

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2013**

<u>Assets</u>		31-Mar-13 RM'000	31-Dec-12 RM'000
Cash and short term funds	1	5,270,486	6,296,329
Deposits and placements with banks and other financial institutions	2	919,989	601,335
Financial assets held for trading	3	6,507,198	6,117,048
Financial investments available-for-sale	4	3,031,359	2,797,337
Financial investments held-to-maturity	5	646,414	652,390
Islamic derivative financial instruments	12(i)	138,526	168,360
Financing, advances and other financing/loans	6	33,889,653	33,073,282
Other assets	7	307,966	254,882
Deferred taxation		13,586	10,731
Tax recoverable		16,933	-
Amount due from holding company		233,257	-
Amount due from related companies		279	431
Statutory deposits with Bank Negara Malaysia		1,299,785	1,104,097
Property, plant and equipment		5,470	5,490
Intangible assets		6,875	7,328
Goodwill		136,000	136,000
<b>Total Assets</b>		<b>52,423,776</b>	<b>51,225,040</b>
<u>Liabilities</u>			
Deposits from customers	8	36,952,335	35,267,899
Deposits and placements of banks and other financial institutions	9	11,422,405	11,660,728
Other liabilities	10	365,052	397,106
Islamic derivative financial instruments	12(i)	399,586	380,529
Provision for tax and Zakat		772	9,870
Subordinated Sukuk	11	858,385	863,557
Amount due to holding company		-	298,352
Amount due to related companies		4,241	3,554
<b>Total liabilities</b>		<b>50,002,776</b>	<b>48,881,595</b>
<u>Equity</u>			
<b>Capital and reserves attributable to equity holder of the Bank</b>			
Ordinary share capital		1,000,000	1,000,000
Reserves		1,351,000	1,273,445
		2,351,000	2,273,445
Perpetual preference shares		70,000	70,000
<b>Total equity</b>		<b>2,421,000</b>	<b>2,343,445</b>
<b>Total equity and liabilities</b>		<b>52,423,776</b>	<b>51,225,040</b>
<b>Commitments and contingencies</b>	12(ii)	27,617,810	26,964,137
Net assets per share (RM)		2.35	2.27

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012.*

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF INCOME**  
**FOR THE QUARTER ENDED 31 MARCH 2013**

		INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
		QUARTER ENDED 31-Mar-13 RM'000	QUARTER ENDED 31-Mar-12 RM'000	3 MONTHS ENDED 31-Mar-13 RM'000	3 MONTHS ENDED 31-Mar-12 RM'000
Income derived from investment of depositors' funds and others	14	516,571	411,094	516,571	411,094
Income derived from investment of shareholder's funds	15	36,221	97,814	36,221	97,814
Net allowances of impairment for losses on financing	16	(25,548)	(10,728)	(25,548)	(10,728)
Allowances for other receivables		(476)	(19)	(476)	(19)
Total distributable income		526,768	498,161	526,768	498,161
Income attributable to depositors	17	(295,269)	(264,137)	(295,269)	(264,137)
Total net income		231,499	234,024	231,499	234,024
Personnel expenses	18	(19,531)	(17,973)	(19,531)	(17,973)
Other overheads and expenditures	19	(106,731)	(89,114)	(106,731)	(89,114)
Profit for the financial period		105,237	126,937	105,237	126,937
Taxation		(26,689)	(32,112)	(26,689)	(32,112)
Net profit for the period		78,548	94,825	78,548	94,825

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE QUARTER ENDED 31 MARCH 2013**

Profit for the period	78,548	94,825	78,548	94,825
Other comprehensive income:				
<b>Items that may be reclassified subsequently to profit or loss</b>				
Revaluation reserve financial investments available-for-sale				
- Net (loss)/gain from change in fair value	(92)	2,556	(92)	2,556
- Realised gain transferred to comprehensive income	(1,364)	(2,626)	(1,364)	(2,626)
- Income tax effects	364	18	364	18
Other comprehensive income for the period, net of tax	(1,092)	(52)	(1,092)	(52)
Total comprehensive income for the period	77,456	94,773	77,456	94,773
Earnings per share (sen)	7.85	9.48	7.85	9.48

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012*

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE QUARTER ENDED 31 MARCH 2013**

