

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013**

	Notes	The Group		The Bank	
		30 September 2013 RM'000	31 December 2012 RM'000	30 September 2013 RM'000	31 December 2012 RM'000
<b>Assets</b>					
Cash and short term funds		1,577,657	1,423,437	1,539,975	1,401,832
Reverse repurchase agreements		200,636	150,622	200,636	150,622
Deposits and placements with banks and other financial institutions		50,368	700,200	50,339	692,858
Financial assets held for trading	A5	8,679	33,091	8,679	33,091
Derivative financial instruments	A18(i)	26,276	39,088	26,276	39,088
Financial investments available-for-sale	A6	3,224	4,732	745	745
Loans, advances and financing	A7	112,711	73,245	112,711	73,245
Other assets	A8	1,287,932	1,104,536	1,285,062	1,102,208
Tax recoverable		-	7,996	-	7,996
Deferred tax assets		43,358	42,998	43,197	42,812
Amounts due from subsidiaries		-	-	-	2
Amounts due from related companies		9,331	4,803	9,331	4,803
Amounts due from ultimate holding company		1	1	1	1
Statutory deposits with Bank Negara Malaysia		2,711	1,062	2,711	1,062
Investment in subsidiaries		-	-	9,050	9,050
Investment in associates		6,360	5,736	-	-
Property, plant and equipment		127,763	112,707	128,883	113,792
Goodwill on consolidation		964	964	-	-
<b>Total assets</b>		<b>3,457,971</b>	<b>3,705,218</b>	<b>3,417,596</b>	<b>3,673,207</b>
<b>Liabilities</b>					
Deposits from customers	A9	277,490	802,915	277,490	802,915
Deposits and placements of banks and other financial institutions	A10	1,348,521	1,327,358	1,348,521	1,327,358
Derivative financial instruments	A18(i)	15,198	17,750	15,198	17,750
Other liabilities	A11	1,230,559	978,207	1,227,820	976,014
Provision for taxation and Zakat		8,024	850	7,440	607
Amounts due to subsidiaries		-	-	3,185	3,185
Amounts due to related companies		23,832	22,606	23,832	22,606
Subordinated loan		15,475	10,000	-	-
<b>Total liabilities</b>		<b>2,919,099</b>	<b>3,159,686</b>	<b>2,903,486</b>	<b>3,150,435</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		438,862	445,522	414,100	422,762
<b>Total equity</b>		<b>538,872</b>	<b>545,532</b>	<b>514,110</b>	<b>522,772</b>
<b>Total equity and liabilities</b>		<b>3,457,971</b>	<b>3,705,218</b>	<b>3,417,596</b>	<b>3,673,207</b>
<b>Commitments and contingencies</b>	A18(ii)	<b>904,851</b>	<b>1,270,090</b>	<b>904,851</b>	<b>1,270,090</b>
<b>Net assets per share (RM)</b>		<b>5.39</b>	<b>5.46</b>	<b>5.14</b>	<b>5.23</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 2012.*

CIMB INVESTMENT BANK BERHAD  
(Company Number 18417-M)  
CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

	Notes	The Group				The Bank			
		3rd quarter ended		Nine months ended		3rd quarter ended		Nine months ended	
		30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Interest income	A12	9,011	12,489	27,018	33,912	7,742	11,747	23,350	32,279
Interest expense	A13	(9,260)	(14,233)	(32,202)	(38,981)	(9,069)	(14,107)	(31,723)	(38,640)
Net interest expense		(249)	(1,744)	(5,184)	(5,069)	(1,327)	(2,360)	(8,373)	(6,361)
Income derived from investment of depositors' funds and others		3,428	4,921	14,085	13,253	3,428	4,921	14,085	13,253
Income derived from investment of shareholders' funds		19,458	58,143	32,279	142,782	19,458	58,143	32,279	142,782
Income attributable to the depositors		(3,592)	(10,943)	(12,586)	(17,512)	(3,592)	(10,943)	(12,586)	(17,512)
Income from Islamic Banking operations	A22b	19,294	52,121	33,778	138,523	19,294	52,121	33,778	138,523
Fee and commission income	A14	17,955	20,598	88,983	78,927	17,955	20,598	88,983	78,927
Dividend income	A14	-	-	3	10	-	-	3	10
Net trading income/(loss)	A14	416	(615)	670	301	416	(615)	670	301
Income from asset management and securities services	A14	4,608	4,181	12,900	12,882	4,608	4,181	12,900	12,882
Brokerage income	A14	40,691	50,523	124,983	134,537	39,066	49,333	120,738	131,173
Other non-interest income	A14	2,209	(457)	6,545	1,499	2,187	(451)	6,503	1,504
Non-interest income		65,879	74,230	234,084	228,156	64,232	73,046	229,797	224,797
Total income		84,924	124,607	262,678	361,610	82,199	122,807	255,202	356,959
Overheads	A15	(69,893)	(79,264)	(192,187)	(207,203)	(68,163)	(78,314)	(188,376)	(204,170)
Profit before allowances		15,031	45,343	70,491	154,407	14,036	44,493	66,826	152,789
Allowance for impairment losses on loans and advances	A16	(93)	(233)	(672)	(212)	(93)	(233)	(672)	(212)
Allowance for other impairment losses	A17	(432)	-	(717)	-	-	-	-	-
Write back of/ (allowance for) impairment losses on other receivables (net)		590	(615)	(1,223)	(5,736)	531	(620)	(1,221)	(5,752)
		15,096	44,495	67,879	148,459	14,474	43,640	64,933	146,825
Share of results of associates		255	173	625	541	-	-	-	-
Profit before taxation		15,351	44,668	68,504	149,000	14,474	43,640	64,933	146,825
Taxation		(7,605)	(13,306)	(21,706)	(44,674)	(7,418)	(13,093)	(20,928)	(44,264)
<b>Profit after taxation</b>		<b>7,746</b>	<b>31,362</b>	<b>46,798</b>	<b>104,326</b>	<b>7,056</b>	<b>30,547</b>	<b>44,005</b>	<b>102,561</b>
Profit for the financial period attributable to Owners of the Group/Bank		7,746	31,362	46,798	104,326	7,056	30,547	44,005	102,561
Earnings per share (sen)									
-Basic		7.7	31.4	46.8	104.3	7.1	30.5	44.0	102.6

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 2012.

