

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

	The Group		The Bank		
	30 June	31 December	30 June	31 December	
	2014	2013	2014	2013	
	RM'000	RM'000	RM'000	RM'000	
Assets					
Cash and short term funds	1	7,639,228	6,983,561	7,639,177	6,983,515
Deposits and placements with banks and other financial institutions	2	125,626	163,318	125,626	163,318
Financial assets held for trading	3	2,961,589	3,168,537	2,961,589	3,168,537
Financial investments available-for-sale	4	1,610,829	1,288,106	1,610,829	1,288,106
Financial investments held-to-maturity	5	679,001	602,177	679,001	602,177
Islamic derivative financial instruments	6	185,970	246,800	185,970	246,800
Financing, advances and other financing/loans	7	34,064,327	35,072,564	34,064,327	35,072,564
Other assets	8	619,305	283,094	619,305	283,094
Deferred taxation		27,260	22,449	27,260	22,449
Amount due from holding company		96,999	-	96,999	-
Amount due from related companies		395	418	400	418
Statutory deposits with Bank Negara Malaysia		1,295,338	1,436,747	1,295,338	1,436,747
Investment in subsidiaries		-	-	20	20
Property, plant and equipment		4,892	5,236	4,892	5,236
Intangible assets		12,673	14,197	12,673	14,197
Goodwill		136,000	136,000	136,000	136,000
Total assets		49,459,432	49,423,204	49,459,406	49,423,178
Liabilities					
Deposits from customers	9	40,091,478	38,466,874	40,091,478	38,466,874
Deposits and placements of banks and other financial institutions	10	4,455,714	6,571,911	4,455,714	6,571,911
Subordinated Sukuk	13	855,835	856,722	855,835	856,722
Other liabilities	11	517,514	287,768	517,514	287,768
Financial liabilities designated at fair value	12	196,302	146,216	196,302	146,216
Islamic derivative financial instruments	6	275,896	285,377	275,896	285,377
Provision for tax and Zakat		28,949	15,437	28,949	15,437
Amount due to holding company		-	115,538	-	115,538
Amount due to related companies		14,318	6,433	14,318	6,433
Total liabilities		46,436,006	46,752,276	46,436,006	46,752,276
Equity					
Capital and reserves attributable to equity holder of the Bank					
Ordinary share capital		1,000,000	1,000,000	1,000,000	1,000,000
Reserves		1,803,426	1,600,928	1,803,400	1,600,902
		2,803,426	2,600,928	2,803,400	2,600,902
Perpetual preference shares		220,000	70,000	220,000	70,000
Total equity		3,023,426	2,670,928	3,023,400	2,670,902
Total equity and liabilities		49,459,432	49,423,204	49,459,406	49,423,178
Commitments and contingencies	20	28,298,347	27,126,133	28,298,347	27,126,133
Net assets per share (RM)		2.80	2.60	2.80	2.60

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED 30 JUNE 2014

		The Group	
		2nd Quarter Ended 30 June 2014 RM'000	6 Months Ended 30 June 2014 RM'000
Income derived from investment of depositors' funds and others	14	500,051	980,810
Income derived from investment of shareholder's funds	15	26,313	70,644
Allowances for losses on financing, advances and other financing/loans	16	(22,542)	(28,278)
Allowances for impairment losses on other receivables		(13)	139
Total distributable income		503,809	1,023,315
Income attributable to depositors	17	(249,732)	(503,955)
Total net income		254,077	519,360
Personnel expenses	18	(15,519)	(35,047)
Other overheads and expenditures	19	(102,007)	(206,829)
Profit for the the period		136,551	277,484
Taxation		(33,618)	(69,262)
Net profit for the period		102,933	208,222

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2014

Profit for the period	102,933	208,222
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Revaluation reserve financial investments available-for-sale		
- Net gain/(loss) from change in fair value	2,218	(5,833)
- Realised gain transferred to comprehensive income	(806)	(1,639)
- Income tax effects	(353)	1,868
Other comprehensive income for the period, net of tax	1,059	(5,604)
Total comprehensive income for the period	103,992	202,618
Earnings per share (sen)	10.29	20.82

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF INCOME
FOR THE QUARTER ENDED 30 JUNE 2014

