

CIMB INVESTMENT BANK BERHAD
(Company Number 18417-M)
CONDENSED FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Notes	The Group		The Bank	
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
		RM'000	RM'000	RM'000	RM'000
Assets					
Cash and short term funds		1,058,865	1,382,773	1,028,279	1,344,509
Reverse repurchase agreements		200,246	200,251	200,246	200,251
Deposits and placements with banks and other financial institutions		150,346	131	150,317	102
Financial assets held for trading	A5	11,941	2,155	11,941	2,155
Derivative financial instruments	A18(i)	24,972	23,319	24,972	23,319
Financial investments available-for-sale	A6	1,464	2,824	745	745
Loans, advances and financing	A7	157,710	131,067	157,710	131,067
Other assets	A8	1,429,200	1,211,653	1,427,076	1,209,563
Tax recoverable		238	257	-	-
Deferred tax assets		49,980	48,914	49,849	48,754
Amounts due from subsidiaries		-	-	1	131
Amounts due from related companies		17,856	14,515	17,856	14,515
Amounts due from ultimate holding company		161	190	161	190
Statutory deposits with Bank Negara Malaysia		1,771	2,451	1,771	2,451
Investment in subsidiaries		-	-	9,050	9,050
Investment in associates		5,374	6,386	-	-
Property, plant and equipment		187,290	199,115	188,030	199,782
Goodwill		964	964	-	-
Total assets		3,298,378	3,226,965	3,268,004	3,186,584
Liabilities					
Deposits from customers	A9	319,032	351,123	319,032	351,123
Deposits and placements of banks and other financial institutions	A10	1,054,583	1,145,641	1,054,583	1,145,641
Derivative financial instruments	A18(i)	11,488	9,383	11,488	9,383
Other liabilities	A11	1,275,465	1,113,770	1,273,493	1,110,756
Provision for taxation and Zakat		20,850	20,339	20,847	20,337
Amounts due to related companies		25,686	2,281	25,686	2,281
Subordinated loan		5,027	15,000	-	-
Total liabilities		2,712,131	2,657,537	2,705,129	2,639,521
Capital and reserves attributable to equity holders of the Bank					
Ordinary share capital		100,000	100,000	100,000	100,000
Redeemable preference shares		10	10	10	10
Reserves		486,237	469,418	462,865	447,053
Total equity		586,247	569,428	562,875	547,063
Total equity and liabilities		3,298,378	3,226,965	3,268,004	3,186,584
Commitments and contingencies	A18(ii)	1,234,025	767,637	1,234,025	767,637
Net assets per share (RM)		5.86	5.69	5.63	5.47

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 30 JUNE 2014

	Notes	The Group				The Bank			
		2nd quarter ended		Six months ended		2nd quarter ended		Six months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Interest income	A12	9,516	9,604	19,441	18,007	8,738	8,376	17,487	15,608
Interest expense	A13	(10,048)	(11,228)	(20,024)	(22,942)	(9,914)	(11,063)	(19,705)	(22,654)
Net interest expense		(532)	(1,624)	(583)	(4,935)	(1,176)	(2,687)	(2,218)	(7,046)
Income derived from investment of depositors' funds and others		379	11,840	705	13,226	379	11,840	705	13,226
Income derived from investment of shareholders' funds		7,740	1,621	13,945	10,252	7,740	1,621	13,945	10,252
Income attributable to the depositors		(1,034)	(5,699)	(2,028)	(8,994)	(1,034)	(5,699)	(2,028)	(8,994)
Income from Islamic Banking operations	A22b	7,085	7,762	12,622	14,484	7,085	7,762	12,622	14,484
Fee and commission income	A14	14,804	41,080	43,954	71,028	14,804	41,080	43,954	71,028
Dividend income	A14	4	3	4	3	4	3	4	3
Net trading (expense)/income	A14	(74)	38	511	254	(118)	38	467	254
Income from asset management and securities services	A14	3,980	4,282	8,263	8,292	3,980	4,282	8,263	8,292
Brokerage income	A14	39,010	41,497	83,738	76,886	37,897	40,112	81,559	74,266
Other non-interest income	A14	1,631	1,810	2,471	4,336	1,641	1,789	2,452	4,316
Non-interest income		59,355	88,710	138,941	160,799	58,208	87,304	136,699	158,159
Total income		65,908	94,848	150,980	170,348	64,117	92,379	147,103	165,597
Overheads	A15	(54,486)	(61,769)	(114,650)	(114,888)	(53,243)	(60,714)	(112,301)	(112,807)
Profit before allowances		11,422	33,079	36,330	55,460	10,874	31,665	34,802	52,790
Write back of/(allowance for) impairment losses on loans, advances and financing	A16	973	(290)	(83)	(579)	973	(290)	(83)	(579)
Allowance for other impairment losses	A17	-	(285)	-	(285)	-	-	-	-
(Allowance for)/write back of impairment losses on other receivables (net)		(3,792)	985	(2,169)	(1,813)	(3,804)	1,050	(2,181)	(1,752)
Recoveries from investment management and securities services		804	-	804	-	804	-	804	-
		9,407	33,489	34,882	52,783	8,847	32,425	33,342	50,459
Share of profit of associates		372	185	608	370	-	-	-	-
Profit before taxation		9,779	33,674	35,490	53,153	8,847	32,425	33,342	50,459
Taxation		(3,077)	(6,801)	(13,606)	(14,101)	(2,932)	(6,560)	(12,743)	(13,510)
Profit after taxation		6,702	26,873	21,884	39,052	5,915	25,865	20,599	36,949
Profit for the financial period attributable to : Owners of the Group/Bank		6,702	26,873	21,884	39,052	5,915	25,865	20,599	36,949
Earnings per share attributable to ordinary equity holders (sen) -Basic		6.7	26.9	21.9	39.1	5.9	25.9	20.6	36.9