	←----- 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
<b>31 March 2013</b>											
At 1 January 2013	1,000,000	654,922	21,977	(2,457)	458	242,624	336	355,585	2,273,445	70,000	2,343,445
Net profit for the financial period	-	-	-	-	-	-	-	78,548	78,548	-	78,548
Other comprehensive income (net of tax)	-	-	(1,092)	-	-	-	-	-	(1,092)	-	(1,092)
- Financial investments available-for-sale	-	-	(1,092)	-	-	-	-	-	(1,092)	-	(1,092)
Total comprehensive income for the period	-	-	(1,092)	-	-	-	-	78,548	77,456	-	77,456
Share-based payment expense	-	-	-	-	-	-	99	-	99	-	99
Transfer to regulatory reserve	-	-	-	-	-	9,374	-	(9,374)	-	-	-
<b>At 31 March 2013</b>	<b>1,000,000</b>	<b>654,922</b>	<b>20,885</b>	<b>(2,457)</b>	<b>458</b>	<b>251,998</b>	<b>435</b>	<b>424,759</b>	<b>2,351,000</b>	<b>70,000</b>	<b>2,421,000</b>
<b>31 March 2012</b>											
At 1 January 2012, as previously reported	1,000,000	454,387	8,268	(2,457)	458	59,113	16,499	322,282	1,858,550	70,000	1,928,550
Effect of adopting Amendments to MFRS 1	-	-	5,027	-	-	-	-	-	5,027	-	5,027
As restated	1,000,000	454,387	13,295	(2,457)	458	59,113	16,499	322,282	1,863,577	70,000	1,933,577
Net profit for the financial period	-	-	-	-	-	-	-	94,825	94,825	-	94,825
Other comprehensive income (net of tax)	-	-	(52)	-	-	-	-	-	(52)	-	(52)
- Financial investments available-for-sale	-	-	(52)	-	-	-	-	-	(52)	-	(52)
Total comprehensive income for the period	-	-	(52)	-	-	-	-	94,825	94,773	-	94,773
Share-based payment expense	-	-	-	-	-	-	73	-	73	-	73
Transfer to regulatory reserve	-	-	-	-	-	25,936	-	(25,936)	-	-	-
<b>At 31 March 2012</b>	<b>1,000,000</b>	<b>454,387</b>	<b>13,243</b>	<b>(2,457)</b>	<b>458</b>	<b>85,049</b>	<b>16,572</b>	<b>391,171</b>	<b>1,958,423</b>	<b>70,000</b>	<b>2,028,423</b>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012

**CIMB ISLAMIC BANK BERHAD**  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 MARCH 2013**

	31-Mar-13 RM'000	31-Mar-12 RM'000
Profit before taxation	105,237	126,937
Adjustments for non-cash items	<u>967,451</u>	<u>(66,023)</u>
Operating profit before changes in working capital	1,072,688	60,914
Net changes in operating assets	(2,025,955)	(2,399,123)
Net changes in operating liabilities	1,136,899	2,346,014
Tax paid	<u>(55,195)</u>	<u>(47,658)</u>
<b>Net cash used in operating activities</b>	<b>128,437</b>	<b>(39,853)</b>
Net cash flows (used in)/generated from investing activities	(1,140,026)	(816,013)
Net cash flows from financing activities	<u>(14,254)</u>	<u>(8,320)</u>
<b>Net change in cash and cash equivalents</b>	<b>(1,025,843)</b>	<b>(864,186)</b>
Cash and cash equivalents at beginning of the financial period	6,296,329	7,554,885
<b>Cash and cash equivalents at end of the financial period</b>	<u><u>5,270,486</u></u>	<u><u>6,690,699</u></u>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012*

## EXPLANATORY NOTES

### A. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial period ended 31 March 2013 have been prepared under the historical cost convention, except for financial assets held for trading, financial investments available-for-sale, derivative financial instruments, investment properties and non-current assets/disposal groups held for sale, 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 Bank'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 Bank 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 13 "Fair value measurement"

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

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

Amendment to MFRS 134 "Interim financial reporting"

The adoption of the new standards, amendments to published standards and interpretations are not expected to have significant impact on the financial results of the Bank, other than as disclosed below:

- Amendment 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 Bank for the current and previous financial periods.

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 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.

### 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

There were no issuance and repayment of debt securities during the period.

### D. PROPOSED DIVIDEND

There were no dividends paid or proposed for the period ended 31 March 2013.

### E. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

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

### F. PERFORMANCE REVIEW

For the first quarter 31 March 2013, the Bank registered a profit after tax of RM78.5 million, a decrease of 17.2% from a profit after tax of RM94.8 million in the previous year corresponding period.

### G. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

With the Malaysian general elections behind, the Bank hopes to see more wholesale banking opportunities going forward. At the same time, the Bank's consumer franchise continues to improve and grow.

However the Bank will remain mindful of macroeconomic challenges ahead as regional policy-makers respond to the slower external demand, domestic inflationary pressures and strong liquidity inflows.

