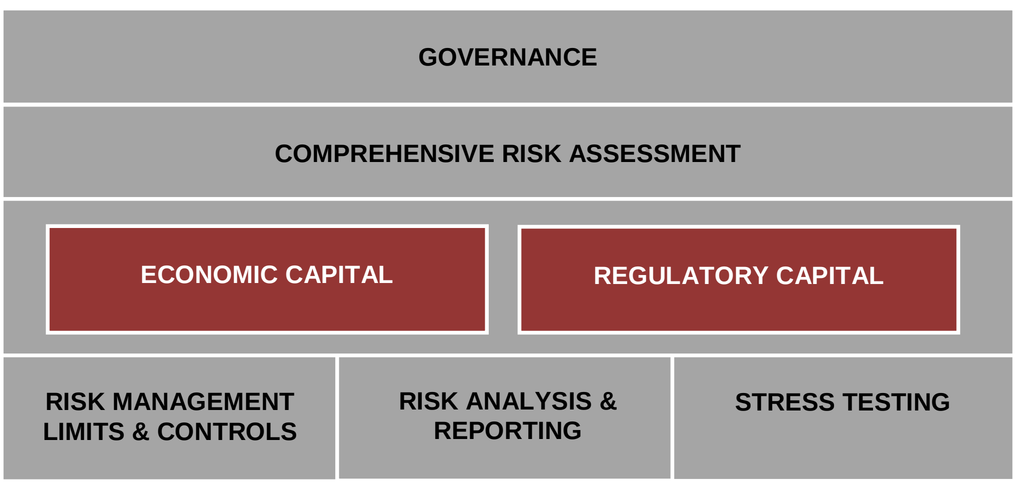
The objectives of the Group's risk management activities are to:

- 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 businesses.

EWRM Framework

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

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



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

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

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

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

A group wide stress test is performed on a semi-annual basis to evaluate the financial impact on the Group in the event of projected adverse economic and financial situations. This process enables the Group to assess the sufficiency of its liquidity surplus and reserves, and whether it could continue to meet its minimum capital requirement under such scenario. Such group wide stress tests allow management to gain a better understanding of how portfolios and investments are likely to react to changing economic conditions and how the Group can best prepare for and react to them. In this regard, the Group considers more value to be derived from the process of performing the stress test instead of just focusing on the results of the stress test, as business units are now actively managing the potential stressed risk profile of their portfolios vis-à-vis developments in the economic outlook.

Risk Management Governance

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

Responsibility for administering risk management and control is delegated to the GRC. The GRC is chaired by the Chief Executive Officer of the Group and undertakes the oversight function for overall risk limits, aligning them to the risk appetite. The GRC is further supported by several sub-committees, namely the Group Wholesale Bank Risk Committee, Consumer Bank Credit Committee, Regional Credit Committee and Operational Risk Committee, with each committee addressing one or more of the following:

- *Market risk,* arising from fluctuations in the value of a trading or investment exposure arising from changes to market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices, and their associated volatility;
- *Credit risk,* arising from losses due to the obligor, market counterparty or issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;
- *Operational risk,* arising from internal processes which may result from inadequacies or failures in processes, controls or projects due to fraud, unauthorised activities, error, omission, inefficiency, systems failures or from external events; and

- *Interest Rate Risk in the Banking Book / Rate of Return Risk in the Banking Book,* the current and potential risk to the Group's earnings and economic value arising from movement of interest rates / benchmark rates.

In relation to Asset Liability Management, which includes Liquidity Risk and Interest Rate Risk in the Banking Book ("**IRRBB**") / Rate of Return Risk in the Banking Book ("**RORBB**"), the Group has reviewed the Committee structure and established a Group Asset Liability Management Committee ("**GALCO**"), which reports directly into the BRC. GALCO, amongst others, is responsible for the oversight of the Group's overall liquidity management, reviewing of the Group's balance sheet positions as well as ensuring the Group's liquidity risk and interest rate/rate of return risk profiles are within the approved risk limits/Management Action Trigger.

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

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BOARD OF DIRECTORS

BOARD RISK COMMITTEE

- Review and recommend risk policies and strategies for approval
- Oversee entire EWRM and provide strategic guidance to various risk committees

GROUP RISK COMMITTEE

- Review and advise on risk policies and strategies
- Oversee management of risk, oversee utilisation of capital allocation and asset liability management processes across the Group

Group Wholesale Bank Risk Committee ("GWBRC")

- Oversee Group's exposures to market risks
- Evaluate and approve proposals for primary and secondary market deals for debt and equity instruments for the Group
- Credit approval authority for Malaysian centric credit exposures
- Assign and review the Malaysian sector exposures
- Review and approve Global Banking Institutions Limits for Malaysian centric banking groups

Consumer Bank Credit Committee ("CBCC")

- Credit approval authority for Malaysian centric credit exposures
- Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures
- Oversee the development of credit policies and procedures, encompassing all products and businesses within Consumer Banking

Regional Credit Committee ("RCC")

- Review and approve or concur non-Malaysian credit exposures
- Ensuring Group overall loan portfolio/financing meets regulatory guidelines and approved internal policies and procedures
- Review and approve or concur all non-Malaysian Interbank Limit, Global Financial Institutions Counterparty Limits and Global Country Limit

Operational Risk Committee ("ORC")

- Oversee operational risk management in terms of best practices, policies and risk tolerance.
- Review controls and action plans to address identified risks
- Oversight on all Business Continuity Management (BCM)/Disaster Recovery (DR) activities

Group Asset Liability Management Committee (GALCO)

- Oversee the Group's overall liquidity management
- Review balance sheet positions
- Ensure Group is able to meet its cash flow obligations in a timely and cost effective manner
- Recommend and executing balance sheet strategies and hedging
- Ensure risk profile is kept within the established risk appetite/limits/MAT

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

Three-Lines of Defence

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

The Roles of Group Chief Risk Officer ("CRO") and GRD

Within the second line of defence is the 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 Group Chief Risk Officer ("**CRO**") who is appointed by the Board to spearhead risk management functions and the implementation of the EWRM. The CRO actively engages the Board and senior management on risk management issues and initiatives. The CRO also maintains an oversight on risk management functions across all entities within the Group. In each country of operations, there will be 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.

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. The GRD teams are organised into several Risk Centres of Excellence ("**CoE**") in order to facilitate the implementation of the Group's EWRM framework. The Risk Centres of Excellence are specialised teams of risk officers responsible for the active oversight of group-wide functional risk management.

Key Areas of Risk Management

1. Credit Risk

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

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

Loans/ financing assets remain the most significant credit risk to which CIMB Group is exposed. Without effective credit risk management, the impact of the potential losses can be overwhelming. 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.

The 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 Credit Risk CoE team prior to submission to the relevant committees for approval.

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

The Risk Analytics & Infrastructure team monitors all exposures for each counterparty or group, including off balance sheet items and potential exposures to ensure compliance with approved credit limits. Limits are also monitored based on rating classification of the obligor and/or counterparty.

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

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

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

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 credit risk management process. Credit risk mitigants are taken where possible and are considered secondary recourse to the obligor for the credit risk underwritten.

All extensions of credit in so far as deemed prudent, must be appropriately and adequately secured. GWBRC and RCC are empowered to approve any inclusion of new acceptable collateral/securities.

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

The net credit exposures with each counterparty are 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 credit support annexes or the master agreement.

2. Market Risk

Market risk is defined as any fluctuation in the value of a trading or investment exposure arising from changes to market risk factors such as interest / profit rates, currency exchange rates, credit spreads, equity prices, commodities prices, and their associated volatility.

Market risk results from trading activities that can arise from customer-related businesses or from proprietary positions. The Group hedges the exposures to market risk by employing varied strategies, including the use of derivative instruments.

The Group adopts various measures in its risk management process to manage market risk. An accurate and timely valuation of position is critical to providing the Group with its current market exposure. Market Risk CoE team values the exposure using market price or a pricing model where appropriate. The valuation process is carried out on all Held for Trading and Available for Sale positions on daily basis in compliance with the independent price verification requirements. These valuation methods are used in deriving the fair value to restate the security value to its current value for the purpose of calculating the profits and losses or to confirm that margins required are being met.

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

The Group also adopts a value-at-risk ("**VAR**") approach in the measurement of market risk. Back-testing is performed to validate and reassess the accuracy of the existing VAR model. VAR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. Back-testing involves the comparison of the daily model-generated VAR forecast against the actual or hypothetical profit or loss data over the corresponding period.

Stress testing is conducted to capture the potential market risk exposures from unexpected market movements. In formulating stress scenario, consideration is given to various aspects of the market; for example identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

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

3. Liquidity Risk

Liquidity risk is defined as the current and prospective risk to earnings, shareholders' funds or the Group's 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 are 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 obligation 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, thus providing the Group with a stable large funding base. The Group maintains large buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

The day-to-day responsibility for liquidity risk management and control is delegated to GALCO, which meets at least once a month to discuss the liquidity risk and funding profile of the Group and each individual entity of the Group. Each entity is responsible to prudently manage its liquidity position to meet its daily operating needs and the local regulatory requirements. The Asset Liability Management CoE, which is responsible for the independent monitoring of the Group's liquidity risk profile, works closely with Group Treasury in its surveillance on market conditions and performs frequent stress testing on liquidity positions.

Liquidity risk undertaken by the Group is governed by a set of established risk tolerance levels. Management action triggers have been established to alert Management to potential and emerging liquidity pressures. The Group Liquidity Risk Management Policy is subjected to annual review while the assumptions and the thresholds levels are regularly reviewed in response to regulatory changes and changing business needs and market conditions. Liquidity positions are monitored on a daily basis and complied with internal risk thresholds and regulatory requirements for liquidity risk. The Group's contingency funding plan, consisting of an early warning system and a funding crisis management team, is in place to alert and enable Management to act effectively and efficiently during a liquidity crisis and under adverse market conditions.