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 30 JUNE 2014

	The Group				The Bank			
	2nd quarter ended		Six months ended		2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the period	6,702	26,873	21,884	39,052	5,915	25,865	20,599	36,949
Other comprehensive (expense)/income:								
Items that may be reclassified subsequently to profit or loss								
Revaluation reserve - financial investments available-for-sale	(278)	(791)	(278)	(791)	-	-	-	-
- Loss from change in fair value	(278)	(791)	(278)	(791)	-	-	-	-
Other comprehensive income for the financial period, net of tax	6,424	26,082	21,606	38,261	5,915	25,865	20,599	36,949
Total comprehensive income attributable to:								
Owners of the Group/Bank	6,424	26,082	21,606	38,261	5,915	25,865	20,599	36,949

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 30 JUNE 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
The Group							
30 June 2014	100,000	10	155,805	492	30,070	283,051	569,428
At 1 January 2014							
Net profit for the financial period	-	-	-	-	-	21,884	21,884
Other comprehensive income (net of tax)	-	-	-	(278)	-	(278)	(278)
- financial investments available-for-sales	-	-	-	(278)	-	(278)	(278)
Total comprehensive income for the financial period						21,884	21,606
Share-based payment expense	-	-	-	-	17,803	-	17,803
Shares released under Equity Ownership Plan	-	-	-	-	(22,590)	-	(22,590)
At 30 June 2014	100,000	10	155,805	214	25,283	304,935	586,247

	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
The Group							
30 June 2013	100,000	10	155,805	1,283	18,598	269,836	545,532
At 1 January 2013							
Net profit for the financial period	-	-	-	-	-	39,052	39,052
Other comprehensive income (net of tax)	-	-	-	(791)	-	(791)	(791)
- financial investments available-for-sales	-	-	-	(791)	-	(791)	(791)
Total comprehensive income for the financial period						39,052	38,261
Share-based payment expense	-	-	-	-	13,292	-	13,292
Share released under Equity Ownership Plan	-	-	-	-	(18,191)	-	(18,191)
Final dividend paid in respect of the financial year ended 31 December 2012	-	-	-	-	-	(56,000)	(56,000)
At 30 June 2013	100,000	10	155,805	492	13,699	252,888	522,894

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 30 JUNE 2014

	←	←	←	←	←	←	←	←	←	←	←	←
	Share capital	Redeemable preference shares	Statutory reserve	Merger reserve	Share-based payment reserve	Capital reserve	Retained profits	Total				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Bank												
30 June 2014	100,000	10	155,805	(272,007)	30,070	271,377	261,808	547,063				
At 1 January 2014												
Net profit for the financial period	-	-	-	-	-	-	20,599	20,599				
Total comprehensive income for the financial period	-	-	-	-	-	-	20,599	20,599				
Share-based payment expense	-	-	-	-	17,803	-	-	17,803				
Shares released under Equity Ownership Plan	-	-	-	-	(22,590)	-	-	(22,590)				
At 30 June 2014	100,000	10	155,805	(272,007)	25,283	271,377	282,407	562,875				

	←	←	←	←	←	←	←	←	←	←	←	←
	Share capital	Redeemable preference shares	Statutory reserve	Merger reserve	Share-based payment reserve	Capital reserve	Retained profits	Total				
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Bank												
30 June 2013	100,000	10	155,805	(272,007)	18,598	271,377	248,989	522,772				
At 1 January 2013												
Net profit for the financial period	-	-	-	-	-	-	36,949	36,949				
Total comprehensive income for the financial period	-	-	-	-	-	-	36,949	36,949				
Share-based payment expense	-	-	-	-	13,292	-	-	13,292				
Share released under Equity Ownership Plan	-	-	-	-	(18,191)	-	-	(18,191)				
Final dividend paid in respect of the financial year ended 31 December 2012	-	-	-	-	-	-	(56,000)	(56,000)				
At 30 June 2013	100,000	10	155,805	(272,007)	13,699	271,377	229,938	498,822				