	31-Mar-13 RM'000	31-Dec-12 RM'000
<b><u>Notes to the accounts</u></b>		
<b>1 Cash and short-term funds</b>		
Cash and balances with banks and other financial institutions	221,885	128,732
Money at call and deposit placements maturing within one month	5,048,601	6,167,597
	<u>5,270,486</u>	<u>6,296,329</u>
<b>2 Deposits and placements with banks and other financial institutions</b>		
Licensed Islamic banks	542,449	291,230
Licensed banks	155,767	153,706
Licensed Investment banks	221,773	146,362
Other financial institutions	-	10,037
	<u>919,989</u>	<u>601,335</u>
<b>3 Financial assets held for trading</b>		
<b>Money market instruments</b>		
<b>Unquoted</b>		
Malaysian Government treasury bills	58,875	68,456
Government investment issues	137,116	251,804
Islamic negotiable instruments of deposits	1,629,820	1,656,985
Islamic accepted bills	531,886	150,202
Bank Negara Monetary Notes	3,728,195	3,540,897
	<u>6,085,892</u>	<u>5,668,344</u>
<b>Unquoted securities</b>		
Islamic private debt securities	421,306	448,704
	<u>6,507,198</u>	<u>6,117,048</u>
<b>4 Financial investments available-for-sale</b>		
<b>Money market instruments</b>		
<b>Unquoted</b>		
Government investment issues	1,192,069	1,140,378
Islamic Cagamas bonds	20,803	20,764
Malaysian Government Securities	33,923	34,262
Khazanah bonds	55,591	54,240
	<u>1,302,386</u>	<u>1,249,644</u>
<b>Unquoted securities</b>		
Islamic private debt securities	1,728,398	1,547,118
Placement with IBFIM	575	575
	<u>3,031,359</u>	<u>2,797,337</u>
<b>5 Financial investments held-to-maturity</b>		
<b>Money market instruments</b>		
<b>Unquoted securities</b>		
Islamic private debt securities	646,557	652,430
Amortisation of premium less accretion of discount	(143)	(40)
	<u>646,414</u>	<u>652,390</u>

	31-Mar-13 RM'000	31-Dec-12 RM'000
<b>6 Financing, advances and other financing/loans</b>		
<b>(i) By type of financing:</b>		
Cash line	448,928	471,590
Term financing		
- House financing	8,560,911	8,231,990
- Syndicated financing	419,338	330,015
- Hire purchase receivables	6,708,955	6,495,487
- Other term financing	16,074,264	15,766,461
Bills receivable	3,511	3,766
Islamic trust receipts	24,035	35,707
Claims on customer under Islamic accepted bills	326,036	340,687
Credit card receivables	94,003	97,882
Revolving credits	1,390,974	1,450,191
Share purchase financing	18,841	35,226
Gross financing, advances and other financing/loans	<u>34,069,796</u>	<u>33,259,002</u>
Fair value changes arising from fair value hedges	222,557	222,909
Less : Allowance for impairment losses		
- Individual impairment allowance	(46,924)	(60,925)
- Portfolio impairment allowance	(355,776)	(347,704)
Total net financing, advances and other financing/loans	<u><u>33,889,653</u></u>	<u><u>33,073,282</u></u>
The Bank has undertaken fair value hedges on financing using Islamic profit rate swaps.		
Gross financing hedged	6,225,000	6,500,000
Fair value changes arising from fair value hedges	222,557	222,909
	<u>6,447,557</u>	<u>6,722,909</u>
The fair value loss on Islamic profit rate swaps in this hedge transaction as at 31 March 2012 were RM285 million (31 December 2012 : fair value loss of RM247 million).		
<b>(ii) By geographical distribution:</b>		
Malaysia	<u>34,069,796</u>	<u>33,259,002</u>
	<u><u>34,069,796</u></u>	<u><u>33,259,002</u></u>
<b>(iii) By contract :</b>		
Bai' Bithaman Ajil ( <i>deferred payment sale</i> )	13,409,573	12,957,557
Ijarah Muntahiyah Bittamlik/AITAB ( <i>lease ending with ownership</i> )	7,604,077	7,330,211
Murabahah ( <i>cost plus sale</i> )	300,822	325,682
Bai' al-'inah ( <i>sale and repurchase</i> )	12,532,591	12,455,612
Others	222,733	189,940
	<u>34,069,796</u>	<u>33,259,002</u>
<b>(iv) By type of customer :</b>		
Domestic non-bank financial institutions		
- Others	526,712	574,212
Domestic business enterprises		
- Small medium enterprises	1,314,375	1,360,257
- Others	5,416,804	5,191,432
Government and statutory bodies	6,801,964	6,747,294
Individuals	19,744,083	19,122,879
Other domestic entities	15,982	16,981
Foreign entities	249,876	245,947
	<u>34,069,796</u>	<u>33,259,002</u>