CIMB INVESTMENT BANK BERHAD  
(Company Number 18417-M)  
CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD 30 SEPTEMBER 2013

	The Group				The Bank			
	3rd quarter ended		Nine months ended		3rd quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September	30 September	30 September	30 September	30 September
	2013	2012	2013	2012	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the period	7,746	31,362	46,798	104,326	7,056	30,547	44,005	102,561
<b>Other comprehensive income:</b>								
Revaluation reserves - financial investments available-for-sale	-	-	(791)	1,284	-	-	-	-
- Net (loss) / gain from change in fair value	-	-	(791)	1,284	-	-	-	-
Total comprehensive income for the financial period	<u>7,746</u>	<u>31,362</u>	<u>46,007</u>	<u>105,610</u>	<u>7,056</u>	<u>30,547</u>	<u>44,005</u>	<u>102,561</u>
<b>Total comprehensive income attributable to:</b>								
Owners of the Group/Bank	<u>7,746</u>	<u>31,362</u>	<u>46,007</u>	<u>105,610</u>	<u>7,056</u>	<u>30,547</u>	<u>44,005</u>	<u>102,561</u>

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 2012.

**CIMB INVESTMENT BANK BERHAD**  
(Company Number 18417-M)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	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</b>							
<b>30 September 2013</b>	100,000	10	155,805	1,283	18,598	269,836	545,532
<b>At 1 January 2013</b>							
Net profit for the financial period	-	-	-	-	-	46,798	46,798
Other comprehensive income (net of tax)	-	-	-	(791)	-	-	(791)
- financial investments available-for-sales	-	-	-	(791)	-	-	(791)
<b>Total comprehensive income for the financial period</b>	-	-	-	(791)	-	46,798	46,007
Share-based payment expense	-	-	-	-	21,524	-	21,524
Interim dividend paid in respect of the financial year ended 31 December 2012	-	-	-	-	-	(56,000)	(56,000)
Share released under Equity Ownership Plan	-	-	-	-	(18,191)	-	(18,191)
<b>At 30 September 2013</b>	100,000	10	155,805	492	21,931	260,634	538,872

	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</b>							
<b>30 September 2012</b>	100,000	10	155,805	(1)	54,115	202,379	512,308
<b>At 1 January 2012</b>							
Net profit for the financial period	-	-	-	-	-	104,326	104,326
Other comprehensive income (net of tax)	-	-	-	1,284	-	-	1,284
- financial investments available-for-sales	-	-	-	1,284	-	-	1,284
<b>Total comprehensive income for the financial period</b>	-	-	-	1,284	-	104,326	105,610
Share-based payment expense	-	-	-	-	25,521	-	25,521
Expiry of Management Equity Scheme	-	-	-	-	(39,118)	39,118	-
Share released under Equity Ownership Plan	-	-	-	-	(9,229)	-	(9,229)
Final dividend paid in respect of the financial year ended 31 December 2011	-	-	-	-	-	(99,035)	(99,035)
<b>At 30 September 2012</b>	100,000	10	155,805	1,283	31,289	246,788	535,175

*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 2012.*

**CIMB INVESTMENT BANK BERHAD**  
(Company Number 18417-M)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	← 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>30 September 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	-	-	-	-	-	-	44,005	44,005
Total comprehensive income for the financial period	-	-	-	-	-	-	44,005	44,005
Share-based payment expense	-	-	-	-	21,524	-	-	21,524
Interim dividend paid in respect of the financial year ended 31 December 2012	-	-	-	-	-	-	(56,000)	(56,000)
Share released under Equity Ownership Plan	-	-	-	-	(18,191)	-	-	(18,191)
<b>At 30 September 2013</b>	100,000	10	155,805	(272,007)	21,931	271,377	236,994	514,110

	← 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>30 September 2012</b>	100,000	10	155,805	(272,007)	54,115	271,377	184,210	493,510
<b>At 1 January 2012</b>								
Net profit for the financial period	-	-	-	-	-	-	102,561	102,561
Total comprehensive income for the financial period	-	-	-	-	-	-	102,561	102,561
Share-based payment expense	-	-	-	-	25,521	-	-	25,521
Expiry of Management Equity Scheme	-	-	-	-	(39,118)	-	39,118	-
Share released under Equity Ownership Plan	-	-	-	-	(9,229)	-	-	(9,229)
Final dividend paid in respect of the financial year ended 31 December 2011	-	-	-	-	-	-	(99,035)	(99,035)
<b>At 30 September 2012</b>	100,000	10	155,805	(272,007)	31,289	271,377	226,854	513,328

*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 2012.*

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

	The Group		The Bank	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Profit before taxation	68,504	149,000	64,933	146,825
Adjustments for non-operating and non-cash items	51,757	65,886	51,660	66,401
Cash flow from operating profit before changes in operating assets and liabilities	120,261	214,886	116,593	213,226
Net changes in operating assets	373,839	(185,039)	367,040	(180,288)
Net changes in operating liabilities	(250,118)	147,867	(251,185)	139,457
Cash generated from operating activities	243,982	177,714	232,448	172,395
Taxation paid	(6,895)	(41,246)	(6,438)	(41,009)
Net cash generated from operating activities	237,087	136,468	226,010	131,386
Net cash used in investing activities	(31,776)	(24,468)	(31,777)	(24,312)
Net cash used in financing activities	(51,000)	(98,262)	(56,000)	(108,262)
	(82,776)	(122,730)	(87,777)	(132,574)
Net increase/(decrease) in cash and cash equivalents during the financial period	154,311	13,738	138,233	(1,188)
Cash and cash equivalents at beginning of the financial period	1,393,651	1,684,337	1,372,047	1,559,872
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,547,962</b>	<b>1,698,075</b>	<b>1,510,280</b>	<b>1,558,684</b>
<b>Cash and cash equivalents comprise the following:</b>				
Cash and short term funds	1,577,657	1,727,961	1,539,975	1,588,550
Adjustment for monies held in trust: Remisiers' balances	(29,695)	(29,886)	(29,695)	(29,866)
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,547,962</b>	<b>1,698,075</b>	<b>1,510,280</b>	<b>1,558,684</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 2012.*

## **EXPLANATORY NOTES**

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

The unaudited condensed interim financial statements for the financial period ended 30 September 2013 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 2012. 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 2012.