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 30 JUNE 2014

	The Group		The Bank	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Profit before taxation	35,490	53,153	33,342	50,459
Adjustments for non-operating and non-cash items	37,449	35,666	38,028	35,681
Cash flow from operating profit before changes in operating assets and liabilities	72,939	88,819	71,370	86,140
Net changes in operating assets	(430,237)	(629,157)	(431,693)	(634,158)
Net changes in operating liabilities	30,746	851,169	31,790	851,020
Cash (used in)/generated from operating activities	(326,552)	310,831	(328,533)	303,002
Taxation paid	(14,141)	(6,688)	(13,327)	(6,438)
Net cash (used in) / generated from operating activities	(340,693)	304,143	(341,860)	296,564
Net cash used in investing activities	(4,444)	(9,859)	(5,572)	(9,859)
Net cash used in financing activities	(9,973)	(51,000)	-	(56,000)
	(14,417)	(60,859)	(5,572)	(65,859)
Net (decrease)/increase in cash and cash equivalents during the financial period	(355,110)	243,284	(347,432)	230,705
Cash and cash equivalents at beginning of the financial period	1,382,773	1,393,651	1,344,509	1,372,047
Cash and cash equivalents at end of the financial period	1,027,663	1,636,935	997,077	1,602,752
Cash and cash equivalents comprise the following:				
Cash and short term funds	1,058,865	1,665,536	1,028,279	1,631,353
Adjustment for monies held in trust:				
Remisiers' balances	(31,202)	(28,601)	(31,202)	(28,601)
Cash and cash equivalents at end of the financial period	1,027,663	1,636,935	997,077	1,602,752

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 30 June 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 30 June 2014

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.

EXPLANATORY NOTES (Continued)

A5. Financial assets held for trading

	The Group and the Bank	
	30 June 2014	31 December 2013
	RM'000	RM'000
At fair value		
Quoted securities :		
<i>In Malaysia</i>		
Shares	554	1,119
Unquoted securities :		
<i>In Malaysia</i>		
Private debt securities	11,387	1,036
Total financial assets held for trading	11,941	2,155

A6. Financial investments available-for-sale

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Unquoted securities :				
<i>In Malaysia</i>				
Shares	-	2,200	-	-
<i>Outside Malaysia</i>				
Shares	7,795	8,072	7,076	7,076
	7,795	10,272	7,076	7,076
Allowance for impairment losses :				
Unquoted shares in Malaysia				
	-	(1,117)	-	-
Unquoted shares outside Malaysia				
	(6,331)	(6,331)	(6,331)	(6,331)
Total financial investments available-for-sale	1,464	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:

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
At 1 January	7,448	6,331	6,331	6,331
Allowance made during the financial period / year	-	1,117	-	-
Redemption of securities	(1,117)	-	-	-
At 30 June 2014 / 31 December 2013	6,331	7,448	6,331	6,331

A7. Loans, advances and financing

	The Group and the Bank	
	30 June 2014	31 December 2013
	RM'000	RM'000
(i) By type		
Staff loans *	160,112	133,063
Other loans	560	883
Gross loans, advances and financing	160,672	133,946
Less: allowance for impairment losses		
- Individual impairment allowance	(560)	(883)
- Portfolio impairment allowance	(2,402)	(1,996)
Total net loans, advances and financing	157,710	131,067

* Included in staff loans of the Group and the Bank are loans to Directors amounting to RM520,249 (2013: RM Nil).

EXPLANATORY NOTES (Continued)**A7. Loans, advances and financing (continued)****The Group and the Bank**

