

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2011

<u>Assets</u>		30-Jun-11 RM'000	31-Dec-10 RM'000
Cash and short term funds	1	7,409,852	7,744,407
Deposits and placements with banks and other financial institutions	2	915,574	950,000
Financial assets held for trading	3	1,739,597	2,347,894
Financial investments available-for-sale	4	517,686	455,959
Financial investments held-to-maturity	5	1,038,866	1,093,635
Islamic derivative financial instruments	12(i)	170,445	150,688
Financing, advances and other loans	6	24,033,314	22,424,577
Other assets	7	228,534	334,227
Deferred taxation		5,123	5,589
Amount due from holding company		-	245,034
Amount due from related companies		1,076	828
Statutory deposits with Bank Negara Malaysia		621,777	143,406
Property, plant and equipment		1,470	1,862
Intangible assets		4,038	4,287
Goodwill		136,000	136,000
Total Assets		36,823,352	36,038,393
<u>Liabilities</u>			
Deposits from customers	8	23,129,854	22,677,955
Deposits and placements of banks and other financial institutions	9	10,492,938	11,125,028
Other liabilities	10	252,784	384,555
Islamic derivative financial instruments	12(i)	278,572	199,199
Provision for tax and zakat		59,793	12,989
Subordinated Sukuk	11	557,523	300,000
Amount due to holding company		261,024	-
Amount due to related companies		476	-
Total liabilities		35,032,961	34,699,726
Equity			
Capital and reserves attributable to equity holder of the Bank			
Ordinary share capital		1,000,000	750,000
Reserves		720,391	518,667
		1,720,391	1,268,667
Perpetual preference shares		70,000	70,000
Total equity		1,790,391	1,338,667
Total equity and liabilities		36,823,352	36,038,393
Commitments and contingencies	12(ii)	18,531,886	17,877,382
Net assets per share (RM)		1.72	1.69

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2011

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 30-Jun-11 RM'000	QUARTER ENDED 30-Jun-10 RM'000	6 MONTHS ENDED 30-Jun-11 RM'000	6 MONTHS ENDED 30-Jun-10 RM'000
Income derived from investment of depositors' funds and others	14	403,493	342,855	777,433	611,716
Income derived from investment of shareholders' funds	15	26,540	29,936	96,637	51,687
Writeback of impairment for losses on financing	16	(12,440)	(74,758)	(4,244)	(107,499)
Allowances for other receivables		321	-	(12)	-
Total distributable income		417,914	298,033	869,814	555,904
Income attributable to depositors	17	(220,570)	(165,168)	(445,587)	(286,717)
Total net income		197,344	132,864	424,227	269,186
Personnel expenses	18	(53,662)	(29,321)	(95,547)	(55,351)
Other overheads and expenditures	19	(26,085)	(25,107)	(64,652)	(54,747)
Profit for the financial period		117,597	78,437	264,028	159,089
Taxation and zakat	20	(29,400)	(20,622)	(66,107)	(41,088)
Net profit for the period		88,197	57,815	197,921	118,001
Earnings per share (sen)		8.82	7.71	19.79	15.73

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2011

Profit for the period	88,197	57,815	197,921	118,001
Other comprehensive income:				
Revaluation reserve financial investments available-for-sale				
- Net gain from change in fair value	7,371	2,498	6,184	2,090
- Realised (loss)/gain transferred to income statement on disposal and impairment	(62)	116	(62)	530
- Income tax effects	(3,098)	(653)	(2,801)	(654)
Other comprehensive income for the period, net of tax	4,211	1,961	3,321	1,966
Total comprehensive income for the period	92,408	59,776	201,242	119,967