4. IRRBB/ RORBB

IRRBB / RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/benchmark rates.

IRRBB/RORBB undertaken by the Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by the Group. The risk appetite is established by the Board. GALCO supported by the Asset Liability Management CoE team, is responsible to oversee the asset liability management process including an independent review and monitoring of IRRBB/RORBB for the Group. Further, GALCO with the support from Capital & Balance Sheet Management, is responsible for the review of the balance sheet and recommends strategies, including hedging activities to manage the overall interest rate risk / rate of return risk. Corporate Banking, Treasury and Markets is responsible for day-to-day management of exposure and gapping activities, including execution of hedging strategies.

IRRBB/RORBB is measured by:

Economic Value of Equity ("**EVE**") sensitivity: EVE sensitivity measures the long term impact of sudden interest rate movement across the full maturity spectrum of the Group's assets and liabilities. It defines and quantifies interest rate risk / rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest/profit rates. Such measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

The Group's EVE sensitivity is computed by using a simulation method that analyses IRRBB/RORBB in terms of changes in the EVE resulting from various rate shock scenarios. Such method takes into account varying degree of rate sensitivities exist between banking book positions (basis risk), projected changes in cash flow behaviours (embedded optionality such as prepayment or roll-over of cash flows under various rate scenarios), non-parallel shifts of the yield curve (yield curve risk), and the existence of embedded floor/ cap rates on specific products in the banking book.

Earnings at Risk ("**EaR**"): EaR measures the short term impact of sudden interest/profit rate movement on reported earnings over the next 12 months. It defines and quantifies interest rate risk / rate of return risk as the change in net interest income caused by changes in interest/profit rates.

The Group's EaR is computed by using a dynamic simulation method that analyzes IRRBB/RORBB in terms of earnings (accrual basis) under various rate shock scenarios, taking into account future stream of projected business activities and volumes (e.g. flat or growth balance sheet). The EaR simulation also considers rate sensitivities among different products, cash flow behaviours, non-parallel shifts of the yield curve, and embedded floor/ cap rates.

5. Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people or systems, or from external events. It encompasses legal risk that also carries a Shariah component.

The Group manages operational risks through the following key measures:

- Sound risk management practices in accordance with Basel II and regulatory guidelines;
- Board and senior management oversight;
- Well-defined responsibilities for all personnel concerned;
- Establishment of a risk management culture;
- Implementation and application of Operation Risk Management solutions, a central database for operational risk management.

The ORM system incorporates the various operational risk tools such as the Loss Event Database, Risk and Control Self Assessment and Key Risk Indicators. These tools together with the use of rating matrixes are several of the techniques for the administration of operational risks as applied by CIMB Group. The application of these techniques enables the Group to systematically identify, capture, monitor and report all operational risks in a consistent manner, thus facilitating analytical risk profiling and enhancing the control mechanism.

In addition to the above, the Group adopted Self Assessment Review Project (SHARP) as part of its initiatives to ensure that operational risks within the processes in each business unit are properly identified, analysed and mitigated on a periodic basis.

Each new or varied product and changes to the process flow are subjected to a rigorous risk review through sign-offs from the relevant support units where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners. The Group's New Product Development Policy Manual also safeguards and protects the interest of customers through proper regulatory disclosure requirements, the availability of options or choices when the products and services are offered to the public.

The promotion of a risk management culture within the Group whereby the demand for integrity and honesty is non-negotiable remains the core theme in our operational risk awareness programme. The e-learning module on operational risk management has enhanced the awareness of operational risk amongst the staff.

6. Shariah Non-Compliance Risk

Shariah non-compliance risk is the risk that arises from the Group's failure to comply with the Shariah rule and principles determined by the relevant Shariah regulatory councils or committees. Shariah non-compliance will lead to financial and non-financial impact to the Group such as reputation risk, higher capital charges and non-recognition of income or earnings arising from invalidated Shariah contract. The appropriate treatment of any non-Shariah compliant income or earnings shall be advised and approved by the Group's Shariah Committee, which may include channelling the income or earnings to charitable organisation.

The Group has in place a Shariah Compliance Policy and General Procedures Manual that governs the roles and responsibilities of the Shariah Committee, overall Shariah compliance functions and Shariah governance processes of the Group. Monitoring of Shariah compliance and Shariah governance is carried out through Shariah Review and Shariah Audit functions, supported by Shariah Risk Managment control process and Shariah Department. Shariah Risk Management Unit, a function within Operational Risk CoE performs its risk management activities based on the established framework, processes and tools of Operational Risk Management.

Apart from receiving and analysing the Shariah non-compliance events / incidences from Designated Compliance and Operational Risk Officers to be reported to the relevant risk committees, Shariah Risk Management Unit also actively participates in the Islamic product development discussions to ensure that all Shariah non-compliance risk management issues are appropriately identified, managed and controlled.

7. Reputation Risk

Reputation Risk is defined as the current or prospective risk to earning and capital arising from the adverse perception by the stakeholders about its behaviour and performance. Such adverse perception, whether true or not, may impair public confidence in the Group, result in costly litigation, or lead to a decline in its customer base, business or revenue.

The Group is cognisant of the fact that reputation is built as a result of its ongoing interactions between the Group and its stakeholders and acknowledges the importance of reputation in its business operations. Consequently, reputation risk is recognised as one of the material risks of the Group.

The objectives of the Group's Reputation Risk Management framework are, amongst other, to:

i) Establish standards to manages the Group's reputation risk proactively;
ii) Ensure that the Group's business is operated to the highest standards of governance and controls;
iii) Foster a culture where staff are aware of their responsibility in managing the Group's reputation risk.

The framework details the roles and responsibilities of each stakeholder and processes in managing reputation risks.

8. Basel II Implementation

BNM adopted a two-phase approach for implementing the standards recommended by the Bank of International Settlements set out in "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (Basel II) in Malaysia. In the first phase, banking institutions are required to adopt the Standardised Approach for credit risk by the end of 2008. In the second phase, qualified banking institutions are allowed to migrate directly to the Internal Ratings Based Approach beginning from 2010.

The Group had in May 2007 applied for direct migration to the IRB. The approach adopted by the Group for credit risk will be Advanced IRB for retail exposure and Foundation IRB for corporate exposure. Over the last few years, the Group has implemented various initiatives to enhance our risk management standards to meet Basel II requirements. BNM has approved the Group to migrate to IRB for credit risk in July 2010.

The Basel Steering Committee chaired by the CIMBGH Chief Executive Officer was set up to oversee the implementation initiatives across the Group with the assistance of various sub-committees. The Basel Steering Committee shall continue to oversee the Group's initiatives towards complying with the requirements within the stipulated timeframe.

The Group's operational risk is currently based on the Basic Indicator Approach and the Group has progressively set the various foundations to move towards Basel II Standardised Approach and building its capabilities towards the advanced measurement approach.

The EWRM requires the business and support units to identify all material risks affecting the Group's business and operations on an on-going basis. Capital is then allocated to all relevant units for risk-taking purposes. The Group's Capital Management Framework provides that the methodology and processes in capital management, including capital allocation towards the deployment of capital consumption in the most efficient manner to provide the optimum risk-adjusted return of the capital. These initiatives that were implemented under Basel II further enhanced the use of risk management parameters in the Group's Capital Management Framework.

In 2010, BNM issued RWCAF– Disclosure Requirements (Pillar 3) with the aim to promote better market discipline and enhance transparency by setting the minimum requirements for market disclosures of information of the risk management practices and capital adequacy of the banking institutions. Pursuant to this guideline, the Group has made the relevant disclosures under Pillar 3 which is available in our corporate website.

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SECTION 10.0 OVERVIEW OF MALAYSIA

Economic and Financial Developments in Malaysia in the First Quarter of 2013

The global economy grew at a modest pace in the first quarter of 2013. The growth in the US remained slow, while the economic performance in most European economies remained weak amidst the ongoing policy challenges and domestic structural concerns. In Asia, economic activity continued to expand, although at a slower pace, as domestic demand continued to outweigh weakness in external demand. Amid this weaker external environment, the Malaysian economy expanded by 4.1% in the first quarter (4Q 2012: 6.5%), supported by stronger domestic demand that expanded by 8.2% during the quarter (4Q 2012: 7.8%). On the supply side, while the domestic-oriented industries continued to register sustained growth, activity in the major economic sectors was weighed down by the weak external conditions.

Domestic demand remained robust, increasingly by 8.2% during the quarter (4Q 2012: 7.8%). Private consumption recorded a strong growth of 7.5% (4Q 2012: 6.2%), driven by sustained income growth and favourable labour market conditions. This was further supported by the implementation of the minimum wage policy. Growth in public consumption, however, moderated to 0.1% (4Q 2012: 1.2%), amidst lower spending on supplies and services.

Growth in gross fixed capital formation remained firm, rising by 13.2%, underpinned by capital spending by both the private and public sectors. Private investment grew by 10.9%, supported by continued capital spending in the domestic-oriented manufacturing and consumer-related services sub-sectors, in addition to the ongoing implementation of projects in the oil and gas sector. Public investment expanded by 17.3%, driven by higher capital spending by public enterprises in the oil and gas, utilities and telecommunication sectors, while Federal Government development expenditure was channelled mainly into the transportation, education, and trade and industry sectors.