	30 June 2014 RM'000	31 December 2013 RM'000
(ii) By type of customers		
Individuals	160,672	133,946
(iii) By interest rate sensitivity		
Fixed rate		
- Other fixed rate loan	44,698	46,835
Variable rate		
- BLR plus	115,974	87,111
	<u>160,672</u>	<u>133,946</u>
(iv) By economic purpose:		
Personal use	1,065	1,159
Purchase of residential property (housing)	145,293	118,782
Purchase of securities	1	1
Purchase of transport vehicles	14,313	14,004
Gross loans, advances and financing	<u>160,672</u>	<u>133,946</u>
(v) By geographical distribution		
Malaysia	160,672	133,946
(vi) By residual contractual maturity		
Within one year	146	227
One year to less than three years	2,586	2,042
Three years to less than five years	6,928	7,298
Five years and more	151,012	124,379
	<u>160,672</u>	<u>133,946</u>
(vii) Impaired loans, advances and financing by economic purpose		
Purchase of residential property (housing)	449	786
Purchase of transport vehicles	111	97
Gross impaired loans, advances and financing	<u>560</u>	<u>883</u>
(viii) Impaired loans, advances and financing by geographical distribution		
Malaysia	560	883
(ix) Movements in the impaired loans, advances and financing are as follows:		
At 1 January	883	432
Classified as impaired during the period / year	103	592
Amounts written back in respect of recoveries	(426)	(141)
At 30 June 2014 / 31 December 2013	<u>560</u>	<u>883</u>
Ratio of gross impaired loans to total loans, advances and financing	<u>0.3%</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	
	30 June 2014	31 December 2013
	RM'000	RM'000
<u>Individual impairment allowance</u>		
At 1 January	883	432
Allowance made during the period / year	103	592
Amounts written back during the period / year	(426)	(141)
At 30 June 2014 / 31 December 2013	560	883
<u>Portfolio impairment allowance</u>		
At 1 January	1,996	1,115
Net allowance made during the period / year	406	881
At 30 June 2014 / 31 December 2013	2,402	1,996
Portfolio impairment allowance as % of gross loans, advances and financing less individual impairment allowance	1.5%	1.5%

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
A8. Other assets				
Due from brokers and clients, net of allowance for impairment loss	1,138,173	918,027	1,137,028	916,957
Collateral pledged for derivative transactions	158,753	163,003	158,753	163,003
Other debtors, deposits and prepayments, net of allowance for doubtful debts	132,274	130,623	131,295	129,603
	1,429,200	1,211,653	1,427,076	1,209,563

	The Group and the Bank	
	30 June 2014	31 December 2013
	RM'000	RM'000
A9. Deposits from customers		
<u>(i) By type of deposits</u>		
Others	319,032	351,123
<u>(ii) By type of customers</u>		
Local government and statutory bodies	54,400	54,400
Business enterprises	168,182	196,023
Individuals	92,700	96,950
Others	3,750	3,750
	319,032	351,123

	The Group and the Bank	
	30 June 2014	31 December 2013
	RM'000	RM'000
A10. Deposits and placements of banks and other financial institutions		
Licensed banks	531,510	605,290
Other financial institutions	523,073	540,351
	1,054,583	1,145,641

	The Group		The Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
A11. Other liabilities				
Due to brokers and clients	1,077,033	876,517	1,077,033	876,517
Others	198,432	237,253	196,460	234,239
	1,275,465	1,113,770	1,273,493	1,110,756

EXPLANATORY NOTES (Continued)

	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
A12. Interest income				
Group				
Loans, advances and financing	1,134	747	2,161	1,411
Money at call and deposits placements with banks and other financial institutions	6,683	6,818	13,744	13,019
Reverse repurchase agreements	1,459	1,080	2,974	2,207
Financial assets held for trading	31	28	43	165
Others	211	936	523	1,155
	9,518	9,609	19,445	17,957
Accretion of discount less amortisation of premium	(2)	(5)	(4)	50
	9,516	9,604	19,441	18,007
Bank				
Loans, advances and financing	1,134	747	2,161	1,411
Money at call and deposits placements with banks and other financial institutions	5,905	5,590	11,790	10,620
Reverse repurchase agreements	1,459	1,080	2,974	2,207
Financial assets held for trading	31	28	43	165
Others	211	936	523	1,155
	8,740	8,381	17,491	15,558
Accretion of discount less amortisation of premium	(2)	(5)	(4)	50
	8,738	8,376	17,487	15,608
A13. Interest expense				
Group				
Deposits and placements of banks and other financial institutions	9,360	9,066	17,773	18,035
Deposits from customers	554	1,997	1,932	4,619
Subordinated loans	134	165	319	288
	10,048	11,228	20,024	22,942
Bank				
Deposits and placements of banks and other financial institutions	9,360	9,066	17,773	18,035
Deposits from customers	554	1,997	1,932	4,619
	9,914	11,063	19,705	22,654
A14. Non interest income				
Group				
a) Fee income and commission income:				
Portfolio management fees	2,001	2,191	3,832	4,349
Advisory and arrangement fees	7,210	12,286	19,098	34,596
Underwriting commissions	2,732	13,961	2,732	16,749
Placement fees	898	10,255	15,624	12,454
Other fee income	1,963	2,387	2,668	2,880
	14,804	41,080	43,954	71,028
b) Net trading income				
Gain/(loss) arising from trading in financial assets held for trading	21	(269)	608	23
- realised gain/(loss)	61	(340)	648	4,577
- unrealised (loss)/gain	(40)	71	(40)	(4,554)
(Loss)/gain arising from trading in derivative financial instruments	(139)	307	(141)	231
- realised loss	(139)	(1)	(141)	231
- unrealised gain	-	308	-	-
	(118)	38	467	254
c) Net gain from sale of financial investments available-for-sale	44	-	44	-
d) Dividend income from:				
Financial assets held for trading	4	3	4	3
e) Other income:				
Foreign exchange gain	41	1,238	490	2,421
Gain on disposal of property, plant and equipment	1,204	170	1,334	699
Other non-operating income	386	402	647	1,216
	1,631	1,810	2,471	4,336
f) Income from asset management and securities services	3,980	4,282	8,263	8,292
g) Brokerage Income	39,010	41,497	83,738	76,886
Total non interest income	59,355	88,710	138,941	160,799