	31-Mar-13 RM'000	31-Dec-12 RM'000
<b>(v) By profit rate sensitivity :</b>		
Fixed rate		
- House financing	307,507	316,820
- Hire purchase receivables	6,708,955	6,495,487
- Others	12,005,923	12,112,954
Variable rate		
- House financing	8,253,404	7,915,170
- Other financing	6,794,007	6,418,571
	<u>34,069,796</u>	<u>33,259,002</u>
<b>(vi) By economic purpose :</b>		
Personal use	3,256,037	3,233,098
Credit card	94,003	97,882
Construction	2,018,213	1,970,429
Residential property	8,605,546	8,273,772
Non-residential property	2,831,464	2,573,888
Purchase of fixed assets other than land and building	286,628	360,709
Merger and acquisition	14,876	20,290
Purchase of securities	18,847	35,648
Purchase of transport vehicles	6,725,848	6,512,442
Working capital	7,303,872	7,289,268
Other purpose	2,914,462	2,891,576
	<u>34,069,796</u>	<u>33,259,002</u>
<b>(vii) By residual contractual maturity :</b>		
Within one year	2,532,937	2,674,004
One year to less than three years	889,922	914,279
Three years to less than five years	3,223,685	3,051,647
Five years and more	27,423,252	26,619,072
	<u>34,069,796</u>	<u>33,259,002</u>
<b>(viii) Impaired financing by economic purpose :</b>		
Personal use	13,872	15,570
Credit card	411	419
Construction	1,477	894
Residential property	92,490	91,240
Non-residential property	38,113	35,148
Purchased of fixed assets other than land & building	1,220	1,966
Purchase of securities	327	10
Purchase of transport vehicles	95,539	87,912
Working capital	61,272	63,532
Other purpose	9,294	7,437
	<u>314,015</u>	<u>304,128</u>
<b>(ix) Impaired financing by geographical distribution:</b>		
Malaysia	314,015	304,128
	<u>314,015</u>	<u>304,128</u>



	31-Mar-13 RM'000	31-Dec-12 RM'000
<b>(x) Movement in impaired financing, advances and other financing/loans :</b>		
Balance as at 1 January	304,128	345,778
Impaired during the period/year	119,552	383,095
Reclassification from unwinding income	-	10,109
Reclassified as non-impaired during the period/year	(37,912)	(152,618)
Recoveries	(27,845)	(73,013)
Amount written off	(43,908)	(209,223)
Balance as at 31 March/31 December	<u>314,015</u>	<u>304,128</u>
Ratio of gross impaired financing to total financing advances, and other financing/loans	0.92%	0.91%
<b>(xi) Movements in allowance for impaired financing :</b>		
<b>Individual impairment allowance</b>		
Balance as at 1 January	60,925	103,256
Net allowance made/(written back) during the period/year	(12,590)	1,586
Unwinding income	-	4,090
Amount written off	(1,411)	(48,007)
Balance as at 31 March/31 December	<u>46,924</u>	<u>60,925</u>
<b>Portfolio impairment allowance</b>		
Balance as at 1 January	347,704	417,744
Net allowance made during the period/year	50,569	86,543
Unwinding income	-	6,019
Amount written off	(42,497)	(162,602)
Balance as at 31 March/31 December	<u>355,776</u>	<u>347,704</u>
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other financing/loans (excluding RPSIA financing) less individual impairment allowance	2.30%	2.30%
<b>7 Other assets</b>		
Deposits and prepayments	100	100
Sundry debtors	138,417	36,369
Collateral pledged for derivative transactions	59,480	61,430
Clearing accounts	109,969	156,983
	<u>307,966</u>	<u>254,882</u>