On the supply side, growth in the manufacturing sector slowed, weighed down by the weak external conditions. Despite the weakness in trade-related activity, the services sector continued to expand, driven largely by sub-sectors catering to the domestic market. Growth in the agriculture sector was sustained on account of higher production of palm oil, while the mining sector declined due to lower production of crude oil. In the construction sector, growth remained firm, led mainly by the civil engineering sub-sector.

The headline inflation rate, as measured by the annual change in the Consumer Price Index ("**CPI**"), was slightly higher at 1.5% in the first quarter (4Q 2012: 1.3%). The increase was attributed mainly to higher inflation in the food and non-alcoholic beverages category.

In the external sector, the current account surplus narrowed in the first quarter to RM8.7 billion, equivalent to 3.9% of GNI, due to a lower goods surplus, as well as a larger services deficit and income outflows. The financial account turned around to record a net inflow of RM1 billion (4Q 2012: -RM10.3 billion), as inflows of direct and portfolio investment from non-residents outweighed outflows arising from direct and portfolio investment undertaken by residents. The overall balance of payments recorded a surplus of RM4 billion (4Q 2012: +RM5.9 billion).

The international reserves of BNM amounted to RM431.2 billion (equivalent to USD139.6 billion) as at 29 March 2013. This reserve level has taken into account the quarterly adjustment for foreign exchange revaluation changes. As at 30 April 2013, the reserves position amounted to RM433.3 billion (equivalent to USD140.3 billion), sufficient to finance 9.5 months of retained imports and is 4.3 times the short-term external debt.

The Overnight Policy Rate ("**OPR**") was maintained at 3.00% during the first quarter of 2013. At the prevailing level of the OPR, monetary conditions remains supportive of economic activity.

Reflecting the unchanged OPR, the interbank rates of all maturities were relatively stable. In terms of retail interest rates, the average quoted fixed deposit of commercial banks were relatively unchanged during the quarter. The average BLR of commercial banks remained at 6.53%, while the weighted average lending rate on loans outstanding edged lower to 5.50% as at end-March (end-December 2012: 5.52%).

Total gross financing raised by the private sector through the banking system and the capital market amounted to RM244.7 billion (4Q 2012: RM262.2 billion). On a net basis, banking system loans and PDS outstanding expanded at an annual growth rate of 11% as at end-March (end-December 2012: 12.4%).

Net funds raised in the capital market moderated to RM16.7 billion in the first quarter (4Q 2012: RM37.7 billion), reflecting mainly the significantly higher redemption of debt securities (RM32.2 billion: 4Q 2012: RM13.1 billion). Overall gross financing from the capital market, however, remained firm for both the private and public sectors. In the private sector, RM22.6 billion of gross funds were raised through the issuance of private debt securities, while another RM1 billion was raised in the equity market. In the public sector, gross funds raised increased to RM25.3 billion (4Q 2012: RM21.6 billion).

The monetary aggregates continued to expand in the first quarter. Narrow money, or M1, increased by RM4.1 billion during the period. On an annual basis, M1 expanded by 12.7% as at end-March (end-December 2012: 11.9%). Broad money, or M3, increased by RM43.9 billion during the quarter, to record an annual growth rate of 9.1% as at end-March (end-December 2012: 9%). The expansion of M3 was mainly on account of the credit extension to the private sector, higher net claims on the Government and net trade inflows.

Movements of the ringgit and other regional currencies in the first quarter were driven mainly by the uncertainties over the timing of the withdrawal of quantitative easing measures in the US and developments in Europe. These in turn resulted in a withdrawal of funds from emerging market assets. The ringgit was also affected by domestic uncertainties during this period in the run-up to the General Elections. Overall, the ringgit depreciated by 1.0% against the US dollar, but appreciated against the Japanese yen (8.4%), pound sterling (5.2%) and euro (2.0%). The ringgit's performance against regional currencies was mixed. The ringgit appreciated against the Korean won (3.3%) and Singapore dollar (0.5%), but depreciated against the Indonesian rupiah, Chinese renmimbi, Phillippine peso and Thai baht by between 0.2% and 5.2%.

Between 1 April and 10 May 2013, the ringgit appreciated against the Japanese yen (10.9%), US dollar (3.4%), pound sterling (1.8%), and euro (1.7%). The ringgit strengthened against regional currencies by between 2.2% and 4.6%.

Despite continued volatility in the global financial markets, financial stability remained intact throughout the quarter. Effective financial intermediation was supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.
The banking system continued to remain resilient, with strong capital buffers, sustained profitability and ample liquidity. While the new capital standards under Basel III have been phased in since January 2013, the banking system remained well-capitalised, with the Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio at 12.2%, 13.1% and 14.5% respectively. Similarly, the insurance sector recorded a strong capital adequacy ratio of 221.6%, and a capital buffer in excess of RM22.7 billion.

Going forward, the global economy is expected to continue to expand, but downside risks to growth will remain. In the advanced economies, economic recovery continues to be vulnerable to policy uncertainties and the risk of contagion. The divergent policies across regions are also resulting in spillover effects on global financial conditions. Nevertheless, in Asia, growth will continue to be sustained by domestic demand, underpinned by income growth and healthy labour market conditions, and supported by continued policy flexibility.

For the Malaysian economy, domestic demand is expected to remain as the key driver of growth, driven by sustained private sector expansion and supported by the public sector. While global developments will continue to present downside risks, intra-regional trade is expected to reinforce the growth performance.

(Source: Economic and Financial Developments in Malaysia in the First Quarter of 2013, BNM)

SECTION 11.0 OVERVIEW OF THE MALAYSIAN BANKING INDUSTRY

The Banking System in Malaysia

The banking system, comprising commercial banks, investment banks, and Islamic banks, is the primary mobiliser of funds and the main source of financing which supports economic activities in Malaysia. The non-bank financial intermediaries, comprising development financial institutions, provident and pension funds insurance companies, and takaful operators, complement the banking institutions in mobilising savings and meeting the financial needs of the economy.

The Central Bank

BNM, the Central Bank of Malaysia, is at the apex of the monetary and financial structure of the country. The principal objective of the BNM is to promote monetary stability and financial stability conducive to the sustainable growth of the Malaysian economy. Its primary functions as set out in the newly enacted Central Bank of Malaysia Act 2009 are to:

- formulate and conduct monetary policy in Malaysia;
- issue currency in Malaysia;
- regulate and supervise financial institutions which are subject to the laws enforced by the BNM;
- provide oversight over money and foreign exchange markets;
- exercise oversight over payment systems;
- promote a sound, progressive and inclusive financial system;
- hold and manage the foreign reserves of Malaysia;
- promote an exchange rate regime consistent with the fundamentals of the economy; and
- act as financial adviser, banker and financial agent of the Government.

To achieve its mandates, the BNM is vested with powers under various laws to regulate and supervise the banking institutions and other non-bank financial intermediaries. The BNM also administers the country's foreign exchange regulations.

(Source:The Banking System in Malaysia, http://www.mida.gov.my)

Banking Institutions in Malaysia

The following table provides an overview of the number of licensed banking institutions in Malaysia 2012:

Banking Institution	Total	Malaysian-Controlled Institutions	Foreign-Controlled Institutions
Commercial Banks	27	8	19
Islamic Banks	16	10	6
International Islamic Banks	5	—	5
Investment Banks	15	15	—
Other Financial Institutions	2	2	—

(Source: List of Licensed Banking Institutions in Malaysia, http://www.bnm.gov.my)

Islamic Banking Industry

Islamic banking refers to a system of banking that complies with Islamic law also known as Shariah law. The underlying principles that govern Islamic banking are mutual risk and profit sharing between parties, the assurance of fairness for all and that transactions are based on an underlying business activity or asset.

These principles are supported by Islamic banking's core values whereby activities that cultivate entrepreneurship, trade and commerce and bring societal development or benefit are encouraged. Activities that involve interest (riba), gambling (maisir) and speculative trading (gharar) are prohibited.

Malaysia's Islamic finance industry has been in existence for over 30 years. The enactment of the Islamic Banking Act 1983 enabled the country's first Islamic Bank to be established and thereafter, with the liberalisation of the Islamic financial system, more Islamic financial institutions have been established.

Malaysia's long track record of building a successful domestic Islamic financial industry of over 30 years gives the country a solid foundation – financial bedrock of stability that adds to the richness, diversity and maturity of the financial system. Presently, Malaysia's Islamic banking assets have reached RM403.2 billion.*

Today, Malaysia's Islamic finance continues to grow rapidly, supported by a conducive environment that is renowned for continuous product innovation, a diversity of financial institutions from across the world, a broad range of innovative Islamic investment instruments, a comprehensive financial infrastructure and adopting global regulatory and legal best practices. Malaysia has also placed a strong emphasis on human capital development alongside the development of the Islamic financial industry to ensure the availability of Islamic finance talent. All of these value propositions have transformed Malaysia into one of the most developed Islamic banking markets in the world.

* BNM: Monthly Statistical Bulletin, May 2013
(Source: Overview of Islamic finance in Malaysia, http://www.bnm.gov.my)

Monetary and Financial Developments
Overview

Resilient domestic consumption and investment activity continued to drive economic growth in the first seven months of 2012, amid global financial volatilities and uncertainties. Headline inflation, which began to ease since the fourth quarter of 2011, continued to moderate during the first seven months of 2012. Thus, monetary policy has remained focused on ensuring sustainable growth in an environment of price stability as well as appropriate to avoid the build-up of financial imbalances. Given the evolving external and domestic conditions, the Overnight Policy Rate was maintained at 3.00% and the Statutory Reserve Requirement at 4.00%.