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 2012, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2013:

MFRS 10 "Consolidated financial statements"

MFRS 11 "Joint arrangements"

MFRS 12 "Disclosures of interests in other entities"

MFRS 13 "Fair value measurement"

Revised MFRS 127 "Separate financial statements"

Revised MFRS 128 "Investments in associates and joint ventures"

MFRS 3 "Business Combinations" (IFRS 3 Business Combinations issued by IASB in March 2004)

Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012)

Amendment to MFRS 7 "Disclosures - offsetting financial assets and financial liabilities"

Amendment to MFRS 134 "Interim financial reporting"

Amendments to MFRS 10, MFRS 11 and MFRS 12 "Consolidated financial statements, Joint arrangements and Disclosure of interests in other entities: Transition Guidance"

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, other than as disclosed below:

- Amendments to MFRS 101 "Presentation of items of other comprehensive income"

The amendment requires items of comprehensive income to be presented into two grouping, which is to separate items of other comprehensive income that would be reclassified subsequently to profit or loss when specific conditions are met from those that would never be reclassified subsequently to profit or loss. The adoption of the revised standards affects only the disclosures in the financial statements. There is no financial effect on the results, earnings per share and the financial position of the Group and the Bank for the current and previous financial periods.

- Amendments to MFRS 134 "Interim financial reporting"

The amendment requires the disclosure of segmental information on the measure of total assets and liabilities for related reportable segment if such amount are regularly provided to the chief operating decision-maker and material change from the amount disclosed in the last annual financial statements for that particular reportable segment.

- MFRS 13 "Fair value measurement"

MFRS 13 does not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards for all assets and liabilities measured at fair value. The Group and the Bank have adopted this standard and the disclosures are disclosed in Note A21.

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 period that had previously been announced or disclosed.

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

The Directors have proposed an interim single tier dividend comprising of 56 sen per ordinary share, amounting to RM56,000,000 in respect of financial year ended 31 December 2012. The proposed dividend was paid on 10 April 2013.

EXPLANATORY NOTES (Continued)

A4. Significant events after balance sheet date

There were no significant events that had occurred between 31 December 2012 and the date of this announcement.

A5. Financial assets held for trading

	The Group and The Bank	
	30 September 2013 RM'000	31 December 2012 RM'000
<b>At fair value</b>		
<b>Quoted securities</b>		
<i>In Malaysia</i>		
Shares	615	195
<b>Unquoted securities</b>		
<i>In Malaysia</i>		
Private debt securities	8,064	32,896
<b>Total financial assets held for trading</b>	<b>8,679</b>	<b>33,091</b>

A6. Financial investments available-for-sale

	The Group		The Bank	
	30 September 2013 RM'000	31 December 2012 RM'000	30 September 2013 RM'000	31 December 2012 RM'000
<b>Unquoted securities</b>				
<i>In Malaysia</i>				
Shares	2,200	2,200	-	-
<i>Outside Malaysia</i>				
Shares	8,072	8,863	7,076	7,076
<b>Total financial investments available-for-sale</b>	<b>10,272</b>	<b>11,063</b>	<b>7,076</b>	<b>7,076</b>
<b>Allowance for impairment losses :</b>				
Unquoted shares in Malaysia	(717)	-	-	-
Unquoted shares outside Malaysia	(6,331)	(6,331)	(6,331)	(6,331)
	<b>(7,048)</b>	<b>(6,331)</b>	<b>(6,331)</b>	<b>(6,331)</b>
<b>Total financial investments available-for-sale</b>	<b>3,224</b>	<b>4,732</b>	<b>745</b>	<b>745</b>

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

	The Group		The Bank	
	30 September 2013 RM'000	31 December 2012 RM'000	30 September 2013 RM'000	31 December 2012 RM'000
At 1 January	6,331	6,331	6,331	6,331
Allowance made during the financial period/year	717	-	-	-
At 30 September / 31 December	<b>7,048</b>	<b>6,331</b>	<b>6,331</b>	<b>6,331</b>

A7. Loans, advances and financing

	The Group and The Bank	
	30 September 2013 RM'000	31 December 2012 RM'000
<b>(i) By type</b>		
Staff loans *	114,427	74,360
Other loans	503	432
<b>Gross loans, advances and financing</b>	<b>114,930</b>	<b>74,792</b>
Less: allowance for impairment losses		
- Individual impairment allowance	(503)	(432)
- Portfolio impairment allowance	(1,716)	(1,115)
<b>Total net loans, advances and financing</b>	<b>112,711</b>	<b>73,245</b>

\* Included in staff loans of the Group and the Bank are loans to Directors amounting to RM200,461 (2012: RM235,675).



EXPLANATORY NOTES (Continued)

A7. Loans, advances and financing (continued)

The Group and The Bank

	30 September 2013 RM'000	31 December 2012 RM'000
<b>(ii) By type of customers</b>		
Individuals	114,930	74,792
Gross loans, advances and financing	114,930	74,792
<b>(iii) By interest rate sensitivity</b>		
Fixed rate		
- Other fixed rate loan	46,403	47,630
Variable rate		
- Other variable rates	68,527	27,162
Gross loans, advances and financing	114,930	74,792
<b>(iv) By economic purpose:</b>		
Personal use	949	161
Purchase of residential property (housing)	100,418	60,073
Purchase of securities	1	1
Purchase of transport vehicles	13,562	14,557
Gross loans, advances and financing	114,930	74,792
<b>(v) By geographical distribution</b>		
Malaysia	114,930	74,792
<b>(vi) By residual contractual maturity</b>		
Within one year	110	389
One year to less than three years	2,062	1,620
Three years to less than five years	7,962	8,201
Five years and more	104,796	64,582
	114,930	74,792
<b>(vii) Impaired loans, advances and financing by economic purpose</b>		
Purchase of residential landed property	408	374
Purchase of transport vehicles	95	58
Gross impaired loans, advances and financing	503	432
<b>(viii) Impaired loans, advances and financing by geographical distribution</b>		
Malaysia	503	432
<b>(ix) Movement in the impaired loans, advances and financing are as follows:</b>		
At 1 January	432	891
Classified as impaired during the period/year	212	174
Amounts written back in respect of recoveries	(141)	(159)
Amounts written off/ transfer during the period/year	-	(474)
At 30 September / 31 December	503	432
Ratio of gross impaired loans to total loans, advances and financing	0.4%	0.6%