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2011

	← Non-distributable						Distributable →				
	Share capital RM'000	Statutory reserve RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Merger deficit RM'000	Capital reserve RM'000	Regulatory reserve* RM'000	Share-based payment reserve RM'000	Accumulated profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total equity RM'000
30 June 2011											
At 1 January 2011, as previously reported	750,000	286,521	5,082	(2,457)	458	7,405	-	221,658	1,268,667	70,000	1,338,667
Effect of adopting Amendments to FRS 2	-	-	-	-	-	-	15,159	(15,159)	-	-	-
As restated	750,000	286,521	5,082	(2,457)	458	7,405	15,159	206,499	1,268,667	70,000	1,338,667
Issuance of shares	250,000	-	-	-	-	-	-	-	250,000	-	250,000
Net profit for the financial period	-	-	-	-	-	-	-	197,923	197,923	-	197,923
Other comprehensive income (net of tax)	-	-	3,321	-	-	-	-	-	3,321	-	3,321
- Financial investments available-for-sale	-	-	3,321	-	-	-	-	-	3,321	-	3,321
Total comprehensive income for the period	-	-	3,321	-	-	-	-	197,923	201,244	-	201,244
Share-based payment expense	-	-	-	-	-	-	480	-	480	-	480
Transfer to regulatory reserve	-	-	-	-	-	10,971	-	(10,971)	-	-	-
Transfer to statutory reserve	-	98,962	-	-	-	-	-	(98,962)	-	-	-
At 30 June 2011	1,000,000	385,483	8,403	(2,457)	458	18,376	15,639	294,490	1,720,391	70,000	1,790,391
30 June 2010											
At 1 January 2010, as previously reported	550,000	135,635	194	(2,457)	458	-	-	117,228	801,058	70,000	871,058
Effect of adopting FRS 139 on 1 January 2010	-	-	-	-	-	-	-	(39,050)	(39,050)	-	(39,050)
As restated	550,000	135,635	194	(2,457)	458	-	-	78,178	762,008	70,000	832,008
Net profit for the financial period	-	-	-	-	-	-	-	118,001	118,001	-	118,001
Other comprehensive income (net of tax)	-	-	1,966	-	-	-	-	-	1,966	-	1,966
- Financial investments available-for-sale	-	-	1,966	-	-	-	-	-	1,966	-	1,966
Total comprehensive income for the period	-	-	1,966	-	-	-	-	118,001	119,967	-	119,967
Transfer to statutory reserve	-	59,001	-	-	-	-	-	(59,001)	-	-	-
At 30 June 2010	550,000	194,636	2,160	(2,457)	458	-	-	137,178	881,975	70,000	951,975

* Regulatory reserve is maintained as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology with the adoption of FRS 139 beginning 1 January 2010

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010.



Company Number :671380-H

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2011

	30-Jun-11	30-Jun-10
	RM'000	RM'000
Profit before taxation	264,028	159,089
Adjustments for non-cash items	<u>(101,801)</u>	<u>(138,869)</u>
Operating profit before changes in working capital	162,227	20,220
Net increase in operating assets	(1,177,485)	(5,582,156)
Net increase in operating liabilities	160,509	9,969,667
Tax paid	<u>(18,690)</u>	<u>(32,544)</u>
Net cash (used in)/generated from operating activities	(873,439)	4,375,187
Net cash flows (used in)/generated from investing activities	<u>31,362</u>	<u>38,167</u>
Net cash flows from financing activities	<u>507,523</u>	<u>-</u>
Net (decrease)/increase in cash and cash equivalents	(334,555)	4,413,354
Cash and cash equivalents at beginning of the financial period	7,744,407	4,680,918
Cash and cash equivalents at end of the financial period	<u>7,409,852</u>	<u>9,094,272</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010

EXPLANATORY NOTES

A. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial period ended 30 June 2011 have been prepared under the historical cost convention, except for financial assets held for trading, financial investments available-for-sale and Islamic derivative financial instruments, that have been measured at fair value.

The unaudited condensed interim financial statements have been prepared in accordance with FRS134 "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 Bank's audited financial statements for the financial year ended 31 December 2010. 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 Bank since the financial year ended 31 December 2010.

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 2010, and modified for the adoption of the following accounting standards applicable for financial periods beginning on or after 1 January 2011:

- FRS 1 "First-time Adoption of Financial Reporting Standards"
- Amendment to FRS 1 "Limited Exemption from Comparative FRS 7 "Disclosures for First-time Adopters"
- Amendment to FRS 1 "Additional Exemptions for First-time Adopters"
- Amendments to FRS 2 "Share-based Payment"
- Amendments to FRS 2 "Group Cash-settled Share-based Payment Transactions"
- FRS 3 "Business Combinations"
- Amendments to FRS 5 "Non-current Assets Held for Sale and Discontinued Operations"
- Amendments to FRS 7 "Improving Disclosures about Financial Instruments"
- FRS 127 "Consolidated and Separate Financial Statements"
- Amendments to FRS 132 "Financial Instruments: Presentation"
- Amendment to FRS 138 "Intangible Assets"
- Amendments to IC Interpretation 9 "Reassessment of Embedded Derivatives"
- IC Interpretation 4 "Determining Whether an Arrangement contains a Lease"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 16 "Hedges of a Net Investment in a Foreign Operation"
- IC Interpretation 17 "Distributions of Non-cash Assets to Owners"
- IC Interpretation 18 "Transfers of Assets from Customers"
- TR i-4 "Shariah Compliant Sale Contract"
- Improvements to FRSS (2010)

The amendment to FRS 2 effective 1 Jan 2011 clarifies that an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. Previously, the Bank have a cash settled share based arrangement whereby a substantial shareholder of CIMB Group grants entitlements to the employees of the Bank. Prior to the adoption of the amendment to FRS 2, the Bank do not account for the transaction in its financial statements. The Bank have changed its accounting policy upon adoption of amendment to FRS 2 on 1 January 2011 retrospectively. As the Bank do not have an obligation to settle the transaction with its employees, the Bank have accounted for the transaction as equity settled in accordance with the amendment to FRS 2. The impact of the change in accounting policy to the prior period presented is disclosed in Note 22.