		The Bank			
		2nd Quarter Ended		6 Months Ended	
		30 June	30 June	30 June	30 June
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	14	500,051	486,814	980,810	987,270
Income derived from investment of shareholder's funds	15	26,298	80,475	70,629	132,812
Allowances for losses on financing, advances and other financing/loans	16	(22,542)	(613)	(28,278)	(26,772)
Allowances for impairment losses on other receivables		(13)	313	139	(163)
Total distributable income		503,794	566,989	1,023,300	1,093,147
Income attributable to depositors	17	(249,732)	(296,006)	(503,955)	(591,275)
Total net income		254,062	270,983	519,345	501,872
Personnel expenses	18	(15,519)	(20,557)	(35,047)	(40,088)
Other overheads and expenditures	19	(101,992)	(116,477)	(206,814)	(222,596)
Profit for the period		136,551	133,949	277,484	239,188
Taxation		(33,618)	(34,711)	(69,262)	(61,400)
Net profit for the period		102,933	99,238	208,222	177,788

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 30 JUNE 2014

Profit for the period	102,933	99,238	208,222	177,788
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Other comprehensive income:
Items that may be reclassified subsequently to profit or loss

Revaluation reserve financial investments available-for-sale

- Net loss from change in fair value

- Realised gain transferred to comprehensive income

- Income tax effects

Other comprehensive income for the period, net of tax

Total comprehensive income for the period

2,218	(3,422)	(5,833)	(3,514)
(806)	(10,756)	(1,639)	(12,120)
(353)	3,544	1,868	3,908
1,059	(10,634)	(5,604)	(11,726)
103,992	88,604	202,618	166,062

Earnings per share (sen)	10.29	9.92	20.82	17.78
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The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013.

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

←
Non-distributable
→
↔
Distributable

The Bank	Share capital	Perpetual preference shares	Statutory reserve	Revaluation reserve - financial investments available-for-sale	Merger reserve	Capital reserve	Regulatory reserve	Share-based payment reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
30 June 2014										
At 1 January 2014	1,000,000	70,000	746,312	(16,396)	(2,457)	458	230,088	606	642,291	2,670,902
Net profit for the financial period	-	-	-	-	-	-	-	-	208,222	208,222
Other comprehensive income (net of tax)										
- Financial investments available-for-sale	-	-	-	(5,604)	-	-	-	-	-	(5,604)
Total comprehensive income for the period	-	-	-	(5,604)	-	-	-	-	208,222	202,618
Share-based payment expense	-	-	-	-	-	-	-	313	-	313
Transfer to statutory reserve	-	-	52,056	-	-	-	-	-	(52,056)	-
Transfer to regulatory reserve	-	-	-	-	-	-	19,717	-	(19,717)	-
Issuance new shares	-	150,000	-	-	-	-	-	-	-	150,000
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	(433)	-	(433)
At 30 June 2014	1,000,000	220,000	798,368	(22,000)	(2,457)	458	249,805	486	778,740	3,023,400
30 June 2013										
At 1 January 2013	1,000,000	70,000	654,922	21,977	(2,457)	458	242,624	335	355,585	2,343,444
Net profit for the financial period	-	-	-	-	-	-	-	-	177,788	177,788
Other comprehensive income (net of tax)										
- Financial investments available-for-sale	-	-	-	(11,726)	-	-	-	-	-	(11,726)
Total comprehensive income for the period	-	-	-	(11,726)	-	-	-	-	177,788	166,062
Share-based payment expense	-	-	-	-	-	-	-	262	-	262
Transfer to statutory reserve	-	-	44,667	-	-	-	-	-	(44,667)	-
Transfer to regulatory reserve	-	-	-	-	-	-	28,649	-	(28,649)	-
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	(321)	-	(321)
At 30 June 2013	1,000,000	70,000	699,589	10,251	(2,457)	458	271,273	276	460,057	2,509,447

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

CIMB ISLAMIC BANK BERHAD
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2014

