

**CIMB INVESTMENT BANK BERHAD**  
**(Company Number 18417-M)**  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2014**

	Notes	The Group		The Bank	
		31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>Assets</b>					
Cash and short term funds		1,442,370	1,382,773	1,404,381	1,344,509
Reverse repurchase agreements		200,301	200,251	200,301	200,251
Deposits and placements with banks and other financial institutions		131	131	102	102
Financial assets held for trading	A5	1,966	2,155	1,966	2,155
Derivative financial instruments	A17(i)	15,766	23,319	15,766	23,319
Financial investments available-for-sale	A6	2,824	2,824	745	745
Loans, advances and financing	A7	144,739	131,067	144,739	131,067
Other assets	A8	1,734,855	1,211,653	1,732,479	1,209,563
Tax recoverable		154	257	-	-
Deferred tax assets		50,223	48,914	50,092	48,754
Amounts due from subsidiaries		-	-	69	131
Amounts due from related companies		19,607	14,515	19,607	14,515
Amounts due from ultimate holding company		35	190	35	190
Statutory deposits with Bank Negara Malaysia		3,101	2,451	3,101	2,451
Investment in subsidiaries		-	-	9,050	9,050
Investment in associates		6,622	6,386	-	-
Property, plant and equipment		195,921	199,115	196,624	199,782
Goodwill		964	964	-	-
<b>Total assets</b>		<b>3,819,579</b>	<b>3,226,965</b>	<b>3,779,057</b>	<b>3,186,584</b>
<b>Liabilities</b>					
Deposits from customers	A9	189,365	351,123	189,365	351,123
Deposits and placements of banks and other financial institutions	A10	1,295,342	1,145,641	1,295,342	1,145,641
Derivative financial instruments	A17(i)	4,792	9,383	4,792	9,383
Other liabilities	A11	1,694,815	1,113,770	1,692,342	1,110,756
Provision for taxation and Zakat		23,300	20,339	23,299	20,337
Amounts due to related companies		24,872	2,281	24,872	2,281
Subordinated loan		15,185	15,000	-	-
<b>Total liabilities</b>		<b>3,247,671</b>	<b>2,657,537</b>	<b>3,230,012</b>	<b>2,639,521</b>
<b>Capital and reserves attributable to equity holders of the Bank</b>					
Ordinary share capital		100,000	100,000	100,000	100,000
Redeemable preference shares		10	10	10	10
Reserves		471,898	469,418	449,035	447,053
<b>Total equity</b>		<b>571,908</b>	<b>569,428</b>	<b>549,045</b>	<b>547,063</b>
<b>Total equity and liabilities</b>		<b>3,819,579</b>	<b>3,226,965</b>	<b>3,779,057</b>	<b>3,186,584</b>
<b>Commitments and contingencies</b>	A17(ii)	<b>758,137</b>	<b>767,637</b>	<b>758,137</b>	<b>767,637</b>
<b>Net assets per share (RM)</b>		<b>5.72</b>	<b>5.69</b>	<b>5.49</b>	<b>5.47</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.*

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	Notes	The Group				The Bank			
		1st quarter ended		Three months ended		1st quarter ended		Three months ended	
		31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013	31 March 2014	31 March 2013
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Interest income	A12	9,925	8,403	9,925	8,403	8,749	7,232	8,749	7,232
Interest expense	A13	(9,976)	(11,714)	(9,976)	(11,714)	(9,791)	(11,591)	(9,791)	(11,591)
Net interest expense		(51)	(3,311)	(51)	(3,311)	(1,042)	(4,359)	(1,042)	(4,359)
Income derived from investment of depositors' funds and others		326	1,386	326	1,386	326	1,386	326	1,386
Income derived from investment of shareholders' funds		6,205	8,631	6,205	8,631	6,205	8,631	6,205	8,631
Income attributable to the depositors		(994)	(3,295)	(994)	(3,295)	(994)	(3,295)	(994)	(3,295)
Income from Islamic Banking operations	A21b	5,537	6,722	5,537	6,722	5,537	6,722	5,537	6,722
Fee and commission income	A14	29,150	29,948	29,150	29,948	29,150	29,948	29,150	29,948
Net trading income	A14	585	216	585	216	585	216	585	216
Income from asset management and securities services	A14	4,283	4,010	4,283	4,010	4,283	4,010	4,283	4,010
Brokerage income	A14	44,728	35,389	44,728	35,389	43,662	34,154	43,662	34,154
Other non-interest income	A14	840	2,526	840	2,526	811	2,527	811	2,527
Non-interest income		79,586	72,089	79,586	72,089	78,491	70,855	78,491	70,855
Total income		85,072	75,500	85,072	75,500	82,986	73,218	82,986	73,218
Overheads	A15	(60,164)	(53,119)	(60,164)	(53,119)	(59,058)	(52,093)	(59,058)	(52,093)
Profit before allowances		24,908	22,381	24,908	22,381	23,928	21,125	23,928	21,125
Allowance for impairment losses on loans, advances and financing	A16	(1,056)	(289)	(1,056)	(289)	(1,056)	(289)	(1,056)	(289)
Write back of/ (allowance for) impairment losses on other receivables (net)		1,623	(2,798)	1,623	(2,798)	1,623	(2,802)	1,623	(2,802)
		25,475	19,294	25,475	19,294	24,495	18,034	24,495	18,034
Share of profit of associates		236	185	236	185	-	-	-	-
Profit before taxation		25,711	19,479	25,711	19,479	24,495	18,034	24,495	18,034
Taxation		(10,529)	(7,300)	(10,529)	(7,300)	(9,811)	(6,950)	(9,811)	(6,950)
<b>Profit after taxation</b>		<b>15,182</b>	<b>12,179</b>	<b>15,182</b>	<b>12,179</b>	<b>14,684</b>	<b>11,084</b>	<b>14,684</b>	<b>11,084</b>
Profit for the financial period attributable to : Owners of the Group/Bank		<b>15,182</b>	12,179	<b>15,182</b>	12,179	<b>14,684</b>	11,084	<b>14,684</b>	11,084
Earnings per share attributable to ordinary equity holders (sen) -Basic		15.2	12.2	15.2	12.2	14.7	11.1	14.7	11.1