Amendment to FRS 7 requires enhanced disclosures about fair value measurement and liquidity risk. The amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment will only affect disclosures and will not have any financial impact on the results of the Bank.

The following FRSS and new IC Interpretations have been issued by the MASB and are effective for annual periods commencing on or after 1 January 2012, and have yet to be adopted by the Group and the Company:

- FRS 124 "Related Party Transactions" (effective 1 January 2012)
- IC Interpretation 15 "Agreements for the Construction of Real Estate" (effective 1 January 2012)
- Amendments to IC Interpretation 14 "Prepayments of a Minimum Funding Requirement" (effective 1 July 2011)
- IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments" (effective 1 July 2011)

The preparation of unaudited condensed interim financial statements in conformity with the Financial Reporting Standards requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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 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.

The revised FRS 101 requires all non-owner changes in equity to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). With effective from 1 April 2011, the Bank has elected to present the statement of comprehensive income in two statements.

B. 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.

C. ISSUANCE AND REPAYMENT OF DEBT EQUITY SECURITIES

On 21 April 2011, the Bank had issued RM250 million subordinated Sukuk ('the Sukuk') as part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, the Bank is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time. The Sukuk qualifies as Tier-2 capital for the purpose of the RWCR computation.

On 30 May 2011, the Bank had issued additional RM250 million ordinary shares of RM1 par value.

D. PROPOSED DIVIDEND

There were no dividends paid or proposed for the period ended 30 June 2011.

E. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events that had occurred between 30 June 2011 and the date of this announcement

F. PERFORMANCE REVIEW

For the second quarter 30 June 2011, the Bank registered a profit after tax of RM88.2 million, an increase of 53 % from a profit after tax of RM57.8 million in the previous year corresponding period. This is mainly attributable to a significant growth in business activities during the current period under review as evidenced by the increase in financing by 7% to RM24.4 billion from RM22.8 billion as at 30 June 2010.

G. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Bank retains its target for 2011 but has re-strategised for volatile financial markets and slower economic growth in the region. As the Bank moderates its asset growth expectations, it will emphasise on internal efficiencies and sustaining its low credit costs to achieve this target.

	30-Jun-11 RM'000	31-Dec-10 RM'000
<u>Notes to the accounts</u>		
1 Cash and short-term funds		
Cash and balances with banks and other financial institutions	155,569	73,353
Money at call and deposit placements maturing within one month	7,254,283	7,671,054
	<u>7,409,852</u>	<u>7,744,407</u>
2 Deposits and placements with banks and other financial institutions		
Licensed Islamic banks	676,626	400,000
Licensed Investment banks	145,260	-
Other financial institutions	93,688	550,000
	<u>915,574</u>	<u>950,000</u>
3 Financial assets held for trading		
Money market instruments		
Unquoted		
Government investment issues	76,051	194,227
Islamic negotiable instruments of deposits	496,546	638,001
Islamic accepted bills	244,141	98,364
Bank Negara negotiable notes	801,376	1,283,823
	<u>1,618,113</u>	<u>2,214,415</u>
Unquoted securities		
Islamic private debt securities	121,484	133,479
	<u>1,739,597</u>	<u>2,347,894</u>
4 Financial investments available-for-sale		
Money market instruments		
Unquoted		
Government investment issues	122,209	65,526
Islamic Cagamas bonds	35,433	35,423
	<u>157,641</u>	<u>100,949</u>
Unquoted securities		
Islamic private debt securities	359,470	354,435
Placement with IBFIM	575	575
	<u>517,686</u>	<u>455,959</u>
5 Financial investments held-to-maturity		
Money market instruments		
Unquoted securities		
Government investment issues	101,573	100,056
Islamic private debt securities	945,490	1,001,081
Amortisation of premium less accretion of discount	(8,196)	(7,502)
	<u>1,038,866</u>	<u>1,093,635</u>