In tandem with the strong economic growth during the first seven months of 2012, financing extended through financial institutions and the capital market increased to support the continued expansion in economic activities. While the global financial system, especially in the United States and Europe was buffeted by shocks and stress, the domestic financial system remained resilient due to the strong governance and risk management practices, which resulted in robust balance sheets and asset quality as well as healthy liquid positions. Financing through the banking system remained strong with loan applications and disbursements increasing 10% and 20.9%, respectively. As at end-July 2012, the risk-weighted capital ratio and core capital ratio ("**CCR**") stood at 14.4% and 12.7%, respectively. These were well above the current regulatory minimum of 8% for risk-weighted capital ratio and 4% for CCR as well as the more stringent standards under Basel III.

During the first seven months of 2012, the global sukuk market grew 38% compared with the same period in 2011. The sukuk market has a buoyant start this year when PLUS Berhad issued the world's single largest sukuk of RM30.6 billion in January 2012. Factors contributing to the growth of sukuk issuances include the declining yields for both sovereign and corporate issuances due to significant demand; the dearth of high-quality and high-yielding papers; the flight to safety in fixed income assets amid persistent concerns over the euro area's unresolved debt problems; and borrowers seeking to diversify their funding sources. Malaysia continued to lead in Islamic finance, sustaining its dominance in the sukuk industry and accounting for 71% of the global sukuk issued in the first seven months of 2012.

Financial Sector Developments
Banking System Performance

Lending by the banking system continued to support economic activities during the first seven months of 2012. Demand for financing remained robust with loan applications and disbursements growing 10% and 20.9%, respectively while loan approvals increased at a slower rate of 1.4%, reflecting partly the initial impact of the new lending guidelines, effective from January 2012 (January – July 2011: 23.5%; 8.2%; 20.5%). Meanwhile, total loans outstanding grew 13% to RM1,073.1 billion as at end-July 2012 (end-2011: 13.6%; RM1,003.5 billion).
During the same period, loan applications by businesses totaled RM246.5 billion, raising 18.6%, while approvals increased 7.3% (January – July 2011: RM207.8 billion; 29.6%). Loan disbursements to businesses grew 32.2% to RM394.4 billion and were mostly to finance working capital (January – July 2011: 6.1%; RM298.4 billion). The manufacturing sector continued to account for most of the loans disbursed at 21.8%, followed by the wholesale and retail trade, accommodation and restaurant sector at 19%, and the finance, insurance and business services sector at 10.9%. Overall, total business loans outstanding rose 14.6% to RM406.5 billion as at end July 2012 (end-2011: 13.5%; RM377.9 billion).

SMEs financing also remained robust with applications, approvals and disbursements posting double-digit growth rates of 15.8%, 17.7% and 24.7% (January – July 2011: 31.6%; 22.6%; 18.9%), respectively. A large proportion of the loans disbursed was channeled for the wholesale and retail trade, accommodation and restaurant (35.1%), and manufacturing (29%) sectors. SME loans outstanding increased 21.4% to RM170.7 billion and accounted for 42% of total business loans outstanding in the banking system as at end-July 2012 (end-2011:19.3%; RM153.2 billion; 40.5%).

Apart from the banking system, SMEs also sought financing from five special revolving funds[1] administered by BNM. The special funds were aimed at further increasing SMEs' access to financing at lower lending rates ranging between 3.75% and 6.00%. During the first seven months of the year, total financing approved amounted to RM765.2 million for 1,945 SMEs (January – July 2011: RM542.6 million; 2,568). As at end-July 2012, total financing approved amounted to RM21.9 billion, reflecting a utilisation rate of 93.2%, and 52,933 SMEs were given assistance since the establishment of the funds (end-2011: RM21.2 billion; 95.2%; 50,988).

Financial institutions also offer micro financing under the Pembiayaan Mikro scheme to meet the needs of micro enterprises, which form the bulk of SMEs. During the first seven months of 2012, a total of 10,125 micro enterprise loans were approved totaling RM198.5 million (January – July 2011: 11,984; RM221.8 million). As at end-July 2012, total loans outstanding under this scheme, expanded further by 4% to RM867.7 million, and cumulatively, benefiting 69,237 micro enterprises (end-2011: 14.3%; RM887.6 million; 71,536).

Other micro financing sources include those provided by the Amanah Ikhtiar Malaysia ("**AIM**") and Tabung Ekonomi Kumpulan Usaha Niaga ("**TEKUN Nasional**"). AIM was established in September 1987, with the objective to assist poor households through the provision of micro credit for income-generating activities. Contrary to conventional financing schemes, AIM loans do not require collateral or guarantors. It does not resort to legal action against defaulters, and despite that, the default rate was only 0.6%, as at end-July 2012. With a network of 123 branches nationwide, AIM has 313,871 members, who are mostly women and had disbursed loans totaling RM7.4 billion as at end-July 2012. Meanwhile, TEKUN Nasional which was established in 1998, also provides micro financing to small entrepreneurs to start and expand their businesses. As at end-July 2012, TEKUN Nasional has a network of 198 branches nationwide and has provided micro financing totaling RM2.2 billion to 222,004 entrepreneurs since its establishment.

Lending to the household sector remained active with total household loans outstanding growing 11.8% to RM586.9 billion, and accounting for 54.7% of total loans outstanding in the banking

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[1] *Fund For Food was established in 1993; Fund for Small and Medium Industries 2 (2000); New Entrepreneurs Fund 2 (2001); Micro Enterprise Fund (2008); and Bumiputera Entrepreneurs Project Fund – Islamic (2009).*

system as at end-July 2012 (end-2011: 12.9%; RM552.5 billion; 55.1%). During the first seven months of 2012, household loan applications increased 2.1% while loan approvals and disbursements declined 3.9% and 0.7% (January – July 2011: 18.3%; 16.1%; 12.5%), respectively. The bulk of household loans were in the form of consumption credit, which accounted for RM69.3 billion or 12.6% of total loans disbursed, followed by loans for the purchase of residential properties at 6.8% or RM37.3 billion.

Total debt of the household sector, which includes loans given primarily by the banking system, development financial institutions, the Treasury Housing Loan Division and other credit institutions, continued to expand, albeit at a slower pace of 11.7% to RM694.8 billion as at end-July 2012 (end-2011: 12.6%; RM653.5 billion). Total household debt registered 75.6% of the nominal Gross Domestic Product ("**GDP**") as at the end of second quarter 2012 (end-2011: 74.2%). Loans outstanding for the purchase of residential properties and vehicles financing still compose a large proportion of the total household debt with a combined share of 64% as at end-July 2012 (end-2011: 64%). Meanwhile, financial buffers of the household sector remained resilient as the level of household financial assets increased 9.8% to RM1.6 trillion as at end-July 2012, more than twice the level of total household debt (end-2011: 8.3%; RM1.5 trillion). Similarly, the ratio of household liquid financial assets to debt stood at 152.4% as at end-July 2012 (end-2011: 148%). The level of impaired household loans also improved to 1.6% of total household loans extended by the banking system as at end-July 2012 (end-2011: 1.8%).

Utilisation of credit cards in the first seven months of 2012 remained high with total transactions rising 6.7% to RM53.6 billion (January – July 2011: 11.8%; RM50.3 billion). Total outstanding balances of credit cards amounted to RM32.9 billion as at end-July 2012 (end-2011: RM33.4 billion). Credit card spending represented 3.1% of total loans outstanding in the banking system and 5.6% of total household loans as at end-July 2012 (end-2011: 3.3%; 6.1%). Credit card applications declined to one million while the approval rate stood at 51.7% (January – July 2011: 1.4 million; 49.3%). Total non-performing loans of credit card debt declined to RM491 million with the impaired loans ratio improving to 1.5% of the total loans outstanding in the banking system as at end-July 2012 (end-2011: RM528 million; 1.6%).

During the first seven months of 2012, the Credit Counselling and Debt Management Agency ("**AKPK**") continued to provide financial advice and debt restructuring assistance in efforts to promote prudent financial management and enhance the level of financial literacy. AKPK conducted a total of 875 briefings and exhibitions nationwide for various target groups, of which 623 were for the *Pengurusan Wang Ringgit Anda* (POWER!) programme, involving 85,690 participants who were mostly young adults. Counselling provided to individuals increased 22.3% to 21,436 participants (January – July 2011: -4.1%; 17,529), of which 44.6% or 9,570 enrolled in the Debt Management Programme ("**DMP**") (January – July 2011: 55.8%; 9,778). During the period, this programme assisted borrowers in restructuring their repayments to financial institutions with a debt value of RM629.6 million (January – July 2011: RM576.4 million). Credit card debt cases under the DMP dropped to 7,730 in the first seven months of 2012 with total debt amounting to RM376.9 million (January – July 2011: 8,156; RM352 million), while personal financing totalled 5,202 cases with a debt value of RM173.7 million (January – July 2011: 5,114; RM138 million).

The banking system remained sound with firm capitalization and stable liquidity buffers in the first seven months of 2012. Regular stress tests conducted further affirmed its resilience to abnormal shocks and market conditions. As at end-July 2012, the risk-weighted capital ratio and CCR of the banking system were recorded at 14.4% and 12.7% (end-2011: 15.7%; 13.7%), respectively with approximately 87.7% of eligible capital in the form of high-quality Tier-1 capital comprising mainly paid-up capital and reserves. Capital in excess of the minimum risk-weighted capital ratio requirement of 8% remained high at more than RM72 billion.

During the first seven months of 2012, profitability of the banking sector continued to improve on account of higher income from financing activities as well as higher trading and investment gains. This was also supported by lower provisions for delinquent loans in tandem with the overall low level of impaired loans. Pre-tax profit of the banking sector rose 11.6% to RM17.3 billion (January – July 2011: 38.1%; RM15.5 billion). In the same period, loan quality of the banking system continued to improve with the level of impaired loans declining to RM23.4 billion while the impaired loans ratio fell to a low of 1.5% of net loans as at end-July 2012 (end-2011: RM27 billion; 1.8%). The overall loan loss coverage remained above 90%.