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	The Group				The Bank			
	1st quarter ended		Three months ended		1st quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Profit for the period</b>	<b>15,182</b>	12,179	<b>15,182</b>	12,179	<b>14,684</b>	11,084	<b>14,684</b>	11,084
Other comprehensive income for the financial period, net of tax	<b>15,182</b>	12,179	<b>15,182</b>	12,179	<b>14,684</b>	11,084	<b>14,684</b>	11,084
<b>Total comprehensive income attributable to:</b>								
Owners of the Group/Bank	<b>15,182</b>	12,179	<b>15,182</b>	12,179	<b>14,684</b>	11,084	<b>14,684</b>	11,084

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.*

**CIMB INVESTMENT BANK BERHAD**

*(Company Number 18417-M)*

**CONDENSED FINANCIAL STATEMENTS**

**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	Attributable to owners of Parent						
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Group 31 March 2014</b>	100,000	10	155,805	492	30,070	283,051	569,428
Net profit for the financial period	-	-	-	-	-	15,182	15,182
<b>Total comprehensive income for the financial period</b>	-	-	-	-	-	15,182	15,182
Share-based payment expense	-	-	-	-	8,552	-	8,552
Shares released under Equity Ownership Plan	-	-	-	-	(21,254)	-	(21,254)
<b>At 31 March 2014</b>	<b>100,000</b>	<b>10</b>	<b>155,805</b>	<b>492</b>	<b>17,368</b>	<b>298,233</b>	<b>571,908</b>

	Attributable to owners of the Parent						
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Group 31 March 2013</b>	100,000	10	155,805	1,283	18,598	269,836	545,532
Net profit for the financial period	-	-	-	-	-	12,179	12,179
<b>Total comprehensive income for the financial period</b>	-	-	-	-	-	12,179	12,179
Share-based payment expense	-	-	-	-	5,204	-	5,204
<b>At 31 March 2013</b>	<b>100,000</b>	<b>10</b>	<b>155,805</b>	<b>1,283</b>	<b>23,802</b>	<b>282,015</b>	<b>562,915</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.*

**CIMB INVESTMENT BANK BERHAD**  
(Company Number 18417-M)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	← Non-distributable →				← Distributable →			
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Bank</b>								
<b>31 March 2014</b>	100,000	10	155,805	(272,007)	30,070	271,377	261,808	547,063
<b>At 1 January 2014</b>								
Net profit for the financial period								
<b>Total comprehensive income for the financial period</b>								
Share-based payment expense					8,552			8,552
Shares released under Equity Ownership Plan					(21,254)			(21,254)
<b>At 31 March 2014</b>	100,000	10	155,805	(272,007)	17,368	271,377	276,492	549,045

	← Non-distributable →				← Distributable →			
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
<b>The Bank</b>								
<b>31 March 2013</b>	100,000	10	155,805	(272,007)	18,598	271,377	248,989	522,772
<b>At 1 January 2013</b>								
Net profit for the financial period								
<b>Total comprehensive income for the financial period</b>								
Share-based payment expense					5,204			5,204
<b>At 31 March 2013</b>	100,000	10	155,805	(272,007)	23,802	271,377	260,073	539,060

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.*

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

	The Group		The Bank	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Profit before taxation	25,711	19,479	24,495	18,034
Adjustments for non-operating and non-cash items	<b>15,340</b>	23,627	<b>15,541</b>	23,804
Cash flow from operating profit before changes in operating assets and liabilities	<b>41,051</b>	43,106	<b>40,036</b>	41,838
Net changes in operating assets	<b>(559,359)</b>	(804,847)	<b>(559,012)</b>	(811,031)
Net changes in operating liabilities	<b>559,952</b>	942,199	<b>560,496</b>	942,542
Cash generated from operating activities	<b>41,644</b>	180,458	<b>41,520</b>	173,349
Taxation (paid)/refund	<b>(8,774)</b>	2,482	<b>(8,187)</b>	2,683
Net cash generated from operating activities	<b>32,870</b>	182,940	<b>33,333</b>	176,032
Net cash used in investing activities	<b>(5,082)</b>	(3,277)	<b>(5,085)</b>	(3,277)
Net cash used in financing activities	<b>185</b>	123	-	-
	<b>(4,897)</b>	(3,154)	<b>(5,085)</b>	(3,277)
Net increase in cash and cash equivalents during the financial period	<b>27,973</b>	179,786	<b>28,248</b>	172,755
Cash and cash equivalents at beginning of the financial period	<b>1,382,773</b>	1,393,651	<b>1,344,509</b>	1,372,047
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,410,746</b>	1,573,437	<b>1,372,757</b>	1,544,802
<b>Cash and cash equivalents comprise the following:</b>				
Cash and short term funds	<b>1,442,370</b>	1,602,257	<b>1,404,381</b>	1,573,564
Adjustment for monies held in trust:				
Remisiers' balances	<b>(31,624)</b>	(28,820)	<b>(31,624)</b>	(28,762)
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,410,746</b>	1,573,437	<b>1,372,757</b>	1,544,802

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013.*

## **EXPLANATORY NOTES**

### **A1. Basis of preparation**

The unaudited condensed interim financial statements for the financial period ended 31 March 2014 have been prepared under the historical cost convention, except for financial assets held for trading, financial investments available-for-sale and derivative financial instruments that have been measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 "Interim Financial Reporting" issued by the Malaysian Accounting Standards Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements.

The unaudited condensed interim financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2013. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2013, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2014:

Amendment to MFRS 132 "Financial instruments: Presentation"  
Amendments to MFRS 10, MFRS 12 and MFRS 127 "Investment entities"  
IC Interpretation 21 "Levies"

The adoption of the new standards, amendments to published standards and interpretations are not expected to have impact on the financial results of the Group and the Bank.

The unaudited condensed interim financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles.

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

### **A2. Changes in estimates**

There were no material changes to financial estimates made in respect of the current financial year that had previously been announced or disclosed.

### **A3. Dividends paid and proposed**

The Directors do not recommend the payment of any dividend for the financial period ended 31 March 2014

**EXPLANATORY NOTES (Continued)****A4. Significant events after balance sheet date**

There were no significant events that had occurred between 31 December 2013 and the date of this announcement.

**A5. Financial assets held for trading**

	<b>The Group and the Bank</b>	
	<b>31 March 2014</b>	31 December 2013
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
<b>Quoted securities :</b>		
<i>In Malaysia</i>		
Shares	1,332	1,119
<b>Unquoted securities :</b>		
<i>In Malaysia</i>		
Private debt securities	634	1,036
Total financial assets held for trading	<b>1,966</b>	2,155

**A6. Financial investments available-for-sale**

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 March 2014</b>	31 December 2013	<b>31 March 2014</b>	31 December 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
<b>Unquoted securities :</b>				
<i>In Malaysia</i>				
Shares	2,200	2,200	-	-
<i>Outside Malaysia</i>				
Shares	8,072	8,072	7,076	7,076
	<b>10,272</b>	10,272	<b>7,076</b>	7,076
<b>Allowance for impairment losses :</b>				
Unquoted shares in Malaysia				
	(1,117)	(1,117)	-	-
Unquoted shares outside Malaysia				
	<b>(6,331)</b>	(6,331)	<b>(6,331)</b>	(6,331)
	<b>(7,448)</b>	(7,448)	<b>(6,331)</b>	(6,331)
Total financial investments available-for-sale	<b>2,824</b>	2,824	745	745

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

	<b>The Group</b>		<b>The Bank</b>	
	<b>31 March 2014</b>	31 December 2013	<b>31 March 2014</b>	31 December 2013
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
At 1 January	7,448	6,331	6,331	6,331
Allowance made during the financial period / year	-	1,117	-	-
At 31 March / 31 December	<b>7,448</b>	7,448	<b>6,331</b>	6,331

**A7. Loans, advances and financing**

	<b>The Group and the Bank</b>	
	<b>31 March 2014</b>	31 December 2013
	<b>RM'000</b>	RM'000
<b>(i) By type</b>		
Staff loans *	146,943	133,063
Other loans	1,731	883
Gross loans, advances and financing	<b>148,674</b>	133,946
Less: allowance for impairment losses		
- Individual impairment allowance	(1,731)	(883)
- Portfolio impairment allowance	(2,204)	(1,996)
<b>Total net loans, advances and financing</b>	<b>144,739</b>	131,067

\* Included in staff loans of the Group and the Bank are loans to Directors amounting to RM535,304 (2013: RM Nil).



**EXPLANATORY NOTES (Continued)****A7. Loans, advances and financing (continued)**

	<b>The Group and the Bank</b>	
	31 March 2014	31 December 2013
	RM'000	RM'000
<b>(ii) By type of customers</b>		
Individuals	148,674	133,946
<b>(iii) By interest rate sensitivity</b>		
Fixed rate		
- Other fixed rate loan	45,271	46,835
Variable rate		
- BLR plus	103,403	87,111
	<u>148,674</u>	<u>133,946</u>
<b>(iv) By economic purpose:</b>		
Personal use	1,088	1,159
Purchase of residential property (housing)	133,805	118,782
Purchase of securities	1	1
Purchase of transport vehicles	13,780	14,004
Gross loans, advances and financing	<u>148,674</u>	<u>133,946</u>
<b>(v) By geographical distribution</b>		
Malaysia	148,674	133,946
<b>(vi) By residual contractual maturity</b>		
Within one year	135	227
One year to less than three years	1,925	2,042
Three years to less than five years	7,434	7,298
Five years and more	139,180	124,379
	<u>148,674</u>	<u>133,946</u>
<b>(vii) Impaired loans, advances and financing by economic purpose</b>		
Purchase of residential property (housing)	1,634	786
Purchase of transport vehicles	97	97
Gross impaired loans, advances and financing	<u>1,731</u>	<u>883</u>
<b>(viii) Impaired loans, advances and financing by geographical distribution</b>		
Malaysia	1,731	883
<b>(ix) Movements in the impaired loans, advances and financing are as follows:</b>		
At 1 January	883	432
Classified as impaired during the period / year	848	592
Amounts written back in respect of recoveries	-	(141)
At 31 March / 31 December	<u>1,731</u>	<u>883</u>
Ratio of gross impaired loans to total loans, advances and financing	<u>1.2%</u>	<u>0.7%</u>

**EXPLANATORY NOTES (Continued)**

**A7. Loans, advances and financing (continued)**

(x) Movements in the allowance for impaired loans are as follows:

	The Group and the Bank	
	31 March 2014	31 December 2013
	RM'000	RM'000
<u>Individual impairment allowance</u>		
At 1 January	883	432
Allowance made during the period / year	848	592
Amounts written back during the period / year	-	(141)
At 31 March / 31 December	<u>1,731</u>	<u>883</u>
<u>Portfolio impairment allowance</u>		
At 1 January	1,996	1,115
Net allowance made during the period / year	208	881
At 31 March / 31 December	<u>2,204</u>	<u>1,996</u>
Portfolio impairment allowance as % of gross loans, advances and financing less individual impairment allowance	<u>1.5%</u>	<u>1.5%</u>

	The Group		The Bank	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
<b>A8. Other assets</b>				
Due from brokers and clients, net of allowance for impairment loss	1,359,928	918,027	1,358,583	916,957
Collateral pledged for derivative transactions	161,003	163,003	161,003	163,003
Other debtors, deposits and prepayments, net of allowance for doubtful debts	213,924	130,623	212,893	129,603
	<u>1,734,855</u>	<u>1,211,653</u>	<u>1,732,479</u>	<u>1,209,563</u>

	The Group and the Bank	
	31 March 2014	31 December 2013
	RM'000	RM'000
<b>A9. Deposits from customers</b>		
<u>(i) By type of deposits</u>		
Others	189,365	351,123
<u>(ii) By type of customers</u>		
Local government and statutory bodies	54,400	54,400
Business enterprises	36,265	196,023
Individuals	94,950	96,950
Others	3,750	3,750
	<u>189,365</u>	<u>351,123</u>

	The Group and the Bank	
	31 March 2014	31 December 2013
	RM'000	RM'000
<b>A10. Deposits and placements of banks and other financial institutions</b>		
Licensed banks	848,670	605,290
Other financial institutions	446,672	540,351
	<u>1,295,342</u>	<u>1,145,641</u>

	The Group		The Bank	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
<b>A11. Other liabilities</b>				
Due to brokers and clients	1,294,570	876,517	1,294,570	876,517
Others	400,245	237,253	397,772	234,239
	<u>1,694,815</u>	<u>1,113,770</u>	<u>1,692,342</u>	<u>1,110,756</u>

**EXPLANATORY NOTES (Continued)**

	1st quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>A12. Interest income</b>				
<b>Group</b>				
Loans, advances and financing	1,027	664	1,027	664
Money at call and deposits placements with banks and other financial institutions	7,061	6,201	7,061	6,201
Reverse repurchase agreements	1,515	1,127	1,515	1,127
Financial assets held for trading	12	137	12	137
Others	312	219	312	219
	<b>9,927</b>	<b>8,348</b>	<b>9,927</b>	<b>8,348</b>
Accretion of discount less amortisation of premium	(2)	55	(2)	55
	<b>9,925</b>	<b>8,403</b>	<b>9,925</b>	<b>8,403</b>
<b>Bank</b>				
Loans, advances and financing	1,027	664	1,027	664
Money at call and deposits placements with banks and other financial institutions	5,885	5,030	5,885	5,030
Reverse repurchase agreements	1,515	1,127	1,515	1,127
Financial assets held for trading	12	137	12	137
Others	312	219	312	219
	<b>8,751</b>	<b>7,177</b>	<b>8,751</b>	<b>7,177</b>
Accretion of discount less amortisation of premium	(2)	55	(2)	55
	<b>8,749</b>	<b>7,232</b>	<b>8,749</b>	<b>7,232</b>
<b>A13. Interest expense</b>				
<b>Group</b>				
Deposits and placements of banks and other financial institutions	8,413	7,080	8,413	7,080
Deposits from customers	1,378	4,511	1,378	4,511
Subordinated loans	185	123	185	123
	<b>9,976</b>	<b>11,714</b>	<b>9,976</b>	<b>11,714</b>
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	8,413	7,080	8,413	7,080
Deposits from customers	1,378	4,511	1,378	4,511
	<b>9,791</b>	<b>11,591</b>	<b>9,791</b>	<b>11,591</b>
<b>A14. Non interest income</b>				
<b>Group</b>				
a) <b>Fee income and commission income:</b>				
Portfolio management fees	1,831	2,158	1,831	2,158
Advisory and arrangement fees	11,888	22,310	11,888	22,310
Underwriting commissions	-	2,788	-	2,788
Placement fees	14,726	2,199	14,726	2,199
Other fee income	705	493	705	493
	<b>29,150</b>	<b>29,948</b>	<b>29,150</b>	<b>29,948</b>
b) <b>Net trading income</b>				
Gain arising from trading in financial assets held for trading	587	292	587	292
- realised gain	587	4,917	587	4,917
- unrealised loss	-	(4,625)	-	(4,625)
Loss arising from trading in derivative financial instruments	(2)	(76)	(2)	(76)
- realised (loss)/gain	(2)	232	(2)	232
- unrealised loss	-	(308)	-	(308)
	<b>585</b>	<b>216</b>	<b>585</b>	<b>216</b>
c) <b>Other income:</b>				
Foreign exchange gain	449	1,183	449	1,183
Gain on disposal of property, plant and equipment	130	529	130	529
Other non-operating income	261	814	261	814
	<b>840</b>	<b>2,526</b>	<b>840</b>	<b>2,526</b>
d) <b>Income from asset management and securities services</b>	<b>4,283</b>	<b>4,010</b>	<b>4,283</b>	<b>4,010</b>
e) <b>Brokerage Income</b>	<b>44,728</b>	<b>35,389</b>	<b>44,728</b>	<b>35,389</b>
<b>Total non interest income</b>	<b>79,586</b>	<b>72,089</b>	<b>79,586</b>	<b>72,089</b>

**EXPLANATORY NOTES (Continued)****A14. Non interest income (Continued)**

	1st quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Bank</b>				
<b>a) Fee income and commission income:</b>				
Portfolio management fees	1,831	2,158	1,831	2,158
Advisory and arrangement fees	11,888	22,310	11,888	22,310
Underwriting commissions	-	2,788	-	2,788
Placement fees	14,726	2,199	14,726	2,199
Other fee income	705	493	705	493
	<b>29,150</b>	<b>29,948</b>	<b>29,150</b>	<b>29,948</b>
<b>b) Net trading income</b>				
Gain arising from trading in financial assets held for trading	587	292	587	292
- realised gain	587	4,917	587	4,917
- unrealised loss	-	(4,625)	-	(4,625)
Loss arising from trading in derivative financial instruments	(2)	(76)	(2)	(76)
- realised (loss)/gain	(2)	232	(2)	232
- unrealised loss	-	(308)	-	(308)
	<b>585</b>	<b>216</b>	<b>585</b>	<b>216</b>
<b>c) Other income:</b>				
Foreign exchange gain	419	1,184	419	1,184
Gain on disposal of property, plant and equipment	130	529	130	529
Other non-operating income	262	814	262	814
	<b>811</b>	<b>2,527</b>	<b>811</b>	<b>2,527</b>
<b>d) Income from asset management and securities services</b>	<b>4,283</b>	<b>4,010</b>	<b>4,283</b>	<b>4,010</b>
<b>e) Brokerage Income</b>	<b>43,662</b>	<b>34,154</b>	<b>43,662</b>	<b>34,154</b>
<b>Total non interest income</b>	<b>78,491</b>	<b>70,855</b>	<b>78,491</b>	<b>70,855</b>

**A15. Overheads****Group****Personnel costs**

- Salaries, allowances and bonuses	66,061	60,785	66,061	60,785
- Pension cost (defined contribution plan)	7,934	7,647	7,934	7,647
- Training fees	1,071	1,169	1,071	1,169
- Overtime, meal and transport claims	533	476	533	476
- Others	5,842	3,868	5,842	3,868
	<b>81,441</b>	<b>73,945</b>	<b>81,441</b>	<b>73,945</b>

**Establishment costs**

- Depreciation of property, plant and equipment	8,408	6,319	8,408	6,319
- Rental	9,015	3,397	9,015	3,397
- Others	7,290	10,332	7,290	10,332
	<b>24,713</b>	<b>20,048</b>	<b>24,713</b>	<b>20,048</b>

**Marketing expenses**

- Advertisement	3,456	1,531	3,456	1,531
- Entertainment expenses	1,287	1,264	1,287	1,264
- Others	1,503	1,152	1,503	1,152
	<b>6,246</b>	<b>3,947</b>	<b>6,246</b>	<b>3,947</b>

**Administration and general expenses**

- Legal and professional fees	2,314	1,548	2,314	1,548
- Communication	1,700	1,836	1,700	1,836
- Printing and stationery	1,159	620	1,159	620
- Administrative vehicle, travelling and insurance expenses	2,568	2,433	2,568	2,433
- Others	2,796	2,992	2,796	2,992
	<b>10,537</b>	<b>9,429</b>	<b>10,537</b>	<b>9,429</b>

## Shared services cost

	<b>(62,773)</b>	<b>(54,250)</b>	<b>(62,773)</b>	<b>(54,250)</b>
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## Total overhead expenses

	<b>60,164</b>	<b>53,119</b>	<b>60,164</b>	<b>53,119</b>
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**EXPLANATORY NOTES (Continued)****A15. Overheads (Continued)**

	1st quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
<b>Bank</b>				
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	65,575	60,276	65,575	60,276
- Pension cost (defined contribution plan)	7,886	7,597	7,886	7,597
- Training fees	1,066	1,168	1,066	1,168
- Overtime, meal and transport claims	533	476	533	476
- Others	5,801	3,840	5,801	3,840
	<b>80,861</b>	<b>73,357</b>	<b>80,861</b>	<b>73,357</b>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	8,372	6,308	8,372	6,308
- Rental	8,716	3,207	8,716	3,207
- Others	7,238	10,261	7,238	10,261
	<b>24,326</b>	<b>19,776</b>	<b>24,326</b>	<b>19,776</b>
<b>Marketing expenses</b>				
- Advertisement	3,452	1,530	3,452	1,530
- Entertainment expenses	1,277	1,232	1,277	1,232
- Others	1,447	1,148	1,447	1,148
	<b>6,176</b>	<b>3,910</b>	<b>6,176</b>	<b>3,910</b>
<b>Administration and general expenses</b>				
- Legal and professional fees	2,306	1,541	2,306	1,541
- Communication	1,679	1,820	1,679	1,820
- Printing and stationery	1,159	620	1,159	620
- Administrative vehicle, travelling and insurance expenses	2,563	2,420	2,563	2,420
- Others	2,761	2,899	2,761	2,899
	<b>10,468</b>	<b>9,300</b>	<b>10,468</b>	<b>9,300</b>
Shared services cost	(62,773)	(54,250)	(62,773)	(54,250)
Total overhead expenses	<b>59,058</b>	<b>52,093</b>	<b>59,058</b>	<b>52,093</b>

**A16. Allowance for impairment losses on loans, advances and financing****The Group and the Bank****Allowance for impairment losses on loans, advances and financing :**

(a) Individual impairment allowance - made during the financial period	848	32	848	32
(b) Portfolio impairment allowance - made during the financial period	208	257	208	257
	<b>1,056</b>	<b>289</b>	<b>1,056</b>	<b>289</b>

**EXPLANATORY NOTES (Continued)****A17. Derivative financial instruments and commitment and contingencies****i) Derivative financial instruments**

The following tables summarise the contractual or underlying principal amounts of trading derivative. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the end of reporting period, and do not represent amounts at risk.

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

	<b>The Group and The Bank</b>		
	<b>Principal amount RM'000</b>	<b>Fair values</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>At 31 March 2014</b>			
<b>Trading derivatives</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	480,600	15,766	(4,792)
	480,600	15,766	(4,792)
<u>Equity derivatives</u>			
Equity options			
- More than 3 years	263,527	-	-
	263,527	-	-
<b>Total derivative assets/(liabilities)</b>	<b>744,127</b>	<b>15,766</b>	<b>(4,792)</b>
<b>Trading derivatives</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	486,600	23,319	(9,383)
	486,600	23,319	(9,383)
<u>Equity derivatives</u>			
Equity options			
- More than 3 years	267,752	-	-
	267,752	-	-
<b>Total derivative assets/(liabilities)</b>	<b>754,352</b>	<b>23,319</b>	<b>(9,383)</b>

## **EXPLANATORY NOTES (Continued)**

### **A17. Derivative financial instruments and commitment and contingencies (Continued)**

#### **i) Derivative financial instruments (Continued)**

The Group's derivative financial instruments are subject to market and credit risk, as follows:

##### Market Risk

Market risk is defined as any fluctuation in the value arising from changes in value of market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. The Group's risk management department monitors and manages market risk exposure via stress testing of the Group's Value-at-Risk (VaR) model, in addition to reviewing and analysing its treasury trading strategy, positions and activities vis-à-vis changes in the financial market, monitoring limit usage, assessing limit adequacy, and verifying transaction prices.

##### Credit Risk

Credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfil their obligation to pay the Group and the Bank the positive fair value or receivable resulting from the execution of contract terms. As at 31 March 2014, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM15,766,000 (31 December 2013: RM23,319,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

There have been no changes since the end of the previous financial year in respect of the following:

- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2013 and the Risk Management section of the 2013 in Annual Report of CIMB Group Holdings Berhad.

#### **ii) Commitment and contingencies**

In the normal course of business, the Group and the Bank enters into various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

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

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

	<b>The Group and the Bank</b>	
	<b>31 March 2014</b>	<b>31 December 2013</b>
	<b>Principal amount RM'000</b>	<b>Principal amount RM'000</b>
<u>Credit-related</u>		
Irrevocable commitments to extend credit:		
- Maturity exceeding 1 year	<b>14,010</b>	13,285
Total credit-related commitments and contingencies	<b>14,010</b>	13,285
<u>Treasury-related</u>		
Interest rate related contracts		
- Five years and above	<b>480,600</b>	486,600
Equity related contracts		
- Five years and above	<b>263,527</b>	267,752
Total treasury-related commitments and contingencies	<b>744,127</b>	754,352
	<b>758,137</b>	767,637

## **EXPLANATORY NOTES (Continued)**

### **A18. Capital Adequacy**

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

The risk-weighted assets of the Group and Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach.

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

	The Group		The Bank	
	31 March 2014	31 December 2013	31 March 2014	31 December 2013
Common Equity Tier 1 Ratio	24.410%	25.300%	25.185%	26.364%
Tier 1 ratio	24.410%	25.300%	25.185%	26.364%
Total capital ratio	24.410%	25.300%	25.185%	26.364%

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

	The Group		The Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
Credit risk	1,198,864	1,208,453	1,059,884	1,053,268
Market risk	83,493	58,618	82,786	57,888
Operational risk	759,745	758,001	747,746	746,501
Total risk-weighted assets	<u>2,042,102</u>	<u>2,025,072</u>	<u>1,890,416</u>	<u>1,857,657</u>

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

	The Group		The Bank	
	31 March 2014 RM'000	31 December 2013 RM'000	31 March 2014 RM'000	31 December 2013 RM'000
<b>Common Equity Tier I capital</b>				
Ordinary shares	100,000	100,000	100,000	100,000
Other reserves	456,716	469,418	434,351	447,053
Common Equity Tier I capital before regulatory adjustments	556,716	569,418	534,351	547,053
<u>Less: Regulatory adjustments</u>				
Goodwill	(964)	(964)	-	-
Deferred Tax Assets	(50,223)	(48,914)	(50,092)	(48,754)
Deduction in excess of Tier 2 capital	(6,783)	(6,921)	(8,165)	(8,539) N1
Others	(271)	(271)	-	-
Common equity tier I capital after regulatory adjustments / total Tier I capital	<u>498,475</u>	<u>512,348</u>	<u>476,094</u>	<u>489,760</u>
<b>Tier II capital</b>				
Redeemable Preference Shares	8	9	8	9
Portfolio impairment allowance and regulatory reserves	2,204	1,996	2,204	1,996 N2
Tier II capital before regulatory adjustments	2,212	2,005	2,212	2,005
<u>Less: Regulatory adjustments</u>				
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(8,995)	(8,926)	(10,377)	(10,544) N1
Total Tier II capital	-	-	-	-
Total capital base	<u>498,475</u>	<u>512,348</u>	<u>476,094</u>	<u>489,760</u>

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

N2 The capital base of the Group and the Bank has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM2,204,000 (2012 : RM1,996,000) for the Group and the Bank.



## EXPLANATORY NOTES (Continued)

### A19. Segment reporting

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

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

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

#### Definition of segments

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

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

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

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

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

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

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

	Financial advisory, underwriting and other fees	Debt / financing related	Equity related	Investments and securities services	Support and others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>The Group</b>						
<b>31 March 2014</b>						
Net interest (expense)/income	-	(1,078)	-	-	1,027	(51)
Non interest income	18,251	2,497	48,893	8,587	1,358	79,586
Income from Islamic Banking operations	-	3,669	831	991	46	5,537
	18,251	5,088	49,724	9,578	2,431	85,072
Overheads	(15,850)	(2,587)	(33,578)	(8,149)	-	(60,164)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	(1,269)	(1,298)	(3,543)	(2,298)	-	(8,408)
Profit/(loss) before allowances	2,401	2,501	16,146	1,429	2,431	24,908
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(1,056)	(1,056)
Write back of impairment losses on other receivables	1,623	-	-	-	-	1,623
Segment results	4,024	2,501	16,146	1,429	1,375	25,475
Share of results of associates						236
Profit before taxation						25,711
Taxation						(10,529)
Net profit for the financial period						15,182
<b>31 March 2014</b>						
Segment assets	42,846	1,864,789	1,491,678	56,874	291,379	3,747,566
Unallocated assets						72,013
<b>Total assets</b>						<b>3,819,579</b>
Segment liabilities	2,789	1,639,191	1,367,144	3,083	187,291	3,199,498
Unallocated liabilities						48,173
<b>Total liabilities</b>						<b>3,247,671</b>
<b>Other segment items</b>						
Incurred capital expenditure:						
- addition of property, plant and equipment	849	869	2,371	1,537	-	5,626
Accretion of discount less amortisation of premium	-	(2)	-	-	-	(2)

## EXPLANATORY NOTES (Continued)

### A19. Segment reporting (Continued)

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

The Group 31 March 2013	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
Net interest (expense)/income	-	(3,975)	-	-	664	(3,311)
Non interest income	25,480	2,023	33,291	8,434	2,861	72,089
Income from Islamic Banking operations	-	4,197	512	956	1,057	6,722
	25,480	2,245	33,803	9,390	4,582	75,500
Overheads	(18,173)	(1,724)	(27,611)	(5,611)	-	(53,119)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	(1,101)	(1,196)	(3,027)	(995)	-	(6,319)
Profit before allowances	7,307	521	6,192	3,779	4,582	22,381
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(289)	(289)
Allowance for impairment losses on other receivables	(2,798)	-	-	-	-	(2,798)
Segment results	4,509	521	6,192	3,779	4,293	19,294
Share of results of associates						185
Profit before taxation						19,479
Taxation						(7,300)
Net profit for the financial period						12,179
31 December 2013						
Segment assets	52,352	1,706,314	1,042,186	41,980	318,272	3,161,104
Unallocated assets						65,861
<b>Total assets</b>						<b>3,226,965</b>
Segment liabilities	2,290	1,510,112	938,274	7,531	176,708	2,634,915
Unallocated liabilities						22,622
<b>Total liabilities</b>						<b>2,657,537</b>
<b>Other segment items</b>						
Incurring capital expenditure: - addition of property, plant and equipment	15,499	34,086	38,991	13,534	-	102,110
Accretion of discount less amortisation of premium	-	55	-	-	-	55

## **EXPLANATORY NOTES (Continued)**

### **A20. FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### Determination of fair value and fair value hierarchy

##### Valuation Model Review and Approval

- Mark-to-Model process shall be carried out by Market Risk Management within Group Risk. Group Risk Management Quantitative Analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation. The validation includes an assessment of the stability of models in terms of performance over a variety of conditions and back-testing of the model outputs;
- Valuation methodologies for the purpose of determining Mark-to-Market prices will be verified by Group Risk Management Quantitative Analysts before submitting to Group Risk Committee and Board for approval;
- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification;
- Any material uncertainty arising from the modeling and market inputs shall be disclosed to the Group Risk Committee;
- Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative Analysts and approved by Chief Risk Officer or / and Group Risk Committee;
- Group Risk Management Quantitative Analysts are the guardian of the financial models and valuation methodology. Group Risk Management Quantitative Analysts shall perform model verification at least once a year. The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value; and
- Back testing of valuation models to assess the accuracy of the models is to be carried out for a period of one year or where 250 data points have been collected, whichever is later.

The fair value hierarchy has the following levels:

Level 1 - Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 - Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 - One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

**EXPLANATORY NOTES (Continued)**

**A20. FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy as at 31 March 2014 and 31 December 2013

The Group	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Fair Value		Total RM'000
			Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>31 March 2014</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	1,332	1,332	-	-	1,332
- Unquoted securities	634	-	634	-	634
Financial investments available-for-sale					
- Unquoted securities	2,824	-	-	2,824	2,824
Derivative financial instruments					
- Trading derivatives	15,766	-	15,766	-	15,766
<b>Total</b>	<b>20,556</b>	<b>1,332</b>	<b>16,400</b>	<b>2,824</b>	<b>20,556</b>

<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	4,792	-	4,792	-	4,792
<b>Total</b>	<b>4,792</b>	<b>-</b>	<b>4,792</b>	<b>-</b>	<b>4,792</b>

The Bank	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Fair Value		Total RM'000
			Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>31 March 2014</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	1,332	1,332	-	-	1,332
- Unquoted securities	634	-	634	-	634
Financial investments available-for-sale					
- Unquoted securities	745	-	-	745	745
Derivative financial instruments					
- Trading derivatives	15,766	-	15,766	-	15,766
<b>Total</b>	<b>18,477</b>	<b>1,332</b>	<b>16,400</b>	<b>745</b>	<b>18,477</b>

<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	4,792	-	4,792	-	4,792
<b>Total</b>	<b>4,792</b>	<b>-</b>	<b>4,792</b>	<b>-</b>	<b>4,792</b>

The Group	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Fair Value		Total RM'000
			Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>31 December 2013</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	1,119	1,119	-	-	1,119
- Unquoted securities	1,036	-	1,036	-	1,036
Financial investments available-for-sale					
- Unquoted securities	2,824	-	-	2,824	2,824
Derivative financial instruments					
- Trading derivatives	23,319	-	23,319	-	23,319
<b>Total</b>	<b>28,298</b>	<b>1,119</b>	<b>24,355</b>	<b>2,824</b>	<b>28,298</b>

<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	9,383	-	9,383	-	9,383
<b>Total</b>	<b>9,383</b>	<b>-</b>	<b>9,383</b>	<b>-</b>	<b>9,383</b>

The Bank	RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	Total RM'000
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	1,119	1,119	-	-	1,119
- Unquoted securities	1,036	-	1,036	-	1,036
Financial investments available-for-sale					
- Unquoted securities	745	-	-	745	745
Derivative financial instruments					
- Trading derivatives	23,319	-	23,319	-	23,319
<b>Total</b>	<b>26,219</b>	<b>1,119</b>	<b>24,355</b>	<b>745</b>	<b>26,219</b>

<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	9,383	-	9,383	-	9,383
<b>Total</b>	<b>9,383</b>	<b>-</b>	<b>9,383</b>	<b>-</b>	<b>9,383</b>

## **EXPLANATORY NOTES (Continued)**

### **A20. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

The following represents the movement in Level 3 instruments for the financial year ended 31 March 2014 and 31 December 2013 for the Group and the Bank.

	<b>Financial Assets Financial investments available-for-sale</b>	<b>Total</b>
<b>The Group</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 March 2014</b>		
At 1 January / 31 March	<u>2,824</u>	<u>2,824</u>
	<b>Financial Assets Financial investments available-for-sale</b>	<b>Total</b>
<b>The Bank</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 March 2014</b>		
At 1 January / 31 March	<u>745</u>	<u>745</u>
	<b>Financial Assets Financial investments available-for-sale</b>	<b>Total</b>
<b>The Group</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2013</b>		
At 1 January	4,732	4,732
Total loss recognised in statement of income	(1,117)	(1,117)
Total loss recognised in other comprehensive income	(791)	(791)
At 31 December	<u>2,824</u>	<u>2,824</u>
Total loss recognised in statement of income relating to assets held on 31 December 2013	<u>(1,117)</u>	<u>(1,117)</u>
Total loss recognised in other comprehensive income relating to assets held on 31 December 2013	<u>(791)</u>	<u>(791)</u>
	<b>Financial Assets Financial investments available-for-sale</b>	<b>Total</b>
<b>The Bank</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 December 2013</b>		
At 1 January / 31 December	<u>745</u>	<u>745</u>

## EXPLANATORY NOTES (Continued)

### A21. The operations of Islamic Banking

#### A21a. Unaudited Statements of Financial Position as at 31 March 2014

	Notes	The Group and the Bank	
		31 March 2014 RM'000	31 December 2013 RM'000
<b>Assets</b>			
Cash and short-term funds		584,440	538,321
Islamic derivative financial instruments		15,766	23,319
Other assets		194,759	164,118
Property, plant and equipment		61	66
Amount due from related companies		1,112	109
<b>Total assets</b>		<b>796,138</b>	<b>725,933</b>
<b>Liabilities and Islamic Banking capital funds</b>			
Deposits from customers	A21c	160,200	162,200
Deposits and placements of banks and other financial institutions		132,247	132,143
Islamic derivative financial instruments		4,792	9,383
Provision for taxation and Zakat		2,049	2,667
Other liabilities		83,591	8,494
Amount due to related companies		271	274
<b>Total liabilities</b>		<b>383,150</b>	<b>315,161</b>
Islamic Banking capital funds		55,250	55,250
Reserves		357,738	355,522
<b>Total Islamic Banking capital funds</b>		<b>412,988</b>	<b>410,772</b>
<b>Total liabilities and Islamic Banking capital funds</b>		<b>796,138</b>	<b>725,933</b>

#### A21b. Unaudited Statements of Income for the financial period ended 31 March 2014

	The Group and the Bank			
	1st quarter ended		Three months ended	
	31 March 2014 RM'000	31 March 2013 RM'000	31 March 2014 RM'000	31 March 2013 RM'000
Income derived from investment of depositors' funds and others	326	1,386	326	1,386
Income derived from investment of shareholders' funds	6,205	8,631	6,205	8,631
Allowance for impairment losses on other receivables	4	(4)	4	(4)
<b>Total attributable income</b>	<b>6,535</b>	<b>10,013</b>	<b>6,535</b>	<b>10,013</b>
Income attributable to the depositors	(994)	(3,295)	(994)	(3,295)
<b>Total net income</b>	<b>5,541</b>	<b>6,718</b>	<b>5,541</b>	<b>6,718</b>
Personnel expenses	(152)	(117)	(152)	(117)
Other overheads and expenditures	(2,354)	(1,664)	(2,354)	(1,664)
<b>Profit before taxation</b>	<b>3,035</b>	<b>4,937</b>	<b>3,035</b>	<b>4,937</b>
Taxation	(818)	(1,266)	(818)	(1,266)
<b>Profit after taxation/total comprehensive income for the period</b>	<b>2,217</b>	<b>3,671</b>	<b>2,217</b>	<b>3,671</b>
<u>Income from Islamic operations (per page 2)</u>				
<b>Total net income</b>	<b>5,541</b>	<b>6,718</b>	<b>5,541</b>	<b>6,718</b>
Less : Allowance for impairment losses on other receivables	(4)	4	(4)	4
	<b>5,537</b>	<b>6,722</b>	<b>5,537</b>	<b>6,722</b>

#### A21c. Deposits from customers

	The Group and the Bank	
	31 March 2014 RM'000	31 December 2013 RM'000
<b>(i) By type of deposits</b>		
<b>Term deposits</b>		
Specific investment account		
Mudharabah	160,200	162,200
<b>(ii) Maturity structure of term deposits :</b>		
More than five years	160,200	162,200
	<b>160,200</b>	<b>162,200</b>

## **EXPLANATORY NOTES (Continued)**

### **A21d. Capital Adequacy**

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

	<b>The Group and the Bank</b>	
	<b>31 March 2014</b>	<b>31 December 2013</b>
Common Equity Tier 1 Ratio	<b>107.215%</b>	110.483%
Tier 1 ratio	<b>107.215%</b>	110.483%
Total capital ratio	<b>107.215%</b>	110.483%

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

	<b>The Group and the Bank</b>	
	<b>31 March 2014</b>	<b>31 December 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Credit risk	174,772	181,076
Market risk	25,574	17,359
Operational risk	<b>182,785</b>	173,362
Total risk-weighted assets	<b>383,131</b>	371,797

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

	<b>The Group and the Bank</b>	
	<b>31 March 2014</b>	<b>31 December 2013</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier I capital</b>		
Ordinary shares	55,250	55,250
Other reserves	<b>355,522</b>	355,522
Common Equity Tier I capital / total Tier I Capital	<b>410,772</b>	410,772
Total capital base	<b>410,772</b>	410,772

## **EXPLANATORY NOTES (Continued)**

### **B1. Group Performance Review**

The Group achieved a profit after tax of RM15.2 million for the quarter ended 31 March 2014, 24.7% higher than the same period in 2013. This was mainly due to an increase in brokerage income to RM44.7 million for the period ended 31 March 2014 as compared to RM35.4 million for the same period in 2013, which was mainly attributed to higher market turnover and placement income in the first quarter of 2014.

Overhead expenses stood at RM60.2 million for the period ended 31 March 2014, 13.3% higher than the same period in 2013. This was mainly due to higher personnel cost by 10.1% and higher establishment costs by 23.3%.

### **B2. Prospects for the Current Financial Year**

The outlook for the stock market in 2014 is cautiously optimistic as it is anticipated that Malaysia should weather the external headwinds relatively well, given the Government's serious efforts to address concerns over the possibility of twin deficits, continued good progress made on the Economic Transformation Programme and Malaysia's large domestic pension fund industry and strong liquidity offsetting selling pressure from foreign funds exiting due to the United States' Federal Reserve tapering program. Real GDP growth is expected to accelerate from 4.7% in 2013 to 5% in 2014, and the Group is expected to perform in line with the market in 2014. The Group has also benefited from improved equity capital market deal flows in the first quarter of 2014, compared to the same quarter in 2013. Given the positive fundamentals, the Group is focusing on growth across all business lines, in particular the retail equities and equity capital markets business, to take advantage of the positive momentum to date.