	31-Mar-13 RM'000	31-Dec-12 RM'000
<b>8 Deposits from customers</b>		
<b>(i) By type of deposit</b>		
<u>Mudharabah</u>		
Demand deposits	3,965,904	4,234,083
Savings deposits	552,097	524,422
General investment deposits	1,560,017	1,355,265
Special general investment deposits	2,545,149	1,314,609
Specific investment deposits	875,426	1,206,431
	<b>9,498,593</b>	<b>8,634,810</b>
 <u>Non-Mudharabah</u>		
Demand deposits	3,243,798	3,524,606
Savings deposits	1,281,305	1,181,904
Fixed return investment deposit	5,275,033	6,665,864
Negotiable instruments of deposit	2,923,452	2,370,187
Commodity Murabahah	523	519
Short term money market deposit-i	14,691,576	12,849,247
Others	38,055	40,762
	<b>27,453,742</b>	<b>26,633,089</b>
	<b>36,952,335</b>	<b>35,267,899</b>
 <b>(ii) Maturity structure of investment deposits and negotiable instruments of deposit</b>		
One year or less (short term)	27,088,941	24,912,546
More than one year (medium/long term)	782,235	849,576
	<b>27,871,176</b>	<b>25,762,122</b>
 <b>(iii) By type of customer</b>		
Government and statutory bodies	4,467,551	6,493,384
Business enterprises	13,876,361	13,353,094
Individuals	4,554,983	4,566,521
Others	14,053,440	10,854,900
	<b>36,952,335</b>	<b>35,267,899</b>
 <b>9 Deposits and placements of banks and other financial institutions</b>		
<u>Mudharabah</u>		
Licensed Islamic banks	200,080	180,156
Licensed banks	999,363	987,452
Licensed investment banks	1,161,942	998,659
	<b>2,361,385</b>	<b>2,166,267</b>
 <u>Non-Mudharabah</u>		
Licensed Islamic banks	817,715	1,135,317
Licensed banks	8,138,366	8,088,281
Other financial institutions	104,939	270,863
	<b>9,061,020</b>	<b>9,494,461</b>
	<b>11,422,405</b>	<b>11,660,728</b>

	<b>31-Mar-13</b> <b>RM'000</b>	31-Dec-12 RM'000
<b>10 Other liabilities</b>		
Accruals and other payables	<b>202,095</b>	74,304
Clearing accounts	<b>127,016</b>	291,125
Others	<b>35,941</b>	31,677
	<b><u>365,052</u></b>	<b><u>397,106</u></b>

**11 Subordinated sukuk**

The RM850 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, with optional redemption on 21 April 2016 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.20% per annum payable semi-annually in arrears.

On 18 September 2012, the Bank had issued the third tranche of Sukuk of RM300 million at par and is due on 15 September 2022, with the optional redemption on 18 September 2017 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.00% per annum, payable semi-annually in arrears.

The RM850 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.

	31-Mar-13			31-Dec-12		
	Principal amount	Fair values	Fair values	Principal amount	Fair values	Fair values
	RM'000	Assets	Liabilities	RM'000	Assets	Liabilities
<u>Foreign exchange derivatives</u>						
Currency forwards						
- Less than 1 year	698,811	8,110	(1,453)	858,427	10,507	(17,665)
- 1 year to 3 years	46,902	672	(524)	60,153	1,167	(1,011)
- More than 3 years	658,997	18,800	(9,968)	660,784	22,101	(12,988)
Currency swaps						
- Less than 1 year	3,273,626	4,183	(16,764)	2,628,568	15,854	(8,780)
Currency spot						
- Less than 1 year	6,521	7	(7)	1,604	1	(1)
Currency options						
- Less than 1 year	51,936	320	(320)	92,114	297	(297)
Cross currency profit rate swaps						
- 1 year to 3 years	91,063	5,101	(5,101)	91,384	5,480	(5,480)
- More than 3 years	240,400	13,818	(13,818)	240,400	12,514	(12,514)
	<u>5,068,256</u>	<u>51,011</u>	<u>(47,955)</u>	<u>4,633,434</u>	<u>67,921</u>	<u>(58,736)</u>
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	9,003,835	69,934	(51,656)	8,265,671	75,209	(52,354)
- Less than 1 year	334,528	1,939	(199)	1,093,346	5,011	(193)
- 1 year to 3 years	1,347,380	8,277	(6,322)	1,527,680	9,391	(7,377)
- More than 3 years	7,321,927	59,718	(45,135)	5,644,645	60,807	(44,784)
<u>Equity related derivatives</u>						
Equity options	905,869	11,058	(11,058)	1,471,506	15,856	(15,856)
- Less than 1 year	164,966	-	-	710,633	2,615	(2,615)
- 1 year to 3 years	144,905	2,326	(2,326)	151,964	2,556	(2,556)
- More than 3 years	595,998	8,732	(8,732)	608,909	10,685	(10,685)
<u>Held for hedging purpose</u>						
Islamic profit rate swaps	6,803,691	6,523	(288,917)	7,078,403	9,374	(253,583)
- More than 3 years	6,803,691	6,523	(288,917)	7,078,403	9,374	(253,583)
<b>Total derivative assets/(liabilities)</b>	<u>21,781,651</u>	<u>138,526</u>	<u>(399,586)</u>	<u>21,449,014</u>	<u>168,360</u>	<u>(380,529)</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 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 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 31 March 2013 the amount of credit risk in the Bank, measured in terms of the cost to replace the profitable contracts, was RM139 million (31 December 2012: RM168 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 2012