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

	2nd quarter ended		Six months ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Bank				
a) Fee income and commission income:				
Portfolio management fees	2,001	2,191	3,832	4,349
Advisory and arrangement fees	7,210	12,286	19,098	34,596
Underwriting commissions	2,732	13,961	2,732	16,749
Placement fees	898	10,255	15,624	12,454
Other fee income	1,963	2,387	2,668	2,880
	14,804	41,080	43,954	71,028
b) Net trading income				
Gain/(loss) arising from trading in financial assets held for trading	21	(269)	608	23
- realised gain/(loss)	61	(340)	648	4,577
- unrealised (loss)/gain	(40)	71	(40)	(4,554)
(Loss)/gain arising from trading in derivative financial instruments	(139)	307	(141)	231
- realised loss	(139)	(1)	(141)	231
- unrealised gain	-	308	-	-
	(118)	38	467	254
c) Dividend income from:				
Financial assets held for trading	4	3	4	3
d) Other income:				
Foreign exchange gain	52	1,217	471	2,401
Gain on disposal of property, plant and equipment	1,204	170	1,334	699
Other non-operating income	385	402	647	1,216
	1,641	1,789	2,452	4,316
e) Income from asset management and securities services				
	3,980	4,282	8,263	8,292
f) Brokerage Income				
	37,897	40,112	81,559	74,266
Total non interest income	58,208	87,304	136,699	158,159

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

- Salaries, allowances and bonuses	58,432	66,911	124,493	127,696
- Pension cost (defined contribution plan)	7,926	7,763	15,860	15,410
- Training fees	782	295	1,853	1,464
- Overtime, meal and transport claims	452	511	985	987
- Others	4,801	4,337	10,643	8,205
	72,393	79,817	153,834	153,762

Establishment costs

- Depreciation of property, plant and equipment	10,327	6,117	18,735	12,436
- Rental	9,198	5,064	18,213	8,461
- Others	3,851	10,346	11,141	20,678
	23,376	21,527	48,089	41,575

Marketing expenses

- Advertisement	6,168	4,535	9,624	6,066
- Entertainment expenses	1,554	1,234	2,841	2,498
- Others	1,119	937	2,622	2,089
	8,841	6,706	15,087	10,653

Administration and general expenses

- Legal and professional fees	1,587	2,713	3,901	4,261
- Communication	1,793	2,035	3,493	3,871
- Printing and stationery	525	610	1,684	1,230
- Administrative vehicle, travelling and insurance expenses	3,061	2,780	5,629	5,213
- Others	2,922	1,773	5,718	4,765
	9,888	9,911	20,425	19,340

Shared services cost

	(60,012)	(56,192)	(122,785)	(110,442)
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Total overhead expenses

	54,486	61,769	114,650	114,888
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EXPLANATORY NOTES (Continued)**A15. Overheads (Continued)**

	2nd quarter ended		Six months ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Bank				
Personnel costs				
- Salaries, allowances and bonuses	57,668	66,474	123,243	126,750
- Pension cost (defined contribution plan)	7,878	7,718	15,764	15,315
- Training fees	786	295	1,852	1,463
- Overtime, meal and transport claims	452	511	985	987
- Others	4,784	4,296	10,585	8,136
	<u>71,568</u>	<u>79,294</u>	<u>152,429</u>	<u>152,651</u>
Establishment costs				
- Depreciation of property, plant and equipment	10,290	6,105	18,662	12,413
- Rental	8,947	4,791	17,663	7,998
- Others	3,803	10,252	11,041	20,513
	<u>23,040</u>	<u>21,148</u>	<u>47,366</u>	<u>40,924</u>
Marketing expenses				
- Advertisement	6,168	4,516	9,620	6,046
- Entertainment expenses	1,554	1,226	2,831	2,458
- Others	1,098	926	2,545	2,074
	<u>8,820</u>	<u>6,668</u>	<u>14,996</u>	<u>10,578</u>
Administration and general expenses				
- Legal and professional fees	1,577	2,702	3,883	4,243
- Communication	1,778	2,019	3,457	3,839
- Printing and stationery	525	610	1,684	1,230
- Administrative vehicle, travelling and insurance expenses	3,055	2,770	5,618	5,190
- Others	2,892	1,695	5,653	4,594
	<u>9,827</u>	<u>9,796</u>	<u>20,295</u>	<u>19,096</u>
Shared services cost	(60,012)	(56,192)	(122,785)	(110,442)
Total overhead expenses	<u>53,243</u>	<u>60,714</u>	<u>112,301</u>	<u>112,807</u>