	30-Jun-11 RM'000	31-Dec-10 RM'000
6 Financing, advances and other loans		
(i) By type of financing:		
Cash line	321,088	322,529
Term financing		
- House financing	6,160,247	5,532,014
- Syndicated financing	192,078	380,986
- Hire purchase receivables	5,297,773	5,234,598
- Other term financing	11,731,991	10,518,830
Bills receivable	2,551	2,235
Islamic trust receipts	42,063	59,091
Claims on customer under Islamic accepted bills	214,851	191,657
Credit card receivables	99,243	90,472
Revolving credits	378,013	407,330
Others	-	11
Gross financing, advances and other loans	<u>24,439,898</u>	<u>22,739,753</u>
Fair value changes arising from fair value hedges	79,851	17,997
Less : Allowance for impairment losses		
- Individual impairment allowance	(89,184)	(92,683)
- Portfolio impairment allowance	(397,251)	(240,490)
Total net financing, advances and other loans	<u><u>24,033,314</u></u>	<u><u>22,424,577</u></u>
The Bank has undertaken fair value hedges on financing using profit rate swaps.		
Gross financing hedged	4,300,000	4,400,000
Fair value changes arising from fair value hedges	79,851	17,997
	<u>4,379,851</u>	<u>4,417,997</u>
The fair value loss on profit rate swaps as at 30 June 2011 were RM111.47 million (31 December 2010 : fair value loss of RM49.0 million).		
(ii) By geographical distribution:		
Malaysia	<u>24,439,898</u>	<u>22,739,753</u>
	<u><u>24,439,898</u></u>	<u><u>22,739,753</u></u>
(iii) By contract :		
Bai' Bithaman Ajil (<i>deferred payment sale</i>)	10,684,323	10,320,341
Ijarah Muntahiyah Bittamlik/AITAB (<i>lease ended with ownership</i>)	6,230,308	5,979,854
Murabahah (<i>cost-plus</i>)	48,788	303,903
Bai' al-'inah (<i>sale and buy back</i>)	7,112,583	5,827,671
Others	363,896	307,984
	<u>24,439,898</u>	<u>22,739,753</u>

	30-Jun-11 RM'000	31-Dec-10 RM'000
(iv) By type of customer :		
Domestic non-bank financial institutions		
- Others	182,494	213,028
Domestic business enterprises		
- Small medium enterprises	1,242,074	1,267,220
- Others	3,093,929	3,131,681
Government and statutory bodies	4,539,613	4,539,837
Individuals	15,134,654	13,353,200
Other domestic entities	2,000	5,467
Foreign entities	245,134	229,320
	<u>24,439,898</u>	<u>22,739,753</u>
(v) By profit rate sensitivity :		
Fixed rate		
- House financing	425,803	417,942
- Hire purchase receivables	5,297,773	5,234,598
- Others	8,887,318	8,024,882
Variable rate		
- House financing	5,734,444	5,114,072
- Other financing	4,094,560	3,948,259
	<u>24,439,898</u>	<u>22,739,753</u>
(vi) By economic purpose :		
Personal use	2,734,672	1,710,557
Credit card	99,401	90,472
Construction	792,887	759,803
Residential property	6,185,105	5,579,762
Non-residential property	1,758,843	1,651,458
Purchase of fixed assets other than land and building	435,871	391,915
Purchase of securities	311	20,606
Purchase of transport vehicles	5,304,258	5,234,598
Working capital	6,922,491	7,039,034
Other purpose	206,059	261,548
	<u>24,439,898</u>	<u>22,739,753</u>
(vii) By residual contractual maturity :		
Within one year	1,331,757	1,754,853
One year to less than three years	1,012,120	860,224
Three years to less than five years	1,603,713	1,770,618
Five years and more	20,492,308	18,354,058
	<u>24,439,898</u>	<u>22,739,753</u>

	30-Jun-11 RM'000	31-Dec-10 RM'000
(viii) Impaired financing by economic purpose :		
Personal use	15,617	17,165
Credit card	3,265	2,616
Construction	2,140	1,584
Residential property	80,068	85,002
Non-residential property	20,942	16,131
Purchased of fixed assets other than land & building	2,580	1,738
Purchase of securities	3	19,364
Purchase of transport vehicles	118,649	86,560
Working capital	103,890	101,590
Other purpose	5,468	4,129
	<u>352,622</u>	<u>335,879</u>
(ix) Impaired financing by geographical distribution:		
Malaysia	<u>352,622</u>	<u>335,879</u>
	<u>352,622</u>	<u>335,879</u>
(x) Movement in impaired financing, advances and other loans :		
Balance as at 1 January	335,879	278,259
Impaired during the period/year	162,314	337,853
Reclassified as non-impaired during the period/year	(55,326)	(74,091)
Recoveries	(53,023)	(121,592)
Amount written off	(37,222)	(84,550)
Balance as at 30 June/31 December	<u>352,622</u>	<u>335,879</u>
Ratio of gross impaired financing to total financing advances, and other loans	1.44%	1.48%