## 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 :

	<b>31-Mar-13</b>	31-Dec-12
	<b>Principal amount</b>	Principal amount
	<b>RM'000</b>	RM'000
<u>Credit-related</u>		
Direct credit substitutes	203,626	195,449
Certain transaction-related contingent items	348,371	434,554
Short-term self-liquidating trade-related contingencies	20,380	85,180
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	4,108,951	3,852,873
- maturity exceeding one year	1,120,170	901,637
Miscellaneous commitments and contingencies	34,661	45,430
Total credit-related commitments and contingencies	<u>5,836,159</u>	<u>5,515,123</u>
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	4,030,894	3,580,714
- one year to less than five years	141,655	157,015
- above 5 years	895,706	895,706
Profit rate related contracts :		
- less than one year	334,528	1,093,345
- one year to less than five years	6,230,642	4,615,834
- over five years	9,242,356	9,634,894
Equity related contracts :		
- less than one year	164,966	710,632
- one year to less than five years	331,061	345,162
- above 5 years	409,843	415,712
Total treasury-related commitments and contingencies	<u>21,781,651</u>	<u>21,449,014</u>
	<u>27,617,810</u>	<u>26,964,137</u>

### 13 CAPITAL ADEQUACY

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 Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The IRB Approach is applied for the major credit exposures. It prescribes two approaches, the F-IRB Approach and A-IRB Approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach. The components of eligible regulatory capital is based on the Capital Adequacy Framework (Capital Components). The comparative capital adequacy ratios as at 31 December 2012 were based on BNM's Risk-Weighted Capital Adequacy Framework (RWCAF).

#### **31 March 2013 - Basel III**

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

	<b>31-Mar-13</b>
	<b>RM'000</b>
Common equity tier I ratio	7.98%
Tier I ratio	8.27%
Total capital ratio	<u>11.93%</u>

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

	<b>31-Mar-13</b>
	<b>RM'000</b>
Credit risk	19,608,366
Market risk	910,646
Operational risk	1,733,455
Total risk-weighted assets	<u>22,252,467</u>

(c) Components of Common Equity Tier I, Additional Tier I and Tier II capital are as follows:

	<b>31-Mar-13</b>
	<b>RM'000</b>
<b>Common Equity Tier I capital</b>	
Ordinary shares	1,000,000
Other reserves	1,281,826
Common Equity Tier I capital before regulatory adjustments	<u>2,281,826</u>
<u>Less: Regulatory adjustments</u>	
Goodwill	(136,000)
Intangible assets	(5,236)
Deferred tax assets	(15,224)
Others	(348,979)
Common Equity Tier I capital after regulatory adjustments	<u>1,776,387</u>
<b>Additional Tier I capital</b>	
Perpetual preference shares	63,000
Additional Tier I capital before regulatory adjustments	<u>63,000</u>
<u>Less: Regulatory adjustments</u>	-
Additional Tier I capital after regulatory adjustments	<u>63,000</u>
<b>Total Tier I capital</b>	<u>1,839,387</u>
<b>Tier II capital</b>	
Subordinated notes	765,000
Portfolio impairment allowance and regulatory reserves ^	50,583
Tier II capital before regulatory adjustments	<u>815,583</u>
<u>Less: Regulatory adjustments</u>	-
<b>Total Tier II capital</b>	<u>815,583</u>
<b>Total capital</b>	<u>2,654,970</u>

**31 December 2012 - Basel II**

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

	<b>31-Dec-12</b>
	<b>RM'000</b>
<b>Before deducting proposed dividends</b>	
Core capital ratio	8.69%
Risk-weighted capital ratio	<u>13.27%</u>
<b>After deducting proposed dividends</b>	
Core capital ratio	8.69%
Risk-weighted capital ratio	<u>13.27%</u>

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

	31-Dec-12
	RM'000
Credit risk	19,554,311
Market risk	913,826
Operational risk	1,678,915
Total risk-weighted assets	<u>22,147,052</u>

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

	31-Dec-12
	RM'000
<b>Tier I capital</b>	
Paid-up capital	1,000,000
Perpetual preference shares	70,000
Other reserves	1,008,843
Less:	
Deferred tax assets	(18,057)
Goodwill	<u>(136,000)</u>
Total Tier I capital	<u>1,924,786</u>
<b>Tier II capital</b>	
Subordinated notes	850,000
Regulatory reserve	242,624
Portfolio impairment allowance ^	45,257
Excess of total expected loss over total eligible provision	<u>(122,870)</u>
Total Tier II capital	<u>1,015,011</u>
<b>Total capital base</b>	<b><u>2,939,797</u></b>

^ The capital base of the Bank as at 31 March 2013 has excluded portfolio impairment allowance on impaired financings for standardise approach assets restricted from Tier II capital of RM 22.77 million (2012: RM16.48 million).