Meanwhile, the direct impact of the euro area debt crisis on the domestic financial sector was well-contained as the increased volume and volatility in portfolio flows were effectively intermediated by the domestic financial and bond markets. The impact on the bank was also minimal given the prudent management of market risk exposures by the financial institutions; the low reliance on external borrowings for funding of the domestic and locally-incorporated foreign banks ("**LIFBs**"); and the limited credit exposures of the financial institutions to European counterparties.

Notwithstanding the relatively sizeable foreign claims on Malaysia based on the Bank for International Settlements statistics (19.7% of GDP as at end-2011), the risk to the domestic economy and financial system from deleveraging by European banks is limited. In an unlikely event of a massive retreat by European Banks from Malaysia, domestic financial intermediation could be sufficiently supported by Malaysian-owned banks and other non-European banks, given the strong capitalization and liquidity position of these banks.

Meanwhile, a new foreign commercial bank which was awarded a licence in 2010 commenced operation in July 2012. In addition, a foreign commercial bank from India had its commercial banking licence reinstated under a bilateral arrangement and has recommenced operations in July 2012. Given the strong global network of these new foreign commercial banks, their presence is expected to harness the large untapped potential of specialized areas of business and further strengthen Malaysia's linkages with international economies.

A total of 14 new LIFB branches were established across Malaysia since 2009 following greater operational flexibilities accorded to LIFBs, of which two commenced operations in July 2012. This development augurs well towards promoting financial inclusion while also enhancing the ability of LIFBs to play a more effective intermediation role in the domestic economy. Existing financial institutions will also enjoy greater operational flexibility to establish new delivery channels. This expanded outreach will be implemented along with measures to accelerate the development of alternative delivery channels, while maintaining a balanced distribution of branch locations to support the needs of underserved areas and further promote financial inclusion.

Further liberalization of the financial services sector to foreign investment will be guided by two key considerations as stated in the Blueprint. The first consideration is the prudential criteria which relates to the financial strength, business record, experience, character and integrity of the foreign investor; the soundness and feasibility of the business plans for the institution in Malaysia; transparency and complexity of the group structure that will not impede effective regulation and supervision; and the nature and extent of home country supervision. The second consideration will take into account the effect of the foreign investment on economic activity in Malaysia, particularly in catalyzing a new high value-added economic activities; contribution towards enhancing international trade and investment linkages; and impact on financial stability.

Islamic Finance Developments

Continuous efforts were taken to further position Malaysia as the leader in Islamic finance as Islamic finance continued to gain significant importance in the global financial market. These included a recent review of laws relating to land, hire purchase and contract applicable to Islamic finance by the Law Harmonisation Committee, to ensure their compatibility with Shariah and proposed amendments to the legislation to facilitate Islamic finance transactions. On the international front, global engagement and alliances in Islamic finance continued to be fostered in the first seven months of 2012. The collaboration between Islamic Development Bank Group and other development partners was strengthened with the launch of the Member Country Partnership Strategy programme in Malaysia in early May.

Meanwhile, an Memorandum of Understanding ("**MoU**") between the Association of Islamic Banking Institutions of Malaysia and the Participation Banks Association of Turkey was signed on 15 May 2012 to further promote Islamic banking as well as Islamic capital and money markets on a global scale. In addition, the central banks of Malaysia and the Republic of Turkey signed an MoU on 16 May 2012 to enhance financial services and investment linkages between the two countries. The International Centre for Education in Islamic Finance has also signed MoUs with the World Bank and the Islamic Financial Services Board in efforts to enhance collaboration on sharing of knowledge, undertaking research, development, training, and education in the Islamic financial services industry.

In May 2012, a Malaysia Business Forum was held in Istanbul, with the theme 'Promoting Global Financial and Economic Linkages through Islamic Finance', to further promote and showcase the contribution of Islamic finance in the real sector and cross-border transactions. About 200 participants mainly from the financial and business circles from Asia, Europe and the Gulf Cooperation Council region attended the forum. Issues discussed included challenges towards better economic and financial linkages in the Islamic finance world, Shariah interpretation in cross-border transactions, human capital for the Islamic financial industry, and innovation in Islamic products and services. Meanwhile, in conjunction with the World Gas Conference in Kuala Lumpur in June 2012, a business networking event was held to highlight the potential of Islamic finance for the oil and gas industry.

The Islamic banking business continued to expand in the first seven months of 2012. Total assets grew 20.6% to RM469.5 billion as at end-July 2012, which represented 24.2% of the total banking system assets (end-2011: 24.1%; RM436.1 billion; 23.7%). Total deposits rose 21.3% to RM362.7 billion or 26.1% of total deposits in the banking system as at end-July 2012 (end-2011: 23.4%; RM340.7 billion; 25.8%). Total Islamic financing continued to grow 19.3% to RM292.4 billion and accounted for 26.6% of total loans by the banking system (end-2011: 23.6%; RM268.3 billion; 25.9%).

Financing of the Islamic banking system was predominantly channeled to the household sector and accounted for 65% or RM191.1 billion as at end-July 2012 (end-2011: 65.4%; RM175.5 billion). The share of financing to business sectors was mainly to the manufacturing sector at 5.8% or RM17.1 billion (end-2011: 6%; RM16 billion) and the finance, insurance and business services sector at 5.6% or RM16.4 billion (end-2011; 4.8%; RM13 billion).

(Source: Economic Report 2012/2013, Ministry of Finance Malaysia)

Monetary and Financial Developments as at May 2013
Price Conditions

Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("**CPI**"), increased to 1.8% in May 2013 (April: 1.7%). Inflation in the housing, water, electricity, gas, and other fuels category was higher (May: 2.0%, April: 1.3%), driven mainly by the rental for apartment and condominium sub-category. This, however, was partly offset by lower inflation in the food and non-alcoholic beverages category (May: 3.5%, April 3.8%) following the decline in prices of fresh chicken during the month.

Monetary Conditions

Interbank rates were stable in May. In terms of retail lending rates, the average BLR of commercial banks remained unchanged at 6.53%. Retail deposit rates were also relatively stable during the period. The annual growth in broad money ("**M3**") increased to 9.5% in May. The year-on-year expansion in M3 was mainly on account of net disbursements of loans to the private sector, net foreign inflows, and higher net claims on the Government. Net financing to the private sector grew at a slower pace of 10% in May due to a moderation in the growth of both outstanding loans of the banking system and net issuances of private debt securities. The growth of business loans outstanding moderated during the month following lower loan disbursements relative to the corresponding period in 2012, when loans disbursed to businesses were exceptionally high. Nevertheless, loans disbursed to businesses remained strong relative to previous months with more loans extended mainly to the real estate; finance, insurance and business services; construction and manufacturing sectors.

Loans outstanding to households continued to grow at a relatively stable pace of 12%. The overall loan demand remained robust with sustained loan applications from both business and household sectors.

Banking System

The banking system remained well-capitalised under the Basel III Capital Adequacy Framework with Common Equity Tier 1 Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio of 11.9%, 12.8% and 14.1% respectively. The slight decline in Tier 2 Capital was due to the redemption of subordinated debt by a bank. The level of net impaired loans remained stable at 1.4% of net loans, while the loan loss coverage remained above 90%.

Exchange Rates and International Reserves

In May, the ringgit exhibited a mixed performance against the currencies of Malaysia's major trading partners. The ringgit depreciated against the Chinese renminbi, euro, and the US dollar, but appreciated against the Japanese yen and Singapore dollar. The ringgit initially strengthened against the US dollar as the earlier uncertainty surrounding the General Elections subsided. The ringgit, together with other regional currencies, however, depreciated towards the latter part of the month mainly due to the global market overreaction to uncertainties surrounding the continuity of the monetary accommodation in the US, which led to withdrawal of funds from regional financial markets. In June, the ringgit broadly depreciated against the currencies of Malaysia's major trading partners. The international reserves of Bank Negara Malaysia stood at RM435.0 billion (equivalent to USD140.8 billion) as at 14 June 2013, sufficient to finance 9.4 months of retained imports and is 4.3 times the short-term external debt.

(Source: Monetary and Financial Developments May 2013 Press Release, BNM, 28 June 2013)

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SECTION 12.0 TAXATION

12.1 Malaysian Taxation

The description below is of a general nature and is only a summary of the law and practice currently applicable in Malaysia. Prospective investors should consult their own professional advisers on the relevant taxation considerations applicable to the acquisition, holding and disposal of the Subordinated Debt.

12.2 Withholding tax

Pursuant to section 109(1) of the Income Tax Act 1967, where any person (the "**payer**") is liable to pay interest derived from Malaysia to any other person not known to the payer to be resident in Malaysia, other than interest attributable to a business carried on by such other person in Malaysia, the payer shall upon paying or crediting the interest (other than interest on an approved loan or interest of the kind referred to in paragraphs 33, 33A, 33B, 35 or 35A of Part I, Schedule 6) deduct therefrom tax at the rate applicable to such interest. Accordingly, interest derived from the Subordinated Debt payable to non-residents is subject to a withholding tax of 15%. However, since the Subordinated Debt is issued by a person carrying on the business of banking in Malaysia and licensed under FSA, interest payable under the Subordinated Debt to any person not resident in Malaysia is tax exempt under paragraph 33 of Schedule 6 of the Income Tax Act 1967.