	The Group	The Bank	
	30 June	30 June	30 June
	2014	2014	2013
	RM'000	RM'000	RM'000
Profit before taxation	277,484	277,484	239,188
Adjustments for non-cash items	106,138	106,138	(27,251)
Operating profit before changes in working capital	383,622	383,622	211,937
Net changes in operating assets	840,893	840,888	(796,638)
Net changes in operating liabilities	(274,056)	(274,056)	(486,874)
Tax paid	(58,593)	(58,593)	(78,490)
Net cash used in operating activities	891,866	891,861	(1,150,065)
Net cash flows used in investing activities	(367,010)	(367,010)	655,719
Net cash flows from/(used in) financing activities	130,811	130,811	(19,019)
Net change in cash and cash equivalents	655,667	655,662	(513,365)
Cash and cash equivalents at beginning of the financial period	6,983,561	6,983,515	6,296,329
Cash and cash equivalents at end of the financial period	7,639,228	7,639,177	5,782,964

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

EXPLANATORY NOTES

A. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial period ended 30 June 2014 have been prepared under the historical cost convention, except for financial assets held for trading, financial investments available-for-sale, derivative financial instruments, investment properties and non-current assets/disposal groups held for sale and financial liabilities designated at fair value 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 and the Bank's audited financial statements for the financial year ended 31 December 2013. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2013.

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

- Amendment to MFRS 132 “Financial instruments: Presentation”
- Amendments to MFRS 10, MFRS 12 and MFRS 127 “Investment entities”
- Amendment to MFRS 139 “Financial Instruments: Recognition and Measurement” - Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 “Levies”

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

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's 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.

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 31 March 2014, the Bank issued RM150 million of Basel 3 Compliant Perpetual Preference Shares (“PPS”) to CIMB Bank Berhad pursuant to the approval received from CIMB Islamic's shareholder and Bank Negara Malaysia on 9 January 2014 and 20 March 2014 respectively. The RM150 million PPS qualifies as Additional Tier 1 capital for the purpose of the Tier 1 capital ratio and Total capital ratio computation. The capital instrument issued is perpetual, only callable from 5 years onwards subject to conditions imposed and approval required by BNM.

D. PROPOSED DIVIDEND

There were no dividends paid or proposed for the period ended 30 June 2014.

E. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events that had occurred between 30 June 2014 and the date of this announcement.

F. GROUP PERFORMANCE REVIEW

For the second quarter 30 June 2014, the Group registered a profit after tax of RM102.9 million.

For the second quarter 30 June 2014, the Bank registered a profit after tax of RM102.9 million, an increase of 4% from a profit after tax of RM99.2 million in the previous year corresponding period.

G. PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The Bank is expecting a steady second half of 2014. Our dominant market shares in Islamic capital markets and treasury business coupled with greater emphasis on the retail business should bode well for CIMB Islamic in riding through market uncertainties for the rest of the year.

NOTES TO THE ACCOUNTS

	The Group		The Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
1 Cash and short-term funds				
Cash and balances with banks and other financial institutions	100,462	276,793	100,411	276,747
Money at call and deposit placements maturing within one month	7,538,766	6,706,768	7,538,766	6,706,768
	7,639,228	6,983,561	7,639,177	6,983,515
2 Deposits and placements with banks and other financial institutions				
Licensed Islamic banks	48,181	163,318	48,181	163,318
Licensed banks	35,399	-	35,399	-
Licensed investment banks	42,046	-	42,046	-
	125,626	163,318	125,626	163,318
3 Financial assets held for trading				
Money market instruments				
Unquoted				
<u>In Malaysia</u>				
Malaysian Government treasury bills	9,781	-	9,781	-
Bank Negara Monetary Notes	1,536,432	2,184,340	1,536,432	2,184,340
Islamic negotiable instruments of deposits	1,044,632	748,368	1,044,632	748,368
Government Investment Issues	157,488	27,647	157,488	27,647
	2,748,333	2,960,355	2,748,333	2,960,355
Unquoted securities				
<u>In Malaysia</u>				
Islamic private debt securities	213,256	208,182	213,256	208,182
	2,961,589	3,168,537	2,961,589	3,168,537
4 Financial investments available-for-sale				
Money market instruments				
Unquoted				
<u>In Malaysia</u>				
Government Investment Issues	297,595	377,791	297,595	377,791
Islamic Cagamas bonds	28,886	25,491	28,886	25,491
Malaysian Government Securities	17,997	34,793	17,997	34,793
Khazanah bonds	78,656	-	78,656	-
	423,134	438,075	423,134	438,075
Unquoted securities				
<u>In Malaysia</u>				
Islamic private debt securities	1,187,120	849,456	1,187,120	849,456
Placement with IBFIM	575	575	575	575
	1,610,829	1,288,106	1,610,829	1,288,106
5 Financial investments held-to-maturity				
Money market instruments				
Unquoted				
<u>In Malaysia</u>				
Government Investment Issues	7,568	-	7,568	-
Khazanah bonds	12,661	-	12,661	-
	20,229	-	20,229	-
Unquoted securities				
<u>In Malaysia</u>				
Islamic private debt securities	658,640	602,177	658,640	602,177
Amortisation of premium less accretion of discount	132	-	132	-
	679,001	602,177	679,001	602,177