**Notes to the accounts**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	3 MONTHS ENDED	3 MONTHS ENDED
	31-Mar-13 RM'000	31-Mar-12 RM'000	31-Mar-13 RM'000	31-Mar-12 RM'000
<b>14 Income derived from investment of depositors funds and others</b>				
Income derived from investment of :				
- General investment deposits	249,359	175,421	249,359	175,421
- Specific investment deposits	16,222	23,371	16,222	23,371
- Other deposits	250,990	212,302	250,990	212,302
	<u>516,571</u>	<u>411,094</u>	<u>516,571</u>	<u>411,094</u>
<b>14a Income derived from investment of general investment deposits</b>				
Financing, advances and other financing/loans				
- Profit income	199,876	162,824	199,876	162,824
- Unwinding income^	711	554	711	554
Financial assets held for trading	5,500	2,067	5,500	2,067
Financial investments available-for-sale	13,776	5,873	13,776	5,873
Financial investments held-to-maturity	3,816	4,431	3,816	4,431
Money at call and deposit with financial institutions	16,103	22,555	16,103	22,555
	<u>239,782</u>	<u>198,304</u>	<u>239,782</u>	<u>198,304</u>
Accretion of discount less amortisation of premium	9,407	(4,005)	9,407	(4,005)
Total finance income and hibah	<u>249,189</u>	<u>194,299</u>	<u>249,189</u>	<u>194,299</u>
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised gain	117	201	117	201
- unrealised loss	(576)	(1,033)	(576)	(1,033)
- Net gain from sale of financial investments available-for-sale	647	1,133	647	1,133
- Net gain/(loss) from sale of financial investments held-to-maturity	117	106	117	106
- Net loss from foreign exchange transactions	(357)	(19,828)	(357)	(19,828)
	<u>(52)</u>	<u>(19,421)</u>	<u>(52)</u>	<u>(19,421)</u>
Fee and commission income	222	543	222	543
	<u>249,359</u>	<u>175,421</u>	<u>249,359</u>	<u>175,421</u>
<b>14b Income derived from investment of specific investment deposits</b>				
Financing, advances and other financing/loans				
- Profit income	10,196	13,075	10,196	13,075
Money at call and deposit with financial institutions	6,026	10,296	6,026	10,296
	<u>16,222</u>	<u>23,371</u>	<u>16,222</u>	<u>23,371</u>

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



**Notes to the accounts**

INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
QUARTER ENDED	QUARTER ENDED	3 MONTHS ENDED	3 MONTHS ENDED
31-Mar-13	31-Mar-12	31-Mar-13	31-Mar-12
RM'000	RM'000	RM'000	RM'000

**14c Income derived from investment of other deposits**

Financing, advances and other financing/loans				
- Profit income	201,182	197,057	201,182	197,057
- Unwinding income <sup>^</sup>	715	671	715	671
Financial assets held for trading	5,536	2,502	5,536	2,502
Financial investments available-for-sale	13,866	7,107	13,866	7,107
Financial investments held-to-maturity	3,841	5,362	3,841	5,362
Money at call and deposit with financial institutions	16,208	27,297	16,208	27,297
	<b>241,348</b>	<b>239,996</b>	<b>241,348</b>	<b>239,996</b>
Accretion of discount less amortisation of premium	9,469	(4,847)	9,469	(4,847)
Total finance income and hibah	<b>250,817</b>	<b>235,149</b>	<b>250,817</b>	<b>235,149</b>

Other operating income

- Net gain/(loss) arising from financial assets held for trading				
- realised gain	118	243	118	243
- unrealised loss	(579)	(1,250)	(579)	(1,250)
- Net gain from sale of financial investments available-for-sale	651	1,371	651	1,371
- Net gain/(loss) from sale of financial investments held-to-maturity	118	128	118	128
- Net loss from foreign exchange transactions	(359)	(23,996)	(359)	(23,996)
	(51)	(23,504)	(51)	(23,504)
Fee and commission income	224	657	224	657
	<b>250,990</b>	<b>212,302</b>	<b>250,990</b>	<b>212,302</b>

