## HOUSE OF THE YEAR, MALAYSIA

# CIMB

Structuring expertise, strong commitment to client support and sound risk management continue to drive the growth of CIMB's ringgit-denominated derivatives business.The bank has not only cemented its position as a leading provider of ringgit-denominated Islamic profit rate swaps – for which the group had outstanding notional contracts totalling more than 6 billion ringgit ($1.9 billion) as at June 30, 2011 – it has also been adding to its suite of exotic structures for both hedging and investment purposes. This includes Islamic long-term FX forwards, Islamic cross-currency profit rate swaps, Islamic total return swaps, callable cumulative inverse floaters, constant maturity swap floaters, auto- and chooser-caps pegged to domestic rates and cross-currency profit rate swaps.

"CIMB is the best Malaysian bank. We have been working with them for as long as they have existed and we are very happy with the relationship. We work with a few banks in Malaysia but CIMB remains our preferred bank," says an institutional client in Kuala Lumpur.

Regionally, CIMB Group has been expanding its capabilities in foreign interest rate derivatives and actively quotes rupiah, baht and Singapore dollar interest rate derivatives in the form of caps, floors, interest rate options, cross-currency swaps and interest rate swaps.

"This is a business in which you need staying power, commitment and innovation across the board and also the ability to look after your investors and to go through thick and thin. After-sales service is extremely important and we put a lot of emphasis on it," says Jennifer Yong, executive vice-president for structured and banking products within CIMB's investment banking unit.

Jennifer Yong, CIMB

CIMB's ability to quickly adapt structures to changing market conditions is seen in its Flexi Select negotiable instrument of deposit (NID-i), an Islamic principal protected product issued to retail investors in February 2011 that raised around 50 million ringgit. The product gave investors the option to switch between a fixed and variable payout, with an average of 5.85% per annum subject to the performance of the reference indexes (S&P 500, Eurostoxx 50 and HSCEI) once every two years. "Investors like the fact that they can review their portfolio and feel more in control," Yong says.

Rapidly changing market conditions during the past year also gave rise to the popularity of interest rate flow range accrual structures, such as the callable Islamic range accrual that raised more than 1 billion ringgit from institutional and retail investors over the year to end-June 2011. The callable Islamic range accrual, available in tenors of five or seven years with minimum investment of 65,000 ringgit, offers principal protection if held to maturity and is referenced to the six-month Kuala Lumpur interbank offered rate (Klibor). Investors get regular payouts on a quarterly basis if Klibor stays within a range.

### Oiling the wheels

In view of rising commodity prices, CIMB also issued a series of three-month principal protected crude palm oil (CPO)-linked NID-i that raised 95 million ringgit earlier this year. The product offers a payoff at maturity linked to the performance of the third CPO futures contract listed on the Bursa Malaysia Derivatives Exchange.

"Over the past year, we have moved from a tranche-focused to a flow-focused distribution strategy stemming from investment views made popular as a result of rapidly changing market conditions. Investors were hard-pressed to find attractive investment propositions during a low interest rate environment," says Yong.

She adds that CIMB has moved to longer tenor investments in the global equity area and emphasises the importance of retirement planning, wealth accumulation and children's education planning. "We are looking to build more global equity structures with more partners in Malaysia and to grow this business," Yong says.

CIMB also started offering first-to-default credit-linked notes (CLNs) during the past year, following the past success of single-name CLNs. "One of the more popular names is the Indonesian sovereign. Many Malaysian companies are in Indonesia and the economic outlook for Indonesia is quite rosy. So there is a lot of interest in accessing the Indonesian sovereign credit in Malaysian ringgit so investors do not have to take rupiah currency risk," Yong adds.

CIMB is also continuing to place strong emphasis on risk management. The bank's risk-weighted capital adequacy ratio stood at 15.4% while its core Tier I capital ratio was 14.5% as at December 31, 2010.

In 2010, Bank Negara Malaysia issued rules to promote better market discipline and enhance transparency by setting minimum requirements for market disclosures related to the risk management practices and capital adequacy of banks. In light of this, CIMB has already taken steps to incorporate Basel II requirements into the group's framework for capital management and liquidity risk management.