	30-Jun-11 RM'000	31-Dec-10 RM'000
(xi) Movements in allowance for impaired financing/bad and doubtful financing :		
Individual impairment allowance		
Balance as at 1 January	92,683	105,851
Amount written back in respect of recoveries	(2,745)	(273)
Unwinding income	(640)	(2,613)
Amount written off	(114)	(10,282)
Balance as at 30 June/31 December	<u>89,184</u>	<u>92,683</u>
Portfolio impairment allowance		
Balance as at 1 January	240,490	260,926
Net allowance made during the period/year	28,057	162,884
Transfer from/(to) CIMB Bank	162,848	(119,980)
Unwinding income	(1,213)	(1,838)
Amount written off	(32,931)	(61,502)
Balance as at 30 June/31 December	<u>397,251</u>	<u>240,490</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other loans (excluding RPSIA financing) less individual impairment allowance	2.30%	2.30%
7 Other assets		
Deposits and prepayments	1,511	308
Sundry debtors	150,257	53,235
Collateral pledged for derivative transactions	68,470	68,470
Clearing accounts	8,296	212,214
	<u>228,534</u>	<u>334,227</u>
8 Deposits from customers		
(i) By type of deposit		
<u>Mudharabah</u>		
Demand deposits	1,979,710	1,497,390
Savings deposits	347,230	289,034
General investment deposits	1,035,573	1,067,781
Special general investment deposits	7,937,308	7,574,239
Specific investment deposits	2,513,077	2,352,764
	<u>13,812,898</u>	<u>12,781,208</u>
<u>Non-Mudharabah</u>		
Demand deposits	2,944,580	2,941,557
Savings deposits	846,705	701,147
Fixed return investment deposit	4,824,864	5,126,454
Negotiable instruments of deposit	323,787	1,033,019
Commodity Murabahah	302,353	69,379
Others	74,667	25,191
	<u>9,316,956</u>	<u>9,896,747</u>
	<u>23,129,854</u>	<u>22,677,955</u>

	30-Jun-11 RM'000	31-Dec-10 RM'000
(ii) Maturity structure of investment deposits and negotiable instruments of deposit		
One year or less (short term)	14,573,064	15,049,260
More than one year (medium/long term)	2,061,545	2,104,997
	<u>16,634,609</u>	<u>17,154,257</u>
(iii) By type of customer		
Government and statutory bodies	5,175,906	5,685,744
Business enterprises	11,441,576	12,465,878
Individuals	4,024,525	3,573,972
Others	2,487,847	952,361
	<u>23,129,854</u>	<u>22,677,955</u>
9 Deposits and placements of banks and other financial institutions		
<u>Mudharabah</u>		
Licensed Islamic banks	260,660	390,000
Licensed banks	2,539,173	8,459,878
Licensed investment banks	649,606	571,200
	<u>3,449,439</u>	<u>9,421,078</u>
<u>Non-Mudharabah</u>		
Licensed Islamic banks	-	4,625
Licensed banks	7,004,116	1,649,076
Other financial institutions	39,383	50,249
	<u>7,043,499</u>	<u>1,703,950</u>
	<u>10,492,938</u>	<u>11,125,028</u>
10 Other liabilities		
Accruals and other payables	92,251	25,099
Clearing accounts	6,592	327,463
Others	153,942	31,993
	<u>252,784</u>	<u>384,555</u>
11 Subordinated sukuk		

The RM550 million subordinated Sukuk ('the Sukuk') is part of the Tier-2 Junior Sukuk programme which was approved by the Securities Commission on 22 May 2009. Under the programme, the Bank is allowed to raise Tier-2 capital of up to RM2.0 billion in nominal value outstanding at any one time.

The Sukuk of RM300 million under the first issuance was issued at par on 25 September 2009 and is due on 25 September 2024, with optional redemption on 25 September 2019 or any periodic payment date thereafter. The Sukuk bears a profit rate of 5.85% per annum payable semi-annually in arrears.

The second tranche of the Sukuk of RM250 million was issued at par on 21 April 2011 and is due on 21 April 2021. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.

The RM550 million Sukuk qualify as Tier-2 capital for the purpose of the RWCR computation.