6 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.

The Group and the Bank	30 June 2014			31 December 2013		
	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	908,037	12,475	(5,466)	1,311,116	30,226	(5,215)
- Less than 1 year	247,253	1,801	(3,125)	650,332	21,019	(3,922)
- 1 year to 3 years	5,478	113	(16)	1,787	32	-
- More than 3 years	655,306	10,561	(2,325)	658,997	9,175	(1,293)
Currency swaps	2,942,019	17,478	(30,403)	2,891,197	30,675	(29,390)
- Less than 1 year	2,942,019	17,478	(30,403)	2,891,197	30,675	(29,390)
Currency spot	10,461	3	(9)	8,625	10	(5)
- Less than 1 year	10,461	3	(9)	8,625	10	(5)
Currency options	21,060	20	(20)	27,230	93	(93)
- Less than 1 year	21,060	20	(20)	27,230	93	(93)
Cross currency profit rate swaps	813,685	30,528	(30,083)	834,259	37,104	(36,600)
- Less than 1 year	73,285	4,420	(4,420)	93,859	4,878	(4,878)
- More than 3 years	740,400	26,108	(25,663)	740,400	32,226	(31,722)
	4,695,262	60,504	(65,981)	5,072,427	98,108	(71,303)
<u>Islamic profit rate derivatives</u>						
Islamic profit rate swaps	9,735,295	78,572	(78,392)	8,360,308	89,938	(85,548)
- Less than 1 year	1,112,420	1,084	(721)	450,000	839	(455)
- 1 year to 3 years	2,993,270	12,421	(11,675)	1,335,090	3,993	(3,457)
- More than 3 years	5,629,605	65,067	(65,996)	6,575,218	85,106	(81,636)
<u>Equity related derivatives</u>						
Equity options	600,801	11,572	(11,572)	641,323	13,513	(13,513)
- Less than 1 year	107,650	2,854	(2,854)	-	-	-
- 1 year to 3 years	101,481	4,649	(4,649)	119,822	3,043	(3,043)
- More than 3 years	391,670	4,069	(4,069)	521,501	10,470	(10,470)
<u>Credit related contracts</u>						
Total return swaps	113,800	276	(276)	115,960	586	(586)
- More than 3 years	113,800	276	(276)	115,960	586	(586)
<u>Held for hedging purpose</u>						
Islamic profit rate swaps	6,914,814	35,046	(119,675)	6,930,427	44,655	(114,427)
- 1 year to 3 years	250,000	1,696	-	265,304	2,882	(320)
- More than 3 years	6,664,814	33,351	(119,675)	6,665,123	41,773	(114,107)
Total derivative assets/(liabilities)	22,059,972	185,970	(275,896)	21,120,445	246,800	(285,377)

7 Financing, advances and other financing/loans

(i) Financing by types and Shariah contracts

At amortised cost:

30 June 2014	The Group and the Bank				Total RM'000
	Bai' RM'000	Ijarah RM'000	Qard RM'000	Others RM'000	
Cash line^	470,610	-	12,515	-	483,125
Term financing					
- House financing	8,629,747	749,242	-	-	9,378,989
- Syndicated financing	300,880	234,200	-	-	535,080
- Hire purchase receivables	-	5,791,358	-	-	5,791,358
- Other term financing	15,625,575	47,740	-	-	15,673,315
Bills receivable	3,728	-	273	-	4,001
Islamic trust receipts	22,158	-	-	-	22,158
Claims on customer under Islamic accepted bills	316,343	-	-	-	316,343
Credit card receivables	-	-	-	103,832	103,832
Revolving credits	2,058,439	-	-	-	2,058,439
Share purchase financing	16,784	-	-	-	16,784
Ar Rahn	-	-	-	1,219	1,219
Gross financing, advances and other financing/loans	27,444,264	6,822,540	12,788	105,051	34,384,643
Fair value changes arising from fair value hedges					54,770
Less : Allowance for impairment losses					
- Individual impairment allowance					(23,115)
- Portfolio impairment allowance					(351,971)
Total net financing, advances and other financing/loans					<u>34,064,327</u>