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 September 2013 RM'000	31 December 2012 RM'000
<u>Individual impairment allowance</u>		
At 1 January	432	891
Allowance made during the period/year	212	174
Amounts written back during the period/ year	(141)	(159)
Amounts written off/ transfer during the period/ year	-	(474)
At 30 September / 31 December	503	432
<u>Portfolio impairment allowance</u>		
At 1 January	1,115	623
Net allowance made during the period/year	601	492
At 30 September / 31 December	1,716	1,115
Portfolio impairment allowance as % of gross loans, advances and financing less individual impairment allowance	1.5%	1.5%

	The Group		The Bank	
	30 September 2013 RM'000	31 December 2012 RM'000	30 September 2013 RM'000	31 December 2012 RM'000
<b>A8. Other assets</b>				
Due from brokers and clients, net of allowance for impairment loss	963,191	816,038	963,191	815,996
Collateral pledged for derivative transactions	163,753	170,953	163,753	170,953
Other debtors, deposits and prepayments, net of allowance for doubtful debts	160,988	117,545	158,118	115,259
	1,287,932	1,104,536	1,285,062	1,102,208

	The Group and The Bank	
	30 September 2013 RM'000	31 December 2012 RM'000
<b>A9. Deposits from customers</b>		
<u>(i) By type of deposits</u>		
Others	277,490	802,915
	277,490	802,915
<u>(ii) By type of customers</u>		
Local government and statutory authorities	54,400	54,400
Business enterprises	121,640	495,429
Individuals	97,700	249,336
Others	3,750	3,750
	277,490	802,915

	The Group and The Bank	
	30 September 2013 RM'000	31 December 2012 RM'000
<b>A10. Deposits and placements of banks and other financial institutions</b>		
Licensed banks	735,862	1,039,722
Other financial institutions	612,659	287,636
	1,348,521	1,327,358

	The Group		The Bank	
	30 September 2013 RM'000	31 December 2012 RM'000	30 September 2013 RM'000	31 December 2012 RM'000
<b>A11. Other liabilities</b>				
Due to brokers and clients	923,488	821,244	923,488	821,244
Others	307,071	156,963	304,332	154,770
	1,230,559	978,207	1,227,820	976,014

## EXPLANATORY NOTES (Continued)

	3rd quarter ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
<b>A12. Interest income</b>				
<b>Group</b>				
Loans, advances and financing	833	497	2,244	1,312
Money at call and deposits placements with banks and other financial institutions	6,636	8,892	19,655	22,610
Reverse repurchase agreements	1,272	1,279	3,479	3,900
Financial assets held for trading	72	1,149	237	3,567
Others	201	196	1,356	277
	9,014	12,013	26,971	31,666
Accretion of discount less amortisation of premium	(3)	476	47	2,246
	9,011	12,489	27,018	33,912
<b>Bank</b>				
Loans, advances and financing	833	497	2,244	1,312
Money at call and deposits placements with banks and other financial institutions	5,367	8,150	15,987	20,977
Reverse repurchase agreements	1,272	1,279	3,479	3,900
Financial assets held for trading	72	1,149	237	3,567
Others	201	196	1,356	277
	7,745	11,271	23,303	30,033
Accretion of discount less amortisation of premium	(3)	476	47	2,246
	7,742	11,747	23,350	32,279
<b>A13. Interest expense</b>				
<b>Group</b>				
Deposits and placements of banks and other financial institutions	2,403	4,462	14,253	15,221
Deposits from customers	6,666	9,645	17,470	23,419
Subordinated loans	191	126	479	341
	9,260	14,233	32,202	38,981
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	2,403	4,462	14,253	15,221
Deposits from customers	6,666	9,645	17,470	23,419
	9,069	14,107	31,723	38,640
<b>A14. Non interest income</b>				
<b>Group</b>				
a) <b>Fee income and commission income:</b>				
Portfolio management fees	2,254	2,119	6,603	6,330
Advisory and arrangement fees	3,722	4,747	38,318	55,634
Underwriting commissions	(673)	596	16,076	596
Placement fees	10,827	5,191	23,281	5,689
Other fee income	1,825	7,945	4,705	10,678
	17,955	20,598	88,983	78,927
b) <b>Net trading income</b>				
Gain/(loss) arising from trading in financial assets held for trading	420	(809)	443	(918)
- realised gain	280	2,507	4,857	3,997
- unrealised gain/(loss)	140	(3,316)	(4,414)	(4,915)
(Loss)/gain arising from trading in derivative financial instruments	(4)	194	227	1,219
- realised (loss)/gain	(4)	487	227	1,005
- unrealised (loss)/gain	-	(293)	-	214
	416	(615)	670	301
c) <b>Dividend income from:</b>				
Financial assets held for trading	-	-	3	10
d) <b>Other income:</b>				
Foreign exchange gain/(loss)	1,366	(1,190)	3,787	(790)
Gain on disposal of property, plant and equipment	1,439	507	2,138	1,376
Other non-operating (expense)/income	(596)	226	620	913
	2,209	(457)	6,545	1,499
e) <b>Income from asset management and securities services</b>	4,608	4,181	12,900	12,882
f) <b>Brokerage Income</b>	40,691	50,523	124,983	134,537
<b>Total non interest income</b>	65,879	74,230	234,084	228,156

EXPLANATORY NOTES (Continued)

A14. Non interest income (Continued)