A16. Allowance for impairment losses on loans, advances and financing**The Group****Write back of/(allowance for) impairment losses on loans, advances and financing :**

(a) Individual impairment allowance				
- made during the financial period	(21)	(300)	(103)	(332)
- written back during the financial period	1,192	141	426	141
(b) Portfolio impairment allowance				
- made during the financial period	(198)	(131)	(406)	(388)
	<u>973</u>	<u>(290)</u>	<u>(83)</u>	<u>(579)</u>

The Bank**Write back of/(allowance for) impairment losses on loans, advances and financing :**

(a) Individual impairment allowance				
- made during the financial period	(21)	(300)	(103)	(332)
- written back during the financial period	1,192	141	426	141
(b) Portfolio impairment allowance				
- made during the financial period	(198)	(131)	(406)	(388)
	<u>973</u>	<u>(290)</u>	<u>(83)</u>	<u>(579)</u>

A17. Allowance for other impairment losses**The Group**

Financial investments available-for-sale

- made during the financial period	-	(285)	-	(285)
	<u>-</u>	<u>(285)</u>	<u>-</u>	<u>(285)</u>

EXPLANATORY NOTES (Continued)**A18. 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.

	The Group and The Bank		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
At 30 June 2014			
Trading derivatives			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	473,850	24,972	(11,488)
	473,850	24,972	(11,488)
<u>Equity derivatives</u>			
Equity options			
- More than 3 years	255,127	-	-
	255,127	-	-
Total derivative assets/(liabilities)	728,977	24,972	(11,488)
Trading derivatives			
<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	-	-
Total derivative assets/(liabilities)	754,352	23,319	(9,383)

EXPLANATORY NOTES (Continued)

A18. 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 30 June 2014, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM24,972,000 (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 :

	The Group and the Bank	
	30 June 2014	31 December 2013
	Principal amount RM'000	Principal amount RM'000
<u>Credit-related</u>		
Obligations under underwriting agreement	488,354	-
Irrevocable commitments to extend credit:		
- Maturity exceeding 1 year	16,694	13,285
Total credit-related commitments and contingencies	505,048	13,285
<u>Treasury-related</u>		
Interest rate related contracts		
- Five years and above	473,850	486,600
Equity related contracts		
- Five years and above	255,127	267,752
Total treasury-related commitments and contingencies	728,977	754,352
	1,234,025	767,637

EXPLANATORY NOTES (Continued)

A19. 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	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Common Equity Tier 1 Ratio	17.226%	25.300%	17.108%	26.364%
Tier 1 ratio	17.226%	25.300%	17.108%	26.364%
Total capital ratio	17.226%	25.300%	17.108%	26.364%

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

	The Group		The Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Credit risk	1,126,666	1,208,453	1,014,700	1,053,268
Market risk	1,237,605	58,618	1,236,744	57,888
Operational risk	711,882	758,001	699,466	746,501
Total risk-weighted assets	<u>3,076,153</u>	<u>2,025,072</u>	<u>2,950,910</u>	<u>1,857,657</u>

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

	The Group		The Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Common Equity Tier I capital				
Ordinary shares	100,000	100,000	100,000	100,000
Other reserves	486,237	469,418	462,865	447,053
Common Equity Tier I capital before regulatory adjustments	586,237	569,418	562,865	547,053
<u>Less: Regulatory adjustments</u>				
Goodwill	(964)	(964)	-	-
Deferred Tax Assets	(49,980)	(48,914)	(49,849)	(48,754)
Deduction in excess of Tier 2 capital	(3,895)	(6,921)	(6,221)	(8,539) N1
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(1,367)	-	(1,949)	-
Others	(119)	(271)	-	-
Common equity tier I capital after regulatory adjustments / total Tier I capital	<u>529,912</u>	<u>512,348</u>	<u>504,846</u>	<u>489,760</u>
Tier II capital				
Redeemable Preference Shares	8	9	8	9
Portfolio impairment allowance and regulatory reserves	2,402	1,996	2,402	1,996
Tier II capital before regulatory adjustments	2,410	2,005	2,410	2,005
<u>Less: Regulatory adjustments</u>				
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(6,305)	(8,926)	(8,632)	(10,544) N1
Total Tier II capital	-	-	-	-
Total capital base	<u>529,912</u>	<u>512,348</u>	<u>504,846</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 RM2,402,000 (2013 : RM1,996,000) for the Group and the Bank.