31 December 2013

Cash line^	476,126	-	2,006	-	478,132
Term financing					
- House financing	8,730,311	435,622	-	-	9,165,933
- Syndicated financing	276,330	226,666	-	-	502,996
- Hire purchase receivables	-	6,288,975	-	-	6,288,975
- Other term financing	15,714,558	609,684	-	-	16,324,242
Bills receivable	2,885	-	-	-	2,885
Islamic trust receipts	25,934	-	-	-	25,934
Claims on customer under Islamic accepted bills	370,754	-	-	-	370,754
Credit card receivables	-	-	-	104,449	104,449
Revolving credits	2,157,033	-	-	-	2,157,033
Share purchase financing	16,441	-	-	-	16,441
Ar Rahn	-	-	-	892	892
Gross financing, advances and other financing/loans	27,770,372	7,560,947	2,006	105,341	35,438,666
Fair value changes arising from fair value hedges					40,548
Less : Allowance for impairment losses					
- Individual impairment allowance					(29,801)
- Portfolio impairment allowance					(376,849)
Total net financing, advances and other financing/loans					<u>35,072,564</u>

^ Includes current account in excess

7 Financing, advances and other financing/loans (cont'd.)

(a) The Group and the Bank have undertaken fair value hedges on financing using Islamic profit rate swaps.

	The Group		The Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Gross financing hedged	6,350,000	6,350,000	6,350,000	6,350,000
Fair value changes arising from fair value hedges	54,770	40,548	54,770	40,548
	6,404,770	6,390,548	6,404,770	6,390,548

The fair value loss on Islamic profit rate swaps of the Group and the Bank in this hedge transaction as at 30 June 2014 were RM81 million (31 December 2013 : fair value loss of RM67 million).

(b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between CIMB Islamic Bank Berhad and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the portfolio and individual impairment for bad and doubtful financing arising thereon.

As at 30 June 2014, the gross exposures to RPSIA financing is RM1,653 million (31 December 2013: RM2,476 million) and the portfolio impairment allowance relating to this RPSIA amounting to RM6.8 million (31 December 2013: RM11.3 million) is recognised in the Financial Statements of CIMB Bank Berhad.

There was no individual impairment provided on this RPSIA financing.

(c) Movement of Qard financing

	The Group and the Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
As at 1 January 2014/2013	2,006	4,594
New disbursement	12,581	1,571
Repayment	(1,799)	(4,159)
As at 30 June/31 December	12,788	2,006
Sources of Qard fund:		
Depositors' fund	12,026	1,886
Shareholders' fund	762	120
	12,788	2,006
Uses of Qard fund:		
Personal use	1,727	410
Business purpose	11,061	1,596
	12,788	2,006