12 Islamic derivative financial instruments, commitments and contingencies

(i) Islamic derivative financial instruments

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

	30-June-11			31-Dec-10		
	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
<u>Foreign exchange derivatives</u>						
Currency forwards						
- Less than 1 year	92,838	622	(202)	33,825	42	(460)
Currency swaps						
- Less than 1 year	1,482,236	13,831	(22,044)	1,621,195	8,235	(20,753)
Currency spot						
- Less than 1 year	3,632	3	(2)	245	1	-
Cross currency profit rate swaps						
- 1 year to 3 years	-	-	-	88,549	2,653	(2,653)
- More than 3 years	90,038	4,926	(4,926)	-	-	-
	<u>1,668,744</u>	<u>19,383</u>	<u>(27,174)</u>	<u>1,743,814</u>	<u>10,931</u>	<u>(23,866)</u>
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	6,832,458	131,433	(120,294)	5,799,537	122,279	(108,850)
- Less than 1 year	1,097,005	13,444	(208)	377,279	2,390	-
- 1 year to 3 years	1,757,773	36,965	(1,189)	4,315,158	91,132	(15,490)
- More than 3 years	3,977,680	81,024	(118,898)	1,107,100	28,757	(93,360)
<u>Equity related derivatives</u>						
Equity options	2,245,585	18,231	(18,231)	2,219,544	6,342	(6,342)
- Less than 1 year	383,450	1,838	(1,838)	637,740	1,937	(1,937)
- 1 year to 3 years	919,192	3,413	(3,413)	1,075,479	3,728	(3,728)
- More than 3 years	942,943	12,980	(12,980)	506,325	677	(677)
<u>Held for hedging purpose</u>						
Islamic profit rate swaps	4,300,000	1,398	(112,872)	4,400,000	11,136	(60,141)
- More than 3 years	4,300,000	1,398	(112,872)	4,400,000	11,136	(60,141)
Total derivative assets/(liabilities)	<u>15,046,787</u>	<u>170,445</u>	<u>(278,572)</u>	<u>14,162,895</u>	<u>150,688</u>	<u>(199,199)</u>

Market Risk

Market risk is defined as any fluctuation in the value arising from changes in value of market risk factors such as profit 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 Capital-at-Risk (CaR) 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 profit rate swaps, are not able to or willing to fulfil their obligation to pay the Bank the positive fair value or receivable resulting from the execution of contract terms. As at 30 June 2011, the amount of credit risk in the Bank, measured in terms of the cost to replace the profitable contracts, was RM170 million (31 December 2010: RM151 million). 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:

- 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;
- the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2010 .

12 Islamic derivative financial instruments, commitments and contingencies

(ii) Commitments and contingencies

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

The commitments and contingencies constitute the following :

	30-June-11	31-Dec-10
	Principal	Principal
	amount	amount
	RM'000	RM'000
<u>Credit-related</u>		
Direct credit substitutes	24,790	37,197
Certain transaction-related contingent items	367,362	374,102
Short-term self-liquidating trade-related contingencies	58,725	17,949
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	1,495,712	1,782,407
- maturity exceeding one year	1,284,867	1,411,601
Miscellaneous commitments and contingencies	253,643	91,231
Total credit-related commitments and contingencies	<u>3,485,098</u>	<u>3,714,487</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	1,578,706	1,655,265
- one year to less than five years	90,038	88,549
Profit rate related contracts :		
- less than one year	1,097,005	377,279
- one year to less than five years	4,377,863	4,315,158
- over five years	5,657,590	5,507,100
Equity related contracts :		
- less than one year	383,450	637,740
- one year to less than five years	1,083,918	1,075,479
- above 5 years	778,217	506,325
Total treasury-related commitments and contingencies	<u>15,046,788</u>	<u>14,162,895</u>
	<u>18,531,886</u>	<u>17,877,382</u>

13 CAPITAL ADEQUACY

The capital adequacy ratios of the Bank are computed in accordance with Internal Rating-Based approach (IRB approach) for Credit Risk, where Advanced Internal Rating-Based (AIRB) is used for retail exposure and Foundation IRB for Non-Retail exposure while Operational risk is based on Basic Indicator Approach. Market Risk remained unchanged under Standardised Approach.

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

	30-Jun-11	31-Dec-10
	RM'000	RM'000
Tier I capital	1,619,689	1,184,591
Eligible Tier II capital	602,860	355,874
Capital base	<u>2,222,549</u>	<u>1,540,465</u>
Core capital ratio	10.93%	13.24%
Risk-weighted capital ratio	15.00%	17.21%

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

<u>Tier I capital</u>		
Paid-up share capital	1,000,000	750,000
Perpetual preference share	70,000	70,000
Retained profits and other reserves	693,612	506,180
	<u>1,763,612</u>	<u>1,326,180</u>
Less : Goodwill	(136,000)	(136,000)
Less : Deferred taxation	(7,923)	(5,589)
Total Tier-I Capital	1,619,689	1,184,591
<u>Tier II capital</u>		
Subordinated sukuk	550,000	300,000
Regulatory reserve	18,376	7,405
Portfolio impairment allowance [^]	58,856	30,892
Surplus of total eligible provision over expected loss	(24,372)	17,577
Total Tier II capital	602,860	355,874
Total capital base	<u>2,222,549</u>	<u>1,540,465</u>

(c) Breakdown of risk-weighted assets in the various categories of risk-weights

Risk weighted assets for credit risk	13,146,755	7,623,657
Risk weighted assets for market risk	441,717	285,115
Risk weighted assets for operational risk	1,230,993	1,041,278
	<u>14,819,464</u>	<u>8,950,050</u>

[^] The capital base of the Bank as at 30 June 2011 has excluded portfolio impairment allowance on impaired financings for standardise approach assets restricted from Tier II capital of RM19,091,043 (2010 : RM19,709,506).