EXPLANATORY NOTES (Continued)

A20. 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
The Group						
30 June 2014						
Net interest (expense)/income	-	(2,744)	-	-	2,161	(583)
Non interest income	25,236	3,890	91,775	17,096	944	138,941
Income from Islamic Banking operations	911	9,283	2,369	9	50	12,622
	26,147	10,429	94,144	17,105	3,155	150,980
Overheads	(31,094)	(7,195)	(61,818)	(14,543)	-	(114,650)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	(3,642)	(2,181)	(10,647)	(2,265)	-	(18,735)
Profit/(loss) before allowances	(4,947)	3,234	32,326	2,562	3,155	36,330
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(83)	(83)
Allowance for impairment losses on other receivables	1,353	(71)	(3,765)	314	-	(2,169)
Recoveries from investment management and securities services	-	-	-	804	-	804
Segment results	(3,594)	3,163	28,561	3,680	3,072	34,882
Share of results of associates						608
Profit before taxation						35,490
Taxation						(13,606)
Net profit for the financial period						21,884
30 June 2014						
Segment assets	50,282	1,519,873	1,290,256	19,902	347,886	3,228,199
Unallocated assets						70,179
Total assets						3,298,378
Segment liabilities	3,342	1,415,815	1,139,001	2,736	104,697	2,665,591
Unallocated liabilities						46,540
Total liabilities						2,712,131
Other segment items						
Incurring capital expenditure: - addition of property, plant and equipment	1,732	1,037	5,029	1,078	-	8,876
Accretion of discount less amortisation of premium	-	(4)	-	-	-	(4)

EXPLANATORY NOTES (Continued)

A20. 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 30 June 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	-	(6,346)	-	-	1,411	(4,935)
Non interest income	46,428	3,882	89,510	18,495	2,484	160,799
Income from Islamic Banking operations	-	10,265	2,263	1,922	34	14,484
	46,428	7,801	91,773	20,417	3,929	170,348
Overheads	(33,945)	(3,816)	(64,751)	(12,376)	-	(114,888)
<i>of which :</i> <i>Depreciation of property, plant and equipment</i>	(2,138)	(2,526)	(5,808)	(1,964)	-	(12,436)
Profit before allowances	12,483	3,985	27,022	8,041	3,929	55,460
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(579)	(579)
(Allowance for)/ write back of impairment losses on other receivables	(3,002)	-	1,189	-	-	(1,813)
Allowance for other impairment losses	-	-	(285)	-	-	(285)
Segment results	9,481	3,985	27,926	8,041	3,350	52,783
Share of results of associates						370
Profit before taxation						53,153
Taxation						(14,101)
Net profit for the financial period						39,052
 31 December 2013						
Segment assets	52,352	1,706,314	1,042,186	41,980	318,272	3,161,104
Unallocated assets						65,861
Total assets						3,226,965
Segment liabilities	2,290	1,510,112	938,274	7,531	176,708	2,634,915
Unallocated liabilities						22,622
Total liabilities						2,657,537
Other segment items						
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	-	50	-	-	-	50

EXPLANATORY NOTES (Continued)

A21. 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)

A21. 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 30 June 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	
30 June 2014					
Financial assets					
Financial assets held for trading					
- Quoted securities	554	554	-	-	554
- Unquoted securities	11,387	-	11,387	-	11,387
Financial investments available-for-sale					
- Unquoted securities	1,464	-	-	1,464	1,464
Derivative financial instruments					
- Trading derivatives	24,972	-	24,972	-	24,972
Total	38,377	554	36,359	1,464	38,377

Financial liabilities					
Derivative financial instruments					
- Trading derivatives	11,488	-	11,488	-	11,488
Total	11,488	-	11,488	-	11,488

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	
30 June 2014					
Financial assets					
Financial assets held for trading					
- Quoted securities	554	554	-	-	554
- Unquoted securities	11,387	-	11,387	-	11,387
Financial investments available-for-sale					
- Unquoted securities	745	-	-	745	745
Derivative financial instruments					
- Trading derivatives	24,972	-	24,972	-	24,972
Total	37,658	554	36,359	745	37,658

Financial liabilities					
Derivative financial instruments					
- Trading derivatives	11,488	-	11,488	-	11,488
Total	11,488	-	11,488	-	11,488

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	
31 December 2013					
Financial assets					
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
Total	28,298	1,119	24,355	2,824	28,298

Financial liabilities					
Derivative financial instruments					
- Trading derivatives	9,383	-	9,383	-	9,383
Total	9,383	-	9,383	-	9,383

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	
31 December 2013					
Financial assets					
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
Total	26,219	1,119	24,355	745	26,219

Financial liabilities					
Derivative financial instruments					
- Trading derivatives	9,383	-	9,383	-	9,383
Total	9,383	-	9,383	-	9,383

EXPLANATORY NOTES (Continued)

A22. The operations of Islamic Banking
A22a. Unaudited Statements of Financial Position as at 30 June 2014