12.3 Capital gains tax

There is no capital gains tax in Malaysia, except in relation to real property gains tax chargeable on the disposal of real property or shares of real property companies. Pursuant to the Real Property Gains Tax (Exemption) (No. 2) Order 2007, a general exemption is given to any person from all provisions of the Real Property Gains Tax Act 1976 in respect of any disposal of any chargeable assets between 1 April 2007 to 31 December 2009. Pursuant to the Real Property Gains Tax (Exemption) (No. 2) Order 2009, for any disposal of chargeable assets made by any person after 31 December 2009, a fixed rate of 5% is imposed on the gains arising from the disposal of real properties that are disposed of within five years of the date of acquisition of such chargeable assets. Pursuant to the Real Property Gains Tax (Exemption) Order 2011, with effect from 1 January 2012, gains from the disposal of real properties that are disposed of within the first 2 years of the date of acquisition of such chargeable assets will be imposed a real property gains tax rate of 10% whereas the gains from the disposal of real properties that are disposed of after 2 years but not exceeding 5 years of the date of acquisition of such chargeable assets will be imposed a real property gains tax rate of 5%. There will be no real property gains tax on disposals of real properties held for more than 5 years. Pursuant to the Real Property Gains Tax (Exemption) Order 2012, with effect from 1 January 2013, gains from the disposal of real properties that are disposed of within the first 2 years of the date of acquisition of such chargeable assets will be imposed a real property gains tax rate of 15% whereas the gains from the disposal of real properties that are disposed of after 2 years but not exceeding 5 years of the date of acquisition of such chargeable assets will be imposed a real property gains tax rate of 10%. There will be no real property gains tax on disposals of real properties held for more than 5 years.

12.4 Gift or Inheritance Tax

There is neither gift nor inheritance tax in Malaysia.

12.5 Stamp duty

The Stamp Duty (Exemption) (No. 23) Order 2000 as amended by Stamp Duty (Exemption) (No.3) (Amendment) Order 2005 provides that all instruments relating to the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase, debentures approved by the SC under section 212 of the CMSA and the redemption or transfer of such debentures, are exempted from stamp duty.

SECTION 13.0 OTHER INFORMATION

13.1 Material litigation

Saved as disclosed below, as at 30 April 2013, the Issuer and its Material Subsidiaries are not involved in any legal or arbitration proceedings (including proceedings which, as far as the Issuer and its Material Subsidiaries are aware, are pending or threatened) outside the ordinary course of business which management of the Issuer and the Material Subsidiaries believe would, individually or taken as a whole, have a material adverse impact on their business, financial condition, results of operations or prospects of any of them:

(i) Civil Suit No. S1(S5) – 22 – 218 – 1997
Astron Limited ("Astron") v Dato' Matshah Safuan and 20 Ors

CIMB Bank has been named as Defendant 11A in the Suit.

The claim arose out of a failed attempt by Astron to restructure various development projects undertaken by various companies alleged to be controlled by Dato' Matshah Safuan. CIMB Bank had advanced various sums to Safuan CIMBGH Berhad, 1 of the defendants in the suit. Astron alleges that it has beneficial interest in the various development projects arising or pursuant to various agreements entered into between various defendant companies with various other defendant companies.

Astron has alleged that CIMB Bank had participated in a scheme with the other defendants to defeat Astron's alleged interest in the projects.

Astron's principal claim is for various declarations and specific relief orders against some defendants, not including CIMB Bank, for specific performance of various agreements which Astron is not a party to, but is alleged to have acquired an interest in.

Astron has an alternative claim for damages in lieu of specific relief and prays for judgment in the sum of no less than Australian Dollar 51,000,000 together with interest thereon at such rate and for such period as the Court may deem just in the circumstances.

Astron's further alternative claim is for taking of accounts and payment of profits alleged to have been received by the defendants from the projects.

On 13 March 2009, the Court fixed 22 April 2009 as the hearing date for 2 applications, namely Astron's appeal in chambers and security for costs by Danaharta Urus Sdn Bhd (Defendant 11B). On 22 April 2009, both applications were dismissed by the Court.

The case is now at the case management stage and the next case management date has not been fixed by the Court.

The solicitors of CIMB Bank are of the view that there is a high likelihood of successfully opposing Astron's claim on the basis that CIMB Bank was not a party to any alleged scheme to defeat Astron's alleged interest in the projects, if any.

(ii) Kuala Lumpur High Court Suit No: D7-22-848-2006

Firstcrest Global Limited and 4 ors v Cimsec Nominees (Tempatan) Sdn Bhd ("Cimsec"), CIMB, CIMB Bank, OCBC Bank (Malaysia) Berhad ("OCBC Malaysia"), Overseas-Chinese Banking Corporation Ltd Labuan Branch ("OCBCL"), and Kulim (Malaysia) Berhad ("Kulim") ("Defendants")

The Plaintiffs have filed an action against Cimsec, CIMB, CIMB Bank, OCBC Malaysia (CIMB, CIMB Bank and OCBC Malaysia shall be referred to as the "**Lenders**"), OCBCL and Kulim on 3 February 2006 in relation to a dispute over 29,290,610 shares of QSR Brands Berhad ("**QSR**") ("**Disputed Shares**"). The Plaintiffs claim that they were the beneficial owners of the Disputed Shares as these were allegedly sold to them, before the sale of the same shares by the vendors to Kulim. The Plaintiffs have also filed an injunction application as well, restraining Cimsec from disposing or dealing with the Disputed Shares.

The Lenders (with CIMB as security agent) were the financiers of the 6^{th} Defendant for the purchase of the alleged Disputed Shares, whereby the Disputed Shares were mortgaged to CIMB as security agent for the Lenders, to secure a syndicated Islamic revolving credit facility granted by the Lenders and a memorandum of deposit dated 8 August 2005 ("**MOD**") was executed for the same.

The Plaintiffs have also filed 2 earlier suits against, inter alia, Kulim, for an order that the sale of the Disputed Shares to Kulim be declared void and that the Plaintiffs are the beneficial owners of the same. The Plaintiffs in both suits failed to obtain an injunction before the High Court to restrain Kulim from dealing with the Disputed Shares. The Plaintiffs have filed 2 appeals to the Court of Appeal against these decisions ("**Injunction Appeals**").

However, before the Court of Appeal, pursuant to a court order dated 4 October 2005 ("**Court Order**"), apparently an undertaking had been given by Kulim to the Court not to dispose or deal with the Disputed Shares pending disposal of the hearing of the Injunction Appeals by the Plaintiffs.

On 7 October 2005, the Disputed Shares were deposited and transferred to the 1^{st} Defendant as nominee for the 2^{nd} Defendant pursuant to the said MOD. CIMB and the Lenders have stated that they were not aware of the said Court Order at the time the Disputed Shares crossed to Cimsec.

The Plaintiffs in their suit against, inter alia, the Lenders, have sought numerous declaratory reliefs including the declaration that Kulim holds the shares on trust for the Plaintiffs, that the memorandum of deposit of 6 October 2005 and the pledging of the Disputed Shares to Cimsec and the Lenders are void and also an injunction to restrain the 1^{st} Defendant from disposing or dealing with the Disputed Shares. It was alleged therein that Cimsec had obtained the shares on 7 October 2005 pursuant to loan documents and a memorandum of deposit, all dated 6 October 2005. The loan documents were executed as part of a bridging loan facility of up to RM175,000,000 and a standby letter of credit facility of up to RM176,600,000.

The Defendants however have claimed that there has been some confusion on the Plaintiff's part, as these loans of 6 October 2005 were given by CIMB Bank and OCBCL to finance the mandatory general offer by Kulim to the public for the remaining QSR shares and had nothing to do with the Disputed Shares. In any event, these loans were never drawndown, were cancelled and no shares were deposited pursuant to the memorandum of deposit of 6 October 2005.

The Plaintiffs' injunction application against Cimsec was fixed for mention on 6 September 2006.

As for the Injunction Appeals, both were heard on 21 March 2006 to 22 March 2006 and on 22 March 2006, the Court of Appeal dismissed the Plaintiff's appeal for injunction with costs. The Plaintiffs then obtained leave to appeal to the Federal Court and thereafter obtained the consequential order from the Federal Court on 24 April 2006 (pending the disposal of the Federal Court appeal hearing) that Kulim and its agents, servants and proxies be restrained from transferring, selling, mortgaging, charging or creating any security interest over its shares.

Further, the Plaintiffs have also filed applications to the Court of Appeal for leave to commence committal proceedings against the directors of Cimsec for allegedly breaching the said Court order by accepting the transfer of the Disputed Shares on 6 October 2005, after the said court order was granted. The leave applications were filed under Civil Appeal No. W-02-785-2005 and W-02-786-2005. On 26 April 2006 the Court of Appeal dismissed the motion for leave to issue committal proceedings against Cimsec and the directors of Cimsec. In view of the Court of Appeal's decision in dismissing the Plaintiffs application for leave to commence committal proceedings against the 1^{st} Defendant, the 1^{st} – 4^{th} Defendants filed an application to strike out the entire suit against the 1^{st} – 4^{th} Defendants. The 5^{th} Defendant have also filed an application to strike out the suit on the grounds inter alia, that the loan granted by the 5^{th} Defendant was a separate and different facility altogether which does not concern the Disputed Shares and accordingly the 5th Defendant was wrongly added as a party.

On 6 September 2006, the Plaintiffs' injunction application and all the striking out applications were heard by a Senior Assistant Registrar. The Senior Assistant Registrar struck out the suit with no liberty to file afresh, with costs to be taxed. The Plaintiffs had filed an appeal against the said decision. On 16 January 2008,the appeal was allowed with the result that the suit is struck out with costs to be paid to the Defendants but with liberty to file afresh given to the Plaintiffs. The Judge also ordered that costs of the appeal be paid by the Defendants to the Plaintiff. To date, the Plaintiffs have yet to file afresh although they may still do so.