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER	QUARTER	6 MONTHS	6 MONTHS
	ENDED	ENDED	ENDED	ENDED
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
	RM'000	RM'000	RM'000	RM'000

14 Income derived from investment of depositors funds and others

Income derived from investment of :

- General investment deposits	152,920	161,956	278,524	283,669
- Specific investment deposits	112,277	82,496	253,810	138,875
- Other deposits	138,296	98,403	245,099	189,172
	403,493	342,855	777,433	611,716

14a Income derived from investment of general investment deposits

Financing, advances and other loans

- Income other than recoveries	124,029	120,545	225,030	227,372
- Unwinding income [^]	427	1,244	913	1,291
Financial assets held for trading	2,053	2,333	4,340	5,759
Financial investments available-for-sale	2,714	2,988	5,272	6,034
Financial investments held-to-maturity	1,375	1,705	2,776	3,280
Money at call and deposit with financial institutions	16,241	18,652	33,964	26,600
	146,838	147,467	272,295	270,336
Accretion of discount less amortisation of premium	5,247	4,212	10,031	8,354
Total finance income and hibah	152,085	151,679	282,326	278,690

Other operating income

- Net gain/(loss) arising from financial assets held for trading				
- realised gain/(loss)	147	(308)	203	(416)
- unrealised loss	(318)	(267)	(637)	(857)
- Net (loss)/gain from sale of financial investments available-for-sale	(31)	69	(31)	294
- Net loss from sale of financial investments held-to-maturity	-	-	(128)	-
- Net gain/(loss) from foreign exchange transactions	451	9,337	(4,660)	4,260
	250	8,831	(5,253)	3,281
Fee and commission income	585	1,446	1,452	1,698
	152,920	161,956	278,524	283,669

14b Income derived from investment of specific investment deposits

Financing, advances and other loans

- Income other than recoveries	84,357	64,106	200,350	103,038
Financial investments held-to-maturity	9,874	9,391	20,017	18,761
Money at call and deposit with financial institutions	18,046	8,999	33,443	17,076
	112,277	82,496	253,810	138,875

[^] Unwinding income is income earned on impaired financing, advances and other loans

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	6 MONTHS ENDED	6 MONTHS ENDED
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
	RM'000	RM'000	RM'000	RM'000

14c Income derived from investment of other deposits

Financing advances and other loans				
- Income other than recoveries	112,169	73,240	198,050	152,908
- Unwinding income [^]	386	755	799	791
Financial assets held for trading	1,856	1,417	3,802	3,972
Financial investments available-for-sale	2,454	1,815	4,630	4,087
Financial investments held-to-maturity	1,243	1,037	2,435	2,211
Money at call and deposit with financial institutions	14,688	11,334	29,758	17,261
	132,796	89,598	239,473	181,230
Accretion of discount less amortisation of premium	4,745	2,559	8,813	5,648
Total finance income and hibah	137,542	92,157	248,286	186,878

Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised gain/(loss)	133	(187)	181	(268)
- unrealised loss	(287)	(162)	(559)	(602)
- Net (loss)/gain from sale of financial investments available-for-sale	(28)	42	(28)	210
- Net loss from sale of financial investments held-to-maturity	-	-	(109)	-
- Net gain/(loss) from foreign exchange transactions	408	5,675	(3,938)	1,888
	226	5,368	(4,453)	1,228
Fee and commission income	529	878	1,266	1,066
	138,296	98,403	245,099	189,172

15 Income derived from investment of shareholders' funds

Financing advances and other loans				
- Income other than recoveries	14,578	7,929	25,390	18,016
- Unwinding income [^]	50	81	102	86
Financial assets held for trading	241	153	486	477
Financial investments available-for-sale	319	196	593	484
Financial investments held-to-maturity	162	112	312	261
Money at call and deposit with financial institutions	1,909	1,226	3,806	1,977
	17,259	9,697	30,689	21,301
Accretion of discount less amortisation of premium	617	277	1,129	668
Total finance income and hibah	17,875	9,974	31,817	21,969

Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised gain/(loss)	17	(20)	23	(30)
- unrealised loss	(37)	(17)	(72)	(73)
- Net (loss)/gain from sale of financial investments available-for-sale	(4)	5	(4)	26
- Net loss from sale of financial investments held-to-maturity	-	-	(14)	-
- Net gain/(loss) from foreign exchange transactions	53	614	(494)	135
- Net gain/(loss) arising from hedging activities	55	-	306	(473)
- Net gain/(loss) arising from derivative financial instrument				
- realised gain	8,618	5,087	34,951	24,218
- unrealised loss	(23,156)	(3,430)	(13,238)	(24,587)
	(14,454)	2,239	21,459	(784)
Fee and commission income	22,176	14,628	41,648	25,465
Less : fee and commission expense	(453)		(943)	
Net fee and commission income	21,723	14,628	40,706	25,465
Other income				
- Sundry income	1,396	3,095	2,655	5,037
	26,540	29,936	96,637	51,687