**15 Income derived from investment of shareholder's funds**

Financing, advances and other financing/loans				
- Profit income	19,974	17,504	19,974	17,504
- Unwinding income <sup>^</sup>	71	60	71	60
Financial assets held for trading	550	222	550	222
Financial investments available-for-sale	1,377	631	1,377	631
Financial investments held-to-maturity	381	476	381	476
Money at call and deposit with financial institutions	1,609	2,425	1,609	2,425
	<b>23,962</b>	<b>21,318</b>	<b>23,962</b>	<b>21,318</b>
Accretion of discount less amortisation of premium	940	(431)	940	(431)
Total finance income and hibah	<b>24,902</b>	<b>20,887</b>	<b>24,902</b>	<b>20,887</b>

Other operating income

- Net gain/(loss) arising from financial assets held for trading				
- realised gain	12	22	12	22
- unrealised loss	(58)	(111)	(58)	(111)
- Net gain from sale of financial investments available-for-sale	65	122	65	122
- Net gain from sale of financial investments held-to-maturity	12	11	12	11
- Net loss from foreign exchange transactions	(36)	(2,131)	(36)	(2,131)
- Net gain/(loss) arising from hedging activities	329	(7)	329	(7)
- Net gain/(loss) arising from derivative financial instrument				
- realised gain	4,900	13,034	4,900	13,034
- unrealised gain/(loss)	(10,705)	38,804	(10,705)	38,804
	(5,481)	49,744	(5,481)	49,744
Fee and commission income	16,647	26,169	16,647	26,169
Less : fee and commission expense	(494)	(485)	(494)	(485)
Net fee and commission income	16,153	25,684	16,153	25,684
Other income				
- Sundry income	647	1,499	647	1,499
	<b>36,221</b>	<b>97,814</b>	<b>36,221</b>	<b>97,814</b>

<sup>^</sup> Unwinding income is income earned on impaired financing, advances and other financing/loans

**Notes to the accounts**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	QUARTER ENDED	QUARTER ENDED	3 MONTHS ENDED	3 MONTHS ENDED
	31-Mar-13 RM'000	31-Mar-12 RM'000	31-Mar-13 RM'000	31-Mar-12 RM'000
<b>16 Allowance for impairment losses on financing, advances and other financing/loans</b>				
Individual impairment allowance				
- Written back	(12,590)	(1,244)	(12,590)	(1,244)
Portfolio impairment allowance				
- Made during the period	50,569	27,541	50,569	27,541
Impaired financing :				
- recovered	(12,431)	(15,586)	(12,431)	(15,586)
- written off	-	17	-	17
	<u>25,548</u>	<u>10,728</u>	<u>25,548</u>	<u>10,728</u>
<b>17 Income attributable to depositors</b>				
<b>Deposits from customers</b>				
- Mudharabah	29,543	59,091	29,543	59,091
- Non-Mudharabah	169,179	104,040	169,179	104,040
<b>Deposits and placements of banks and other financial institutions</b>				
- Mudharabah	18,750	19,632	18,750	19,632
- Non-Mudharabah	68,388	74,861	68,388	74,861
Subordinated Sukuk	9,409	6,513	9,409	6,513
	<u>295,269</u>	<u>264,137</u>	<u>295,269</u>	<u>264,137</u>
<b>18 Personnel expenses</b>				
Salaries, allowances and bonuses	16,977	17,304	16,977	17,304
Other staff related costs	2,554	669	2,554	669
	<u>19,531</u>	<u>17,973</u>	<u>19,531</u>	<u>17,973</u>
<b>19 Other overheads</b>				
<b>Establishment</b>				
Rental	320	318	320	318
Depreciation of property, plant and equipment	482	331	482	331
Outsourcing expenses	142	1,119	142	1,119
Others	947	678	947	678
<b>Marketing</b>				
Advertisement and publicity	2,467	1,702	2,467	1,702
Others	408	285	408	285
<b>General expenses</b>				
Auditor's remuneration-statutory audit	30	104	30	104
Amortisation of intangible assets	530	588	530	588
Professional fees	1,001	750	1,001	750
Others	6,311	1,485	6,311	1,485
	<u>12,638</u>	<u>7,360</u>	<u>12,638</u>	<u>7,360</u>
Shared service costs paid/payable to CIMB Bank/CIMB Investment Bank				
Personnel expenses	59,718	47,951	59,718	47,951
Establishment	27,596	26,308	27,596	26,308
Marketing	1,506	2,249	1,506	2,249
General expenses	5,273	5,246	5,273	5,246
	<u>94,093</u>	<u>81,754</u>	<u>94,093</u>	<u>81,754</u>
	<u>106,731</u>	<u>89,114</u>	<u>106,731</u>	<u>89,114</u>

## **20 CHANGE IN ACCOUNTING POLICIES**

There were no changes in the accounting policy during the financial period.