	3rd quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
a) <b>Fee income and commission income:</b>				
Portfolio management fees	2,254	2,119	6,603	6,330
Advisory and arrangement fees	3,722	4,747	38,318	55,634
Underwriting commissions	(673)	596	16,076	596
Placement fees	10,827	5,191	23,281	5,689
Other fee income	1,825	7,945	4,705	10,678
	<u>17,955</u>	<u>20,598</u>	<u>88,983</u>	<u>78,927</u>
b) <b>Net trading income</b>				
Gain/(loss) arising from trading in financial assets held for trading	420	(809)	443	(918)
- realised gain	280	2,507	4,857	3,997
- unrealised gain/(loss)	140	(3,316)	(4,414)	(4,915)
(Loss)/gain arising from trading in derivative financial instruments	(4)	194	227	1,219
- realised (loss)/gain	(4)	487	227	1,005
- unrealised (loss)/gain	-	(293)	-	214
	<u>416</u>	<u>(615)</u>	<u>670</u>	<u>301</u>
c) <b>Dividend income from:</b>				
Financial assets held for trading	-	-	3	10
	<u>-</u>	<u>-</u>	<u>3</u>	<u>10</u>
d) <b>Other income:</b>				
Foreign exchange gain/(loss)	1,344	(1,184)	3,745	(784)
Gain on disposal of property, plant and equipment	1,439	507	2,138	1,376
Other non-operating (expense)/income	(596)	226	620	912
	<u>2,187</u>	<u>(451)</u>	<u>6,503</u>	<u>1,504</u>
e) <b>Income from asset management and securities services</b>	4,608	4,181	12,900	12,882
f) <b>Brokerage Income</b>	39,066	49,333	120,738	131,173
<b>Total non interest income</b>	<u>64,232</u>	<u>73,046</u>	<u>229,797</u>	<u>224,797</u>

A15. Overheads

<b>Group</b>				
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	70,643	73,759	198,339	196,345
- Pension cost (defined contribution plan)	7,627	7,302	23,037	21,969
- Training fees	882	1,876	2,346	4,149
- Overtime	620	517	1,607	1,293
- Others	5,244	5,202	13,449	14,900
	<u>85,016</u>	<u>88,656</u>	<u>238,778</u>	<u>238,656</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	6,426	7,888	18,862	20,602
- Rental	4,600	3,807	13,061	12,416
- Others	7,536	5,725	28,214	20,335
	<u>18,562</u>	<u>17,420</u>	<u>60,137</u>	<u>53,353</u>
<b>Marketing expenses</b>				
- Advertisement	4,160	4,014	10,226	8,155
- Entertainment expenses	1,472	1,677	3,970	1,450
- Others	1,405	1,943	3,494	5,356
	<u>7,037</u>	<u>7,634</u>	<u>17,690</u>	<u>14,961</u>
<b>Administration and general expenses</b>				
- Legal and professional fees	2,950	2,054	7,211	5,186
- Communication	1,716	2,069	5,587	6,026
- Printing and stationery	666	418	1,896	1,740
- Licensing fee, exchange fee and levies	4,577	2,918	12,165	8,984
- Administrative vehicle, travelling and insurance expenses	2,287	2,730	7,500	8,206
- Others	3,249	3,006	7,832	10,527
	<u>15,445</u>	<u>13,195</u>	<u>42,191</u>	<u>40,669</u>
Shared services cost	(56,167)	(47,641)	(166,609)	(140,436)
<b>Total overhead expenses</b>	<u>69,893</u>	<u>79,264</u>	<u>192,187</u>	<u>207,203</u>

## EXPLANATORY NOTES (Continued)

## A15. Overheads (Continued)

	3rd quarter ended		Nine months ended	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	70,228	73,271	196,978	195,008
- Pension cost (defined contribution plan)	7,582	7,254	22,897	21,828
- Training fees	862	1,876	2,325	4,145
- Overtime	620	517	1,607	1,293
- Others	5,193	5,171	13,329	14,818
	<u>84,485</u>	<u>88,089</u>	<u>237,136</u>	<u>237,092</u>
<b>Establishment costs</b>				
- Depreciation of property, plant and equipment	6,414	7,875	18,827	20,560
- Rental	4,354	3,549	12,352	11,600
- Others	7,517	5,768	28,030	20,242
	<u>18,285</u>	<u>17,192</u>	<u>59,209</u>	<u>52,402</u>
<b>Marketing expenses</b>				
- Advertisement	4,151	4,014	10,197	8,152
- Entertainment expenses	1,512	1,646	3,970	1,416
- Others	1,362	1,954	3,436	5,332
	<u>7,025</u>	<u>7,614</u>	<u>17,603</u>	<u>14,900</u>
<b>Administration and general expenses</b>				
- Legal and professional fees	2,944	2,044	7,187	5,158
- Communication	1,700	2,046	5,539	5,966
- Printing and stationery	666	458	1,896	1,740
- Licensing fee, exchange fee and levies	4,577	2,918	12,165	8,984
- Administrative vehicle, travelling and insurance expenses	2,282	2,723	7,472	8,181
- Others	2,366	2,871	6,778	10,183
	<u>14,535</u>	<u>13,060</u>	<u>41,037</u>	<u>40,212</u>
Shared services cost	(56,167)	(47,641)	(166,609)	(140,436)
Total overhead expenses	<u>68,163</u>	<u>78,314</u>	<u>188,376</u>	<u>204,170</u>

## A16. Allowance for/(writeback of) 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/(written back)

- made during the financial period	-	24	212	33
- written back during the financial period	(120)	(1)	(141)	(159)

## (b) Portfolio impairment allowance

- made during the financial period	213	210	601	338
	<u>93</u>	<u>233</u>	<u>672</u>	<u>212</u>

## A17. Allowance for other impairment losses

## The Group

## Financial investments available-for-sale

- made during the financial period	432	-	717	-
	<u>432</u>	<u>-</u>	<u>717</u>	<u>-</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
<b>At 30 September 2013</b>			
<b>Trading derivative</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	488,850	26,276	(15,198)
	488,850	26,276	(15,198)
<u>Equity derivatives</u>			
Equity options			
- More than 3 years	268,061	-	-
	268,061	-	-
<b>Total derivative assets/(liabilities)</b>	<b>756,911</b>	<b>26,276</b>	<b>(15,198)</b>
<b>At 31 December 2012</b>			
<b>Trading derivative</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- 1 year to 3 years	276,760	3,389	-
- More than 3 years	510,450	35,531	(17,582)
	787,210	38,920	(17,582)
<u>Equity derivatives</u>			
Equity options			
- 1 year to 3 years	214,974	-	-
- More than 3 years	262,824	168	(168)
	477,798	168	(168)
<b>Total derivative assets/(liabilities)</b>	<b>1,265,008</b>	<b>39,088</b>	<b>(17,750)</b>