7 Financing, advances and other financing/loans (cont'd.)

	The Group		The Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
(ii) By geographical distribution:				
Malaysia	34,383,956	35,438,666	34,383,956	35,438,666
United States	687	-	687	-
	34,384,643	35,438,666	34,384,643	35,438,666
(iii) By type of customer :				
Domestic non-bank financial institutions	1,544,590	1,505,087	1,544,590	1,505,087
Domestic business enterprises				
- Small medium enterprises	3,136,929	1,906,985	3,136,929	1,906,985
- Others	3,175,797	5,095,000	3,175,797	5,095,000
Government and statutory bodies	6,744,884	6,746,098	6,744,884	6,746,098
Individuals	19,504,760	19,920,730	19,504,760	19,920,730
Other domestic entities	164,288	31,022	164,288	31,022
Foreign entities	113,395	233,744	113,395	233,744
	34,384,643	35,438,666	34,384,643	35,438,666
(iv) By profit rate sensitivity :				
Fixed rate				
- House financing	190,626	225,098	190,626	225,098
- Hire purchase receivables	5,791,358	6,288,975	5,791,358	6,288,975
- Others	11,335,710	12,016,056	11,335,710	12,016,056
Variable rate				
- House financing	9,188,363	8,940,835	9,188,363	8,940,835
- Other financing	7,878,586	7,967,702	7,878,586	7,967,702
	34,384,643	35,438,666	34,384,643	35,438,666
(v) By economic purpose :				
Personal use	3,022,995	3,171,403	3,022,995	3,171,403
Credit card	103,832	104,449	103,832	104,449
Construction	1,215,908	1,929,558	1,215,908	1,929,558
Residential property	9,437,947	9,214,629	9,437,947	9,214,629
Non-residential property	3,334,072	3,206,670	3,334,072	3,206,670
Purchase of fixed assets other than land and building	241,030	270,074	241,030	270,074
Merger and acquisition	1,073	1,243	1,073	1,243
Purchase of securities	17,135	21,839	17,135	21,839
Purchase of transport vehicles	5,845,118	6,346,225	5,845,118	6,346,225
Working capital	8,443,578	8,225,496	8,443,578	8,225,496
Other purpose	2,721,955	2,947,080	2,721,955	2,947,080
	34,384,643	35,438,666	34,384,643	35,438,666
(vi) By residual contractual maturity :				
Within one year	3,120,857	3,308,386	3,120,857	3,308,386
One year to less than three years	1,421,595	1,162,098	1,421,595	1,162,098
Three years to less than five years	4,989,599	5,259,909	4,989,599	5,259,909
Five years and more	24,852,592	25,708,273	24,852,592	25,708,273
	34,384,643	35,438,666	34,384,643	35,438,666

7 **Financing, advances and other financing/loans (cont'd.)**

	The Group		The Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
(vii) Impaired financing by economic purpose :				
Personal use	23,349	25,081	23,349	25,081
Credit card	2,454	2,285	2,454	2,285
Construction	-	1,312	-	1,312
Residential property	86,767	76,714	86,767	76,714
Non-residential property	32,834	29,202	32,834	29,202
Purchased of fixed assets other than land & building	894	1,682	894	1,682
Purchase of securities	206	223	206	223
Purchase of transport vehicles	168,351	100,454	168,351	100,454
Working capital	72,785	64,953	72,785	64,953
Other purpose	461	8,245	461	8,245
	388,101	310,151	388,101	310,151
(viii) Impaired financing by geographical distribution:				
Malaysia	388,101	310,151	388,101	310,151
	388,101	310,151	388,101	310,151
(ix) Movement in impaired financing, advances and other financing/loans :				
As at 1 January	310,151	304,128	310,151	304,128
Classified as impaired during the financial year	356,921	414,409	356,921	414,409
Reclassified as non-impaired during the period/year	(154,839)	(175,388)	(154,838)	(175,388)
Amount written back in respect of recoveries	(43,290)	(85,628)	(43,290)	(85,628)
Amount written off	(80,843)	(147,370)	(80,843)	(147,370)
As at 30 June/31 December	388,101	310,151	388,101	310,151
Ratio of gross impaired financing to total financing advances, and other financing/loans	1.13%	0.88%	1.13%	0.88%
(x) Movements in allowance for impaired financing :				
Individual impairment allowance				
As at 1 January	29,801	60,925	29,801	60,925
Net allowance (written back)/made during the period/year	314	(20,744)	314	(20,744)
Amount written off	(7,000)	(10,380)	(7,000)	(10,380)
As at 30 June/31 December	23,115	29,801	23,115	29,801
Portfolio impairment allowance				
As at 1 January	376,849	347,704	376,849	347,704
Net allowance made during the period/year	48,965	163,420	48,965	163,420
Transfer from intercompany	-	2,715	-	2,715
Amount written off	(73,843)	(136,990)	(73,843)	(136,990)
As at 30 June/31 December	351,971	376,849	351,971	376,849
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%	2.30%	2.30%

	The Group		The Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
8 Other assets				
Deposits and prepayments	3,883	3,983	3,883	3,983
Sundry debtors	545,295	36,789	545,295	36,789
Credit Support Annex for derivative transactions	57,150	58,230	57,150	58,230
Clearing accounts	12,977	184,092	12,977	184,092
	619,305	283,094	619,305	283,094