In another suit involving the Disputed Shares in Kuala Lumpur High Court Suit No. D5-22-899-2005, the Plaintiffs' application to join Cimsec as Defendants was dismissed with cost on 12 May 2008. The Plaintiffs lodged an appeal to the Court of Appeal on 10 June 2008. The hearing date for the appeal has yet to be fixed by the Court of Appeal. During the case management which came up on 14 January 2010, the Plaintiff's counsel withdrew their appeal with no order as to costs. As such, the Plaintiffs' application to join Cimsec as Defendants came to an end and the suit in respect of Kuala Lumpur High Court Suit No. D7-22-848-2006 is now closed.

(iii) (A) CIMB Bank (then known as Bumiputra-Commerce Bank Berhad) and 9 others (Plaintiffs) v. Pesaka Astana (M) Sdn Bhd and 11 others (Defendants) CIMB Bank is the 2nd Plaintiff in this case.
(Kuala Lumpur High Court Civil Suit No.: D6 (D8)-22-1810-2005)

CIMB Bank (then known as Bumiputra-Commerce Bank Berhad) ("CIMB Bank") is the 2nd Plaintiff in this case.

The Plaintiffs are Subordinated Debtholders of the bonds issued by Pesaka Astana (M) Sdn Bhd (1st Defendant) (the "**Bonds**"). On 16 December 2005, the Plaintiffs filed this suit against the Defendants for, *inter alia*, breach of contract, breach of trust and negligence when the 1st Defendant failed to redeem the Bonds. The Plaintiffs claim an amount of RM149,315,000.00 and interest on the said principal sum at eight percent (8%) per annum from 1 October 2005.

On 7 July 2008, Consent Judgment was entered between Pesaka Astana (M) Sdn Bhd ("1st Defendant"), Dato' Mohamed Rafie Bin Sain ("4th Defendant"), Amdac Automotive (M) Sdn Bhd (6th Defendant), Amdac Holdings Sdn Bhd (7th Defendant), Amdac Capital Sdn Bhd (8th Defendant), Amdac Technologies Sdn Bhd (9th Defendant), Amdac Resources Sdn Bhd (10th Defendant), Amdac Engine Sdn Bhd (11th Defendant) and Amdac Daesung Sdn Bhd (12th Defendant) (collectively known as "the Amdac Companies").

Mayban Trustees Bhd (2nd Defendant) has filed a counterclaim against CIMB Bank seeking an indemnity for any amount that the 2nd Defendant may be found liable. Mayban Trustees Bhd (2nd Defendant) also filed an indemnity claim against Pesaka Astana (M) Sdn Bhd (1st Defendant), Dato' Mohamed Rafie Bin Sain (4th Defendant), Datin Murnina (5th Defendant) and the Amdac Companies. KAF Discounts Berhad (3rd Defendant) filed an indemnity claim from the 1st Defendant (collectively "the indemnity claims').

On 30 June 2010, Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant) were both found liable at 40% and 60% respectively for the claim brought by the Plaintiffs and judgment was entered against both 2nd and 3rd Defendants at such percentage with costs of RM800,000.00 with a certicate of 2 counsels, Mayban Trustees Bhd's (2nd Defendant) Counterclaim against CIMB Bank was dismissed with costs of RM300,000.00 to be paid to CIMB Bank and costs of RM400,000.00 was ordered to be paid by Pesaka Astana (M) Sdn Bhd (1st Defendant) to the Plaintiffs pursuant to the Consent Judgment of 7 July 2008. On 30 June 2010, the High Court also dismissed Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant) indemnity claims.

On 26 July 2010, Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant)filed their Notices of Appeal against the Judgment dated 30 June 2010.

On 9 December 2010, Notices of Cross Appeal against Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant)were filed at the Court of Appeal by the Plaintiffs.

All the Appeals were fixed before a special panel of the Court of Appeal in Putrajaya from Tuesday, 20 September 2011 to Friday, 30 September 2011.

On 8 November 2011, the Court of Appeal :-

i) dismissed Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant) appeals against the Plaintiffs with costs of RM200,000.00 to be paid by each of them to the Plaintiffs (the Court of Appeal however adjusted the apportionment of liability between Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant) to 50 : 50;

ii) allowed the Plaintiffs' cross appeal and ordered Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant) to pay the Plaintiffs pre-judgment compensation at the rate of 3% per annum on the sum of RM149,315,000.00 from 30.09.2005 to 30.06.2010. Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant) were ordered to pay the Plaintiffs the sum of RM25,000 for costs of the Plaintiffs' cross appeal;

iii) allowed Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant) appeals on their respective indemnity claims. Pesaka Astana (M) Sdn Bhd (1st Defendant) however was only ordered to indemnify Mayban Trustees Bhd (2nd Defendant) and KAF Discounts Berhad (3rd Defendant) up to two-thirds of their liability. Dato Mohamed Rafie Bin Sain (4th Defendant), Datin Murnina (5th Defendant) and the Amdac Companies were also ordered to pay 50% of the two-thirds that Pesaka Astana (M) Sdn Bhd (1st Defendant) was ordered to indemnify Mayban Trustees Bhd (2nd Defendant);

iv) allowed Mayban Trustees Bhd's (2nd Defendant) appeal on the dismissal of its counter claim against CIMB Bank. CIMB Bank was ordered to indemnify Mayban Trustees Bhd (2nd Defendant) one-third of its liability but after less Pesakas Astana (M) Sdn Bhd's (1st Defendant) two-thirds in paragraph (iii) above.

On 19 December 2011, CIMB Bank paid via CIMB cheque No. 000324 the sum of RM9,094,444.44 to Mayban Trustees Bhd (2nd Defendant) being settlement of the Judgment Sum, subject to its Leave Application to the Federal Court and any appeal that may arise therefrom.

(B) FEDERAL COURT CIVIL APPLICATION NO: 08 – 556 – 12 2 – 2011
[COURT OF APPEAL CIVIL APPEAL NO: W – 02 – 2143 – 2010]
CIMB BANK (APPLICANT) V MAYBAN TRUSTEES BHD (RESPONDENT)

On 5 December 2011, CIMB Bank filed its Application for Leave to Appeal to the Federal Court against the decision of the Court of Appeal handed down on 8 November 2011 (in respect of the Counterclaim) ("Leave Application").

On 5 December 2011, KAF Discounts Bhd (3rd Defendant) filed its Application for Leave to Appeal to the Federal Court against the decision of the Court of Appeal handed down on 8 November 2011 (in respect of the Main Suit).

On 6 December 2011, Mayban Trustees Bhd (2nd Defendant) filed its Application for Leave to Appeal to the Federal Court against the decision of the Court of Appeal handed down on 8 November 2011 (in respect of the Main Suit).

All of the above Leave Applications are fixed for hearing before the Federal Court in Putrajaya on 5 April 2012.On 5 April 2012, the Federal Court allowed all parties leave applications.

(C) FEDERAL COURT CIVIL APPEAL NO: 02(f)-27-04/2012
[FEDERAL COURT CIVIL APPLICATION NO: 08-556-122-2011]
[COURT OF APPEAL CIVIL APPEAL NO: W-02-2143-2010]
CIMB BANK (APPLICANT) V MAYBAN TRUSTEES BHD (RESPONDENT)

(D) FEDERAL COURT CIVIL APPEAL NO: 02(f)-28-04/2012 (W)
KAF INVESTMENT BANK BERHAD (APPLICANT) V MIDF AMANAH INVESTMENT BANK BERHAD & 11 OTHERS (RESPONDENT)

(E) FEDERAL COURT CIVIL APPEAL NO: 02(f)-30-04/2012 (W)
MAYBAN TRUSTEES BHD (APPLICANT) V MIDF AMANAH INVESTMENT BANK BERHAD & 11 OTHERS (RESPONDENT)

All the Appeals were fixed for Hearing at the Federal Court in Putrajaya before Justices Ariffin Zakaria, Raus Sharif, Hamid Embong, Suriyadi Omar and Ahmad Maarof on 6th, 7th, 8th, 20th, 21st and 23rd November 2012.

As oral submissions by Counsel for all parties had yet to be completed, the Court fixed the Appeals for continued Hearing on 2nd to 4th January 2013.

The Judges reserved their decision for all the Appeals.

(iv) High Court of Sabah and Sarawak at Kota Kinabalu Suit No.: SK22 - 03 of 2000) (Consolidated with Suit No.: SK22 - 105 of 2000)
Wong Hua Koh (Plaintiff) vs Perdana Merchant Bank Berhad and 4 Ors (Defendants)

The 2 suits (consolidated on 10 January 2003) taken out against Perdana Merchant Bank Berhad ("**PMBB**") (now known as SIBB Berhad) arose from the auction sale of charged property held under Kota Kinabalu Country Lease No. 015088516 held on 28 June 1997 at the instance of PMBB, who was the registered chargee. The Plaintiff has named the Assistance Collector of Land Revenue, Kota Kinabalu as the first Defendant, the Government of the State of Sabah as the second Defendant, the Auctioneer as the third Defendant, PMBB as the fourth Defendant and K.K.I.P Sdn Bhd as the fifth Defendant. The Plaintiff is the successful purchaser of the said property for the sum of RM5,710,000.00. The Plaintiff alleges that at the material time he had bided for the property in reliance upon an express representation contained in clause 14 of the Conditions of Sale that the property was not subject to any acquisition by the Government which turned out to be untrue as the property was subsequently acquired by the Government vide Gazette Notification dated 31 July 1997 and 7 August 1997 ("**Gazette Notification**").