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 September 2013, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM26,276,000 (31 December 2012: RM39,088,000). 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 2012 and the Risk Management section of the 2012 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 September 2013	31 December 2012
	Principal amount RM'000	Principal amount RM'000
<u>Credit-related</u>		
Obligations under underwriting agreement	136,206	-
Irrevocable commitments to extend credit:		
- Maturity exceeding 1 year	11,734	5,082
Total credit-related commitments and contingencies	147,940	5,082
<u>Treasury-related</u>		
Interest rate related contracts		
- Less than one year	-	276,760
- Five years and above	488,850	510,450
Equity related contracts		
- Less than one year	-	214,974
- Five years and above	268,061	262,824
Total treasury-related commitments and contingencies	756,911	1,265,008
	904,851	1,270,090

## EXPLANATORY NOTES (Continued)

### A19. Capital Adequacy

#### (A) 30 September 2013 - Basel III

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

The risk-weighted assets of the Group and the Bank are computed in accordance with Standardised approach (SA approach) for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk based on the Capital Adequacy Framework (Basel II - Risk Weighted Assets). The components of eligible regulatory capital is based on the Capital Adequacy Framework (Capital Components). The comparative capital adequacy ratios as at December 2012 were based on BNM's Risk-Weighted Capital Adequacy Framework (RWCAF).

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

	The Group	The Bank
	30 September 2013	30 September 2013
Common Equity Tier I Ratio	21.02%	21.54%
Tier I ratio	21.02%	21.54%
Total capital ratio	21.02%	21.54%

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

	The Group	The Bank
	30 September 2013	30 September 2013
	RM'000	RM'000
Credit risk	1,142,812	988,765
Market risk	266,524	266,323
Operational risk	839,596	827,008
Total risk-weighted assets	2,248,932	2,082,096

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

	The Group	The Bank
	30 September 2013	30 September 2013
	RM'000	RM'000
<b>Common Equity Tier I capital</b>		
Ordinary shares	100,000	100,000
Other reserves	431,116	407,043
Common Equity Tier I capital before regulatory adjustments	531,116	507,043
<u>Less: Regulatory adjustments</u>		
Goodwill	(964)	-
Deferred Tax Assets	(43,358)	(43,197)
Deduction in excess of Tier 2 capital	(13,758)	(15,403)
Others	(271)	-
Common equity tier I capital after regulatory adjustments / total Tier I capital	472,765	448,443
<b>Tier II capital</b>		
Redeemable Preference Shares	9	9
Portfolio impairment allowance and regulatory reserves	1,716	1,716
Tier II capital before regulatory adjustments	1,725	1,725
<u>Less: Regulatory adjustments</u>		
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(15,483)	(17,128)
Total Tier II capital	-	-
Total capital base	472,765	448,443



## EXPLANATORY NOTES (Continued)

### A19. Capital Adequacy (Continued)

#### (B) 31 December 2012 - Basel II

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

	The Group 31 December 2012	The Bank 31 December 2012
<b><u>Before deducting proposed dividend</u></b>		
Core capital ratio	20.98%	21.52%
Risk-weighted capital ratio	21.02%	21.52%
<b><u>After deducting proposed dividend</u></b>		
Core capital ratio	18.58%	18.97%
Risk-weighted capital ratio	18.63%	18.97%

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

	31 December 2012 RM'000	31 December 2012 RM'000
Credit risk	1,387,711	1,253,889
Market risk	126,634	126,603
Operational risk	823,010	813,138
	<u>2,337,355</u>	<u>2,193,630</u>

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

	31 December 2012 RM'000	31 December 2012 RM'000
<b><u>Tier I Capital</u></b>		
Paid-up capital	100,000	100,000
Retained profits	259,546	248,989
Other reserves	173,773	173,773
	533,319	522,762
Less: Deferred tax assets	(42,998)	(42,812)
Deduction in excess of Tier 2 Capital	-	(7,925) N1
<b>Total Tier I capital</b>	<u>490,321</u>	<u>472,025</u>
<b><u>Tier II Capital</u></b>		
Cumulative Preference Shares	10	10
Portfolio impairment allowance	1,115	1,115 N2
Surplus of total eligible provision over total		
<b>Total Tier II capital</b>	<u>1,125</u>	<u>1,125</u>
Less:		
Investments in subsidiaries	(50)	(9,050)
<b>Total eligible Tier II capital</b>	<u>1,075</u>	<u>-</u> N1
Total capital base before proposed dividend	491,396	472,025
Proposed dividend	(56,000)	(56,000)
<b>Total capital base after proposed dividend</b>	<u>435,396</u>	<u>416,025</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 impaired loans restricted from Tier II capital of RM1,115,000

## 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 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

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

The Group	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>30 September 2013</b>						
Net interest expense	-	(7,428)	-	-	2,244	(5,184)
Non interest income	52,866	4,419	140,841	27,895	8,063	234,084
Income from Islamic Banking operations	8,309	10,471	8,897	3,072	3,029	33,778
	61,175	7,462	149,738	30,967	13,336	262,678
Overheads	(52,533)	(5,880)	(113,556)	(20,218)	-	(192,187)
<i>of which :</i>						
Depreciation of property, plant and equipment	(3,292)	(3,454)	(9,021)	(3,095)	-	(18,862)
Profit before allowances	8,642	1,582	36,182	10,749	13,336	70,491
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(672)	(672)
Allowance for impairment losses on other receivables	(1,223)	-	-	-	-	(1,223)
Allowance for other impairment losses	-	-	(717)	-	-	(717)
Segment results	7,419	1,582	35,465	10,749	26,000	67,879
Share of results of associates					625	625
Profit before taxation						68,504
Taxation						(21,706)
Net profit for the financial period						46,798
<b>30 September 2013</b>						
Segment assets	67,159	1,931,863	1,073,047	37,579	301,132	3,410,780
Unallocated assets						47,191
<b>Total assets</b>						<b>3,457,971</b>
Segment liabilities	832	1,656,156	994,009	6,849	229,367	2,887,213
Unallocated liabilities						31,886
<b>Total liabilities</b>						<b>2,919,099</b>
<b>Other segment items</b>						
Incurring capital expenditure:						
- addition of property, plant and equipment	6,690	7,021	18,336	6,291	-	38,338
Accretion of discount						
less amortisation of premium	-	47	-	-	-	47