9 Deposits from customers

(i) By type of deposit

Savings deposits	1,996,219	1,905,402	1,996,219	1,905,402
Wadiah	1,416,260	1,330,874	1,416,260	1,330,874
Mudharabah	579,959	574,528	579,959	574,528
Demand deposits	8,354,272	8,086,544	8,354,272	8,086,544
Wadiah	3,138,837	3,293,989	3,138,837	3,293,989
Qard	24,567	11,854	24,567	11,854
Mudharabah	5,190,867	4,780,701	5,190,867	4,780,701
Commodity Murabahah	12,558,262	5,397,061	12,558,262	5,397,061
Islamic negotiable instruments	5,481,015	5,934,040	5,481,015	5,934,040
Mudharabah	393,977	414,592	393,977	414,592
Hybrid (Bai Bithamin Ajil and Bai al-Dayn)	5,087,038	5,519,448	5,087,038	5,519,448
Short term money market deposit-i	8,488,692	14,331,913	8,488,692	14,331,913
Wakalah	8,488,692	14,331,913	8,488,692	14,331,913
Fixed Deposit-i	660,997	527,377	660,997	527,377
Wakalah	652,432	507,007	652,432	507,007
Wadiah	8,565	20,370	8,565	20,370
General investment account	2,351,165	2,083,240	2,351,165	2,083,240
Mudharabah	2,351,165	2,083,240	2,351,165	2,083,240
Specific investment account	177,417	175,870	177,417	175,870
Mudharabah	177,417	175,455	177,417	175,455
Murabahah	-	415	-	415
Term deposit	29,717,548	28,449,501	29,717,548	28,449,501
Others - Qard	23,440	25,427	23,440	25,427
	40,091,478	38,466,874	40,091,478	38,466,874

(ii) Maturity structures of term deposits

Due within six months	28,219,662	27,273,049	28,219,662	27,273,049
Six months to one year	942,059	553,838	942,059	553,838
One year to three years	141,351	67,032	141,351	67,032
Three years to five years	241,930	383,128	241,930	383,128
More than five years	172,546	172,454	172,546	172,454
	29,717,548	28,449,501	29,717,548	28,449,501

	The Group		The Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
9 Deposits from customers (cont'd.)				
(iii) By type of customer				
Government and statutory bodies	3,515,125	4,827,079	3,515,125	4,827,079
Business enterprises	15,601,241	16,344,695	15,601,241	16,344,695
Individuals	5,408,783	4,214,843	5,408,783	4,214,843
Others	15,566,329	13,080,257	15,566,329	13,080,257
	40,091,478	38,466,874	40,091,478	38,466,874

10 Deposits and placements of banks and other financial institutions

Mudharabah

Licensed banks	1,651,860	2,475,265	1,651,860	2,475,265
Licensed investment banks	151,655	230	151,655	230
Other financial institutions	48,954	-	48,954	-
	1,852,469	2,475,495	1,852,469	2,475,495

Non-Mudharabah

Licensed Islamic banks	128,459	390,292	128,459	390,292
Licensed banks	2,228,005	3,670,014	2,228,005	3,670,014
Bank Negara Malaysia	1,285	-	1,285	-
Other financial institutions	245,496	36,111	245,496	36,111
	2,603,245	4,096,417	2,603,245	4,096,417
	4,455,714	6,571,911	4,455,714	6,571,911

The maturity structure of deposits and placements from financial institutions are as follows:

Due within six months	4,420,302	6,066,486	4,420,302	6,066,486
Six months to one year	35,412	505,425	35,412	505,425
	4,455,714	6,571,911	4,455,714	6,571,911

11 Other liabilities

Accruals and other payables	243,859	76,281	243,859	76,281
Clearing accounts	263,213	195,545	263,213	195,545
Others	10,442	15,942	10,442	15,942
	517,514	287,768	517,514	287,768

	The Group		The Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000

12 Financial liabilities designated at fair value

Deposits from customers - structured investments	196,302	146,216	196,302	146,216
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The Group and the Bank have issued structured investments, and have designated them at fair value in accordance with MFRS139. The Group and the Bank have the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

Included in the above are individual, domestic other non-bank financial institution and domestic business entities customers deposits with contractual amount due on maturity amounting to RM53,525,000 (2013: RM3,562,000), RM151,617,000 (2013: RM151,118,000) and RM4,014,000 (2013: nil) accordingly.