The specific allegations against PMBB were that it had jointly engaged in fraudulent conduct with other Defendants to make the representation in clause 14 of the Conditions of Sale. The particulars of fraud were that the first, third and fourth Defendants knew from the valuation report that the property was intended for acquisition and the said report was not known to the Plaintiff at that time and therefore the said property was free from encumbrances. The Plaintiff claimed alternatively that the said Defendants were negligent in having failed to properly inform or apprise of the actual position. The Plaintiff claimed for general and special damages including loss of profits. The allegations have been denied by PMBB. PMBB did not make any counterclaim against the Plaintiff.

The Plaintiff claims against the Defendants for a declaration that the compulsory acquisition of the Plaintiff's property under the Acquisition Ordinance vide Gazette Notification is null and void and/or is a nullity and/or void ab initio. The Plaintiff also claims general damages for trespass and theft of earth and soil removed estimated at RM10,000,000.00, loss of profits of RM151,120,000.00, special damages and all other claims as stated in the Consolidated Statement of Claim dated 21 January 2003.

The trial commenced on 10 November 2008 and has been adjourned twice. The continuation of the trial was on 9 February 2009.

The trial was completed on 13 February 2009 wherein the High Court gave the following directions:

(a) the Plaintiff to file its Closing Submissions on or before 27 March 2009; and
(b) the Defendants to file their Closing Submissions and Submissions in Reply on or before 11 May 2009.

Ruling of the Court was fixed to be delivered on 30 January 2010 but was postponed. On 6 August 2010, the Court dismissed the Plaintiff's claim against all Defendants including PMBB with costs. The Plaintiff has lodged an Appeal to the Court of Appeal against this decision. On 10 October 2012, the Court of Appeal dismissed the Plaintiff's appeal with costs of RM 50,000.00 to be paid to the Bank as costs incurred in the High Court and the Court of Appeal. The Plaintiff has filed a Notice of Motion for leave to appeal further to the Federal Court ("the said Notice of Motion"). No date has yet to be fixed by the Court for the hearing of the said Notice of Motion.

(v) The Court of Appeal Red Case No. 9935/2550
Between IFCT Finance and Securities Public Company Limited, as a plaintiff and later subrogated by CIMB Thai ("Plaintiff") and Ms. Wanna Hewsiri ("Defendant")

The Plaintiff claimed that the Defendant wilfully or negligently was guilty of misconduct and caused damage to the Plaintiff by granting loans to various customers for purchasing securities and receiving less value of collateral than indebtedness of each customer. The damage claimed by the Plaintiff was THB1,048,950,000 together with interest at the rate of fifteen percent (15%) per annum calculated from 13 August 1998 to the date of claim which was equal to THB409,952,000, and the damage to the reputation of the Plaintiff was THB300 million, totalling approximately THB1,759 million.

The Defendant denied the Plaintiff's claim and answered to the Court that the Defendant was only a deputy managing director and all actions claimed by the Plaintiff were not conducted by the Defendant only, but by the executive committee. The Defendant was not responsible for those actions personally and did not cause any damage to the Plaintiff, and was therefore not responsible for any damage.

The Court of First Instance viewed that the Defendant herself was not able to approve or grant any loan to a customer and the Plaintiff was not able to prove that the Defendant was involved with or had any interest in the customer personally. It could not be deemed that the Defendant had to be held responsible personally. The case was dismissed by the Court of First Instance on 28 November 2003.

The Plaintiff was not satisfied with the judgment and appealed against the judgment of the Court of First Instance to the Court of Appeal. The Court of Appeal agreed with the Court of First Instance and dismissed the case on 23 November 2007.

The Plaintiff was not satisfied with the judgment and appealed against the judgment of the Court of Appeal to the Supreme Court on 2 June 2008. At present, the case is under the consideration of the Supreme Court.

(vi) Thai Civil Court Black Case No. 1215/2550 (Red Case No. 2463/2551)
Between Thai Melon Polyester Public Company Limited ("Plaintiff") and Thai Asset Management ("TAMC"), Mr. Somjet Moosirilert, Thai Bank Public Company Limited (currently CIMB Thai), Bangkok Bank Public Company Limited ("BBL") and Siam Commercial Bank Public Company Limited ("SCB") (called "Defendants")

The Plaintiff claimed that, under Thai law, during the period of receivership order, all parties are prohibited to transfer any assets of the debtor. However, during the period that the Plaintiff received the receivership order by the Bankruptcy Court, CIMB Thai, BBL and SCB illegally transferred the debts and the mortgaged assets of the Plaintiff to TAMC, and breached the Asset Transfer Contract dated 12 October 2001 ("**Asset Transfer Contract**"), causing damages to the Plaintiff. Therefore, the Plaintiff requested the Court to revoke the transfer of debt and the mortgaged assets of the Plaintiff and claim THB24,500 million including interest at the rate of seven point five percent (7.5%) per annum on the principal starting from the date of claim to the payment date, on the ground of tort, from the Defendants.

The Defendants denied the Plaintiff's claim. CIMB Thai answered to the Court that the transfer of the debts and the mortgaged assets was in accordance with the Asset Transfer Contract, and CIMB Thai lawfully transferred the debts and the mortgaged assets under the Thai Asset Management Corporation Act B.E. 2544. Moreover, at the time of the transfer, the Plaintiff was released from the receivership order of the Bankruptcy Court. CIMB Thai had duty by the law to transfer the debts and mortgaged assets to TAMC; therefore, CIMB Thai did not cause any damages to the Plaintiff, and the Plaintiff did not suffer the damages as claimed.

The Court of First Instance viewed that the Bankruptcy Court allowed the creditor of the Plaintiff to withdraw the bankruptcy case. Therefore, the receivership order to the Plaintiff was also withdrawn with the bankruptcy case. The Plaintiff was not under the receivership order and the Defendants were able to transfer the debts and the mortgaged assets. The case was dismissed by the Court of First Instance on 30 May 2008.

The Plaintiff was not satisfied with the judgment and appealed against the judgment of the Court of First Instance to the Court of Appeal on 10 September 2008. The Defendants answered the appeal of the Plaintiff to the Court of Appeal on 10 November 2008.The Court of Appeal affirmed the verdict of the Court of First Instance on 25 July 2012.

At present, the case is under the consideration of the Supreme Court.

13.2 Material contingent liabilities

Save as those disclosed in the Issuer's audited financial statements ended 31 December 2012, the directors of the Issuer are not aware of any material contingent liabilities, which upon becoming enforceable may have substantial impact on the financial position and the business of the Issuer.

13.3 Conflict of interest situations and appropriate mitigating measures

(a) <u>CIMB</u>

CIMB has been appointed as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent in respect of the Subordinated Debt Programme. Save as disclosed below, after making enquiries as were reasonable in the circumstances, CIMB is not aware of any circumstance that would give rise to conflict of interest in their capacity as Principal Adviser, Lead Arranger, Lead Manager and Facility Agent in respect of the Subordinated Debt Programme. As CIMB is a related company of the Issuer, there is a potential conflict of interest on the part of the former in terms of its duties to potential investors for the Subordinated Debt Programme and its related-company relationship to the Issuer.
CIMB, in relation to its role as the Principal Adviser, Lead Arranger, Lead Manager, and Facility Agent in respect of the Subordinated Debt Programme, has considered the factors involved and believes that objectivity and independence in carrying out its role have been/will be maintained at all times for the following reasons:

(i) CIMB is a licensed investment bank and its appointment as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent in relation to the Subordinated Debt Programme is in the ordinary course of its business;
(ii) The role of CIMB as the Facility Agent will be governed by the relevant agreements and documents which set out the rights, duties and responsibilities of CIMB acting in such capacity;
(iii) The conduct of CIMB is regulated strictly by FSA and by its own internal controls and checks;
(iv) The lines of business of CIMB and the Issuer are distinct and their operations are independent of one another; and

(v) Save for the professional fees charged in relation to its role as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent in respect of the Subordinated Debt Programme, CIMB will not be deriving any monetary benefit from the Subordinated Debt Programme outside its aforesaid capacity.

In order to further mitigate or address any such potential conflict of interest, the following measures have been/will be taken:-

(i) the potential conflict of interest situation has been brought to the attention of the Board and it is hence fully informed and aware of and is comfortable that there would be no conflict of interest that could arise by reason of CIMB being the related-company to CIMB Bank and acting as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent in relation to the Subordinated Debt Programme. Despite such potential conflicts of interest situations, the Board is prepared to proceed with the Subordinated Debt Programme based on the present arrangement and terms;
(ii) The potential conflict of interest situations shall also be disclosed in the information memorandum to be issued by the Issuer to prospective investors;
(iii) Messrs Zaid Ibrahim & Co acting as the external independent legal counsel, has been appointed to conduct a legal due diligence inquiry on CIMB Bank and to advise CIMB.

(b) <u>Messrs Zaid Ibrahim & Co.</u>

As at the date hereof and after making enquiries as were reasonable in the circumstances, Zaid Ibrahim & Co confirms that, to the best of their knowledge and belief, there is no existing or potential conflict of interest in its capacity as the solicitors in relation to the Subordinated Debt Programme.

(c) <u>Malaysian Trustees Berhad</u>

As at the date hereof and after making enquiries as were reasonable in the circumstances, Malaysian Trustees Berhad confirms that, to the best of their knowledge and belief, there is no existing or potential conflict of interest in its capacity as the trustee in relation to the Subordinated Debt Programme.

APPENDIX

Audited financial statements of CIMB Bank for the financial years ended 31 December 2012 and first quarter financial statements for the period ended 31 March 2013.

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