## EXPLANATORY NOTES (Continued)

### A20. Segment reporting (Continued)

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

	Financial advisory, underwriting and other fees RM'000	Debt related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
The Group						
30 September 2012						
Net interest expense	-	(6,381)	-	-	1,312	(5,069)
Non interest income	62,029	2,001	138,184	21,665	4,277	228,156
Income from Islamic						
Banking operations	79,751	3,779	50,517	3,186	1,290	138,523
	141,780	(601)	188,701	24,851	6,879	361,610
Overheads	(60,113)	(10,390)	(111,369)	(25,331)	-	(207,203)
<i>of which :</i>						
<i>Depreciation of property, plant and equipment</i>	<i>(3,122)</i>	<i>(4,406)</i>	<i>(10,253)</i>	<i>(2,821)</i>	-	<i>(20,602)</i>
Profit/(loss) before allowances	81,667	(10,991)	77,332	(480)	6,879	154,407
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(212)	(212)
Allowance for impairment losses on other receivables	(5,736)	-	-	-	-	(5,736)
Segment results	75,931	(10,991)	77,332	(480)	6,667	148,459
Share of results of associates						541
Profit before taxation						149,000
Taxation						(44,674)
Net profit for the financial period						104,326
31 December 2012						
Segment assets	54,306	2,363,588	965,120	34,292	233,668	3,650,974
Unallocated assets						54,244
<b>Total assets</b>						<b>3,705,218</b>
Segment liabilities	2,789	2,151,140	872,452	7,416	102,400	3,136,197
Unallocated liabilities						23,489
<b>Total liabilities</b>						<b>3,159,686</b>
<b>Other segment items</b>						
Incurring capital expenditure:						
- addition of property, plant and equipment	5,449	7,826	17,886	5,307	-	36,468
Accretion of discount less amortisation of premium	-	2,246	-	-	-	2,246

A21. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction.

Determination of fair value and fair value hierarchy.

The Group and the Bank classified its financial instruments measured at Fair Value accordance to the following hierarchy.

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2 – Other techniques for which all inputs which have a significant effect on the recorded fair value are observable for the asset or liability, either directly or indirectly

Level 3 – Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data (unobservable inputs)

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value measurement

The Group	Fair Value				Total RM'000
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>30 September 2013</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	615	615	-	-	615
- Unquoted securities	8,064	-	8,064	-	8,064
Financial investments available-for-sale					
- Unquoted securities	3,224	-	-	3,224	3,224
Derivative financial instruments					
- Trading derivatives	26,276	-	26,276	-	26,276
<b>Total</b>	<b>38,179</b>	<b>615</b>	<b>34,340</b>	<b>3,224</b>	<b>38,179</b>
<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	15,198	-	15,198	-	15,198
<b>Total</b>	<b>15,198</b>	<b>-</b>	<b>15,198</b>	<b>-</b>	<b>15,198</b>

The Bank	Fair Value				Total RM'000
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>30 September 2013</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	615	615	-	-	615
- Unquoted securities	8,064	-	8,064	-	8,064
Financial investments available-for-sale					
- Unquoted securities	745	-	-	745	745
Derivative financial instruments					
- Trading derivatives	26,276	-	26,276	-	26,276
<b>Total</b>	<b>35,700</b>	<b>615</b>	<b>34,340</b>	<b>745</b>	<b>35,700</b>
<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	15,198	-	15,198	-	15,198
<b>Total</b>	<b>15,198</b>	<b>-</b>	<b>15,198</b>	<b>-</b>	<b>15,198</b>

The Group	Fair Value				Total RM'000
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>31 December 2012</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	195	195	-	-	195
- Unquoted securities	32,896	-	32,896	-	32,896
Financial investments available-for-sale					
- Unquoted securities	4,732	-	-	4,732	4,732
Derivative financial instruments					
- Trading derivatives	39,088	-	39,088	-	39,088
<b>Total</b>	<b>76,911</b>	<b>195</b>	<b>71,984</b>	<b>4,732</b>	<b>76,911</b>
<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	17,750	-	17,750	-	17,750
<b>Total</b>	<b>17,750</b>	<b>-</b>	<b>17,750</b>	<b>-</b>	<b>17,750</b>

The Bank	Fair Value				Total RM'000
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>31 December 2012</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	195	195	-	-	195
- Unquoted securities	32,896	-	32,896	-	32,896
Financial investments available-for-sale					
- Unquoted securities	745	-	-	745	745
Derivative financial instruments					
- Trading derivatives	39,088	-	39,088	-	39,088
<b>Total</b>	<b>72,924</b>	<b>195</b>	<b>71,984</b>	<b>745</b>	<b>72,924</b>
<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	17,750	-	17,750	-	17,750
<b>Total</b>	<b>17,750</b>	<b>-</b>	<b>17,750</b>	<b>-</b>	<b>17,750</b>

A21. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Determination of fair value and fair value hierarchy (continued)

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain bonds, government bonds, corporate debt securities, repurchase and reverse purchase agreements, loans, credit derivatives, certain issued notes and the Group's OTC derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The following represents the changes in Level 3 instruments for the financial period/year ended 30 September 2013 and 31 December 2012 for the Group and the Bank.

The Group	Financial Assets	
	Financial investments available-for-sale Quoted and Unquoted securities	Total
	RM'000	RM'000
<b>30 September 2013</b>		
At 1 January	4,732	4,732
Total loss recognised in statement of income	(717)	(717)
Total loss recognised in other comprehensive income	(791)	(791)
At 30 September	3,224	3,224

Total loss recognised in statement of income relating to assets held on 30 September	(717)	(717)
Total loss recognised in other comprehensive income relating to assets held on 30 September	(791)	(791)

The Bank	Financial Assets	
	Financial investments available-for-sale Quoted and Unquoted securities	Total
	RM'000	RM'000
<b>30 September 2013</b>		
At 1 January / 30 September	745	745

The Group	Financial Assets	
	Financial investments available-for-sale Quoted and Unquoted securities	Total
	RM'000	RM'000
<b>31 December 2012</b>		
At 1 January	2,703	2,703
Total gain recognised in other comprehensive income	1,284	1,284
Purchases	745	745
At 31 December	4,732	4,732

Total gain recognised in other comprehensive income relating to assets held on 31 December	1,284	1,284
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The Bank	Financial Assets	
	Financial investments available-for-sale Quoted and Unquoted securities	Total
	RM'000	RM'000
<b>31 December 2012</b>		
Purchases	745	745
At 31 December	745	745