The carrying amount of the Group and the Bank as at 30 June 2014 of financial liabilities designated at fair value were RM12,854,000 (2013:RM8,464,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

13 Subordinated sukuk

The Group and the Bank

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.

	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
14 Income derived from investment of depositors funds and others				
The Group				
Income derived from investment of :				
a) General investment deposits	224,820	-	446,024	-
b) Specific investment deposits	19,329	-	47,539	-
c) Other deposits	255,902	-	487,247	-
	<u>500,051</u>	<u>-</u>	<u>980,810</u>	<u>-</u>
a) Income derived from investment of general investment deposits				
Financing, advances and other financing/loans				
- Profit income	182,585	-	372,997	-
- Unwinding income [^]	816	-	1,588	-
Financial assets held for trading	2,794	-	5,588	-
Financial investments available-for-sale	6,385	-	12,217	-
Financial investments held-to-maturity	3,575	-	6,933	-
Money at call and deposit with financial institutions	22,974	-	50,463	-
	<u>219,129</u>	<u>-</u>	<u>449,786</u>	<u>-</u>
Accretion of discount less amortisation of premium	(8,104)	-	(19,210)	-
Total finance income and hibah	<u>211,025</u>	<u>-</u>	<u>430,576</u>	<u>-</u>
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised (loss)/gain	(82)	-	68	-
- unrealised gain/(loss)	162	-	(166)	-
- Net gain from sale of financial investments available-for-sale	355	-	739	-
- Net gain from foreign exchange transactions	12,621	-	13,502	-
	<u>13,056</u>	<u>-</u>	<u>14,143</u>	<u>-</u>
Fee and commission income	739	-	1,305	-
	<u>224,820</u>	<u>-</u>	<u>446,024</u>	<u>-</u>
b) Income derived from investment of specific investment deposits				
Financing, advances and other financing/loans				
- Profit income	13,867	-	36,399	-
Money at call and deposit with financial institutions	5,462	-	11,140	-
	<u>19,329</u>	<u>-</u>	<u>47,539</u>	<u>-</u>

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

	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000

14 Income derived from investment of depositors funds and others (cont'd.)

c) Income derived from investment of other deposits

Financing, advances and other financing/loans				
- Profit income	207,828	-	406,971	-
- Unwinding income [^]	929	-	1,736	-
Financial assets held for trading	3,180	-	6,102	-
Financial investments available-for-sale	7,267	-	13,367	-
Financial investments held-to-maturity	4,069	-	7,581	-
Money at call and deposit with financial institutions	26,151	-	54,899	-
	<u>249,424</u>	-	<u>490,656</u>	-
Accretion of discount less amortisation of premium	(9,224)	-	(20,839)	-
Total finance income and hibah	<u>240,200</u>	-	<u>469,817</u>	-
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised (loss)/gain	(93)	-	63	-
- unrealised gain/(loss)	185	-	(159)	-
- Net gain from sale of financial investments available-for-sale	404	-	806	-
- Net gain from foreign exchange transactions	14,365	-	15,287	-
	<u>14,861</u>	-	<u>15,997</u>	-
Fee and commission income	841	-	1,433	-
	<u>255,902</u>	-	<u>487,247</u>	-

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

The Bank

Income derived from investment of :

- General investment deposits	224,820	223,492	446,024	464,819
- Specific investment deposits	19,329	19,314	47,539	35,535
- Other deposits	255,902	244,008	487,247	486,916
	<u>500,051</u>	<u>486,814</u>	<u>980,810</u>	<u>987,270</u>

a) Income derived from investment of general investment deposits

Financing, advances and other financing/loans				
- Profit income	182,585	196,179	372,997	396,055
- Unwinding income [^]	816	859	1,588	1,570
Financial assets held for trading	2,794	4,627	5,588	10,127
Financial investments available-for-sale	6,385	13,722	12,217	27,498
Financial investments held-to-maturity	3,575	3,557	6,933	7,373
Money at call and deposit with financial institutions	22,974	16,650	50,463	32,753
	<u>219,129</u>	<u>235,594</u>	<u>449,786</u>	<u>475,376</u>
Accretion of discount less amortisation of premium	(8,104)