[^] Unwinding income is income earned on impaired financing, advances and other loans

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	6 MONTHS ENDED	6 MONTHS ENDED
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
	RM'000	RM'000	RM'000	RM'000

16 (Writeback of)/net allowances for impairment for losses on financing

(Writeback of)/net allowance for impaired financing/bad and doubtful financing :

Individual impairment allowance

- Made during the period	-	10,710	-	10,490
- Written back	(24)	-	(2,745)	-
Portfolio impairment allowance				
- Made during the period	20,508	69,339	28,057	106,754
Bad debts on financing :				
- recovered	(8,045)	(5,290)	(21,070)	(9,748)
- written off	1	(1)	2	3
	<u>12,440</u>	<u>74,758</u>	<u>4,244</u>	<u>107,499</u>

17 Income attributable to depositors**Deposits from customers**

- Mudharabah	61,985	70,718	137,658	124,357
- Non-Mudharabah	56,384	22,353	103,039	40,300

Deposits and placements of banks and other financial institutions

- Mudharabah	66,741	53,483	154,092	91,085
- Non-Mudharabah	29,547	14,320	40,484	22,327

Subordinated Sukuk

	5,912	4,294	10,313	8,648
	<u>220,570</u>	<u>165,168</u>	<u>445,587</u>	<u>286,717</u>

18 Personnel expenses

Salaries, allowances and bonuses	16,652	6,470	22,154	12,401
Management cost charged	34,919	18,391	66,745	35,955
Other staff related costs	2,090	4,460	6,647	6,995
	<u>53,662</u>	<u>29,321</u>	<u>95,547</u>	<u>55,351</u>

19 Other overheads**Establishment**

Rental	343	110	591	304
Depreciation of fixed assets	285	280	564	545
EDP expenses	40	341	133	1,344
Management cost charged	10,334	9,382	29,351	18,457
Others	795	993	1,684	1,073

Marketing

Advertisement and publicity	110	1,100	292	4,506
Management cost charged	2,021	3,096	4,540	2,058
Others	912	1,026	1,429	1,183

General expenses

Auditor's remuneration-statutory audit	25	83	48	106
Amortisation of intangible assets	275	704	684	1,648
Professional fees	283	388	574	864
Management cost charged	7,849	3,932	19,519	13,222
Others	2,812	3,672	5,242	9,437
	<u>26,085</u>	<u>25,107</u>	<u>64,652</u>	<u>54,747</u>

Notes to the accounts

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	6 MONTHS ENDED	6 MONTHS ENDED
	30-Jun-11	30-Jun-10	30-Jun-11	30-Jun-10
	RM'000	RM'000	RM'000	RM'000

20 Taxation and zakat

Major components of tax and zakat expense:

Current tax and zakat expense	29,286	21,343	66,635	42,435
Deferred taxation	(660)	(721)	(1,302)	(1,347)
(Over)/under accrual in prior year	774	-	774	-
	29,400	20,622	66,107	41,088

Reconciliation

Profit before taxation and zakat	117,596	78,437	264,028	159,089
Tax calculated at a rate of 25% (2010: 25%)	29,399	19,609	66,007	39,772
Tax effects:				
- income not subject to tax	(41)	54	(54)	-
- expenses not deductible for tax purposes	33	1,859	145	2,216
Over accrual in prior year	9	(900)	9	(900)
Tax expense	29,400	20,622	66,107	41,088

21 Credit transactions and exposures with connected parties

	30-Jun-11	30-Jun-10
	RM'000	RM'000
Outstanding credit exposures with connected parties	799,927	653,986
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	2.20%	2.20%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.00%	0.00%

22 CHANGE IN ACCOUNTING POLICIES

On adoption of the Amendment to FRS2 – Group Cash-Settled Share-based Payment Transactions, the Bank has changed its accounting policy with respect to the share-based payments where a substantial shareholder of CIMB Group has the obligation to settle the payment transaction.

The change in accounting policy has been applied retrospectively. The adoption of the new accounting policy affected the following items:

Statement of changes in equity

	Balances as at 1 January 2010		
	As previously reported	Effects of adopting Amendments to FRS 2	As restated
	RM'000	RM'000	RM'000
Accumulated profits	78,178	(14,573)	63,605
Share-based payment reserve	-	14,573	14,573

	Balances as at 1 January 2011		
	As previously reported	Effects of adopting Amendments to FRS 2	As restated
	RM'000	RM'000	RM'000
Accumulated profits	221,658	(15,159)	206,499
Share-based payment reserve	-	15,159	15,159