EXPLANATORY NOTES (Continued)

A22. The operations of Islamic Banking

A22a. Unaudited Statements of Financial Position as at 30 September 2013

	Notes	The Group and The Bank	
		30 September 2013	31 December 2012
		RM'000	RM'000
<b>Assets</b>			
Cash and short-term funds		651,574	256,745
Deposit and placements with banks and other financial institutions		50,237	692,756
Islamic derivative financial instruments		26,276	40,879
Other assets		164,708	173,455
Tax recoverable		1,434	-
Property, plant and equipment		45	22
Amount due from related companies		434	-
<b>Total assets</b>		<b>894,708</b>	<b>1,163,857</b>
<b>Liabilities and Islamic Banking capital funds</b>			
Deposits from customers	A22c	162,950	308,736
Deposits and placements of banks and other financial institutions		313,512	263,831
Islamic derivative financial instruments		15,198	17,750
Provision for taxation and zakat		607	134,557
Other liabilities		5,951	804
Amount due to related companies		270	222
<b>Total liabilities</b>		<b>498,488</b>	<b>725,900</b>
Islamic Banking capital funds		55,250	55,250
Reserves		340,970	382,707
<b>Total Islamic Banking capital funds</b>		<b>396,220</b>	<b>437,957</b>
<b>Total liabilities and Islamic Banking capital funds</b>		<b>894,708</b>	<b>1,163,857</b>

A22b. Unaudited Statements of Income for the financial period ended 30 September 2013

	The Group and The Bank			
	3rd quarter ended		Nine months ended	
	30 September 2013	30 September 2012	30 September 2013	30 September 2012
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	3,428	4,921	14,085	13,253
Income derived from investment of shareholders' funds	19,458	58,143	32,279	142,782
Writeback of impairment losses on other receivables	6	301	-	8
<b>Total attributable income</b>	<b>22,892</b>	<b>63,365</b>	<b>46,364</b>	<b>156,043</b>
Income attributable to the depositors	(3,592)	(10,943)	(12,586)	(17,512)
<b>Total net income</b>	<b>19,300</b>	<b>52,422</b>	<b>33,778</b>	<b>138,531</b>
Personnel expenses	(140)	(18)	(388)	(466)
Other overheads and expenditures	(9,762)	(506)	(13,673)	(928)
<b>Profit before taxation</b>	<b>9,398</b>	<b>51,898</b>	<b>19,717</b>	<b>137,137</b>
Taxation	(2,784)	(13,018)	(5,442)	(34,341)
<b>Profit after taxation/total comprehensive income for the period</b>	<b>6,614</b>	<b>38,880</b>	<b>14,275</b>	<b>102,796</b>
<u>Income from Islamic operations (per page 2)</u>				
<b>Total net income</b>	<b>19,300</b>	<b>52,422</b>	<b>33,778</b>	<b>138,531</b>
Less : Writeback of impairment losses on other receivables	(6)	(301)	-	(8)
	<b>19,294</b>	<b>52,121</b>	<b>33,778</b>	<b>138,523</b>

A22c. Deposits from customers

	The Group and The Bank	
	30 September 2013	31 December 2012
	RM'000	RM'000
<b>(i) By type of deposits</b>		
Specific investment account		
Mudharabah	162,950	308,736
<b>(ii) Maturity structure of term deposit</b>		
Due within six months	-	138,586
More than five years	162,950	170,150
	<b>162,950</b>	<b>308,736</b>

## EXPLANATORY NOTES (Continued)

### A22d. Capital Adequacy

#### (A) 30 September 2013 - Basel III

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

	The Group and The Bank
	30 September 2013
Common Equity Tier 1 Ratio	82.10%
Tier 1 ratio	82.10%
Total capital ratio	82.10%

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

	The Group and The Bank
	30 September 2013 RM'000
Credit risk	218,220
Market risk	28,129
Operational risk	228,243
Total risk-weighted assets	<u>474,592</u>

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

	The Group and The Bank
	30 September 2013 RM'000
<b>Common Equity Tier I capital</b>	
Ordinary shares	55,250
Other reserves	334,368
Common Equity Tier I capital / total Tier I Capital	389,618
Total capital base	<u>389,618</u>

## EXPLANATORY NOTES (Continued)

### A22d. Capital Adequacy (Continued)

#### (B) 31 December 2012 - Basel II

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

	<b>The Group and The Bank</b>
	31 December 2012
<b><u>Before deducting proposed dividend</u></b>	
Core capital ratio	95.66%
Risk-weighted capital ratio	95.66%
<b><u>After deducting proposed dividend</u></b>	
Core capital ratio	83.42%
Risk-weighted capital ratio	83.42%

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

	31 December 2012
	RM'000
Credit risk	222,096
Market risk	23,008
Operational risk	212,470
	<hr/>
	457,574

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

	31 December 2012
	RM'000
<b><u>Tier I Capital</u></b>	
Paid-up capital	55,000
Retained profits	381,371
Other reserves	1,335
	<hr/>
<b>Total Tier I capital</b>	437,706
	<hr/>
	437,706
	<hr/>
Total capital base before proposed dividend	437,706
Proposed dividend	(56,000)
<b>Total capital base</b>	<hr/> <hr/> 381,706



## EXPLANATORY NOTES (Continued)

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

The Group achieved a profit after tax of RM46.8 million for the period ended 30 September 2013, 55.1% drop from profit after tax of RM104.3 million achieved in the same period of 2012 mainly due to a decrease in Income from Islamic Operations to RM33.8 million for the period ended 30 September 2013 as compared to RM138.5 million for the period ended 30 September 2012, mainly attributed to lower Islamic fee income from IPO deals achieved.

Overhead expenses decreased by 7.2% from RM207.2 million for the period ended 30 September 2012 to RM192.2 million for the period ended 30 September 2013, mainly due to a decrease in personnel expenses partially offset by an increase in establishment expenses.

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

Although the Malaysian equity market picked up post the General Elections, we saw a negative turn in market sentiment in July 2013 at the prospect of reduced US monetary stimulus and weaker economic outlook for ASEAN economies. We expect market sentiment to improve in 4Q bringing higher market trading volumes and more opportunities to bring primary equity transactions to the market.