		The Group and the Bank	
		30 June 2014	31 December 2013
		RM'000	RM'000
	Notes		
Assets			
Cash and short-term funds		406,601	538,321
Deposit and placements with banks and other financial institutions		150,215	-
Islamic derivative financial instruments		24,972	23,319
Other assets		160,063	164,118
Property, plant and equipment		56	66
Amount due from related companies		2,030	109
Total assets		743,937	725,933
Liabilities and Islamic Banking capital funds			
Deposits from customers	A22c	157,950	162,200
Deposits and placements of banks and other financial institutions		132,157	132,143
Islamic derivative financial instruments		11,488	9,383
Provision for taxation and Zakat		2,020	2,667
Other liabilities		24,376	8,494
Amount due to related companies		260	274
Total liabilities		328,251	315,161
Islamic Banking capital funds		55,250	55,250
Reserves		360,436	355,522
Total Islamic Banking capital funds		415,686	410,772
Total liabilities and Islamic Banking capital funds		743,937	725,933

A22b. Unaudited Statements of Income for the financial period ended 30 June 2014

		The Group and the Bank			
		2nd quarter ended		Six months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others		379	11,840	705	13,226
Income derived from investment of shareholders' funds		7,740	1,621	13,945	10,252
Allowance for impairment losses on other receivables		3	(2)	7	(6)
Total attributable income		8,122	13,459	14,657	23,472
Income attributable to the depositors		(1,034)	(5,699)	(2,028)	(8,994)
Total net income		7,088	7,760	12,629	14,478
Personnel expenses		(145)	(131)	(297)	(248)
Other overheads and expenditures		(3,149)	(2,247)	(5,503)	(3,911)
Profit before taxation		3,794	5,382	6,829	10,319
Taxation		(1,095)	(1,392)	(1,913)	(2,658)
Profit after taxation/total comprehensive income for the period		2,699	3,990	4,916	7,661
Income from Islamic operations (per page 2)					
Total net income		7,088	7,760	12,629	14,478
Less : Allowance for impairment losses on other receivables		(3)	2	(7)	6
		7,085	7,762	12,622	14,484

A22c. Deposits from customers

		The Group and the Bank	
		30 June 2014	31 December 2013
		RM'000	RM'000
(i) By type of deposits			
Term deposits			
Specific investment account			
Mudharabah		157,950	162,200
(ii) Maturity structure of term deposits :			
More than five years		157,950	162,200
		157,950	162,200

EXPLANATORY NOTES (Continued)

A22d. Capital Adequacy

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

	The Group and the Bank	
	30 June 2014	31 December 2013
Common Equity Tier 1 Ratio	105.039%	110.483%
Tier 1 ratio	105.039%	110.483%
Total capital ratio	105.039%	110.483%

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

	The Group and the Bank	
	30 June 2014	31 December 2013
	RM'000	RM'000
Credit risk	210,794	181,076
Market risk	22,686	17,359
Operational risk	162,266	173,362
Total risk-weighted assets	395,746	371,797

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

	The Group and the Bank	
	30 June 2014	31 December 2013
	RM'000	RM'000
Common Equity Tier I capital		
Ordinary shares	55,250	55,250
Other reserves	360,436	355,522
Common Equity Tier I capital / Total Tier I Capital	415,686	410,772
Total capital base	415,686	410,772

EXPLANATORY NOTES (Continued)

A23. Credit transactions and exposures with connected parties

	The Group	
	30 June 2014	31 Dec 2013
	RM'000	RM'000
Outstanding credit exposures with connected parties	27,067	27,697
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.3%	1.2%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.0%	0.0%

B1. Group Performance Review

The Group achieved a profit after tax of RM21.9 million for the period ended 30 June 2014, 44.0% lower than the same period in 2013. This was mainly due to the decrease in total income to RM151.0 million for the period ended 30 June 2014 as compared to RM170.3 million for the same period in 2013. There was a decrease in fee and commission income to RM44.0 million for the period ended 30 June 2014 as compared to RM71.0 million for the same period in 2013, which was partly offset by an increase in brokerage income to RM83.7 million, 8.9% higher than the same period in 2013.

Overhead expenses stood at RM114.7 million for the period ended 30 June 2014, 0.2% lower than the same period in 2013. Overhead expenses are relatively flat year on year.

B2. Prospects for the Current Financial Year

We remain cautiously optimistic about the stock market outlook for 2H 2014 as we believe Malaysia's economic health remains sound. 1Q 2014 GDP growth at 6.2% exceeded our forecast (5.4%) and we now expect real GDP growth to accelerate from 4.7% in 2013 to 5.5% in 2014. The economy should remain resilient, especially for the sectors benefitting from the Economic Transformation Programme, i.e. oil & gas, construction and property sectors. We also maintain our year-end 2014 forecast of a continued uptrend for the FBMKLCI, and we are expecting to perform in line with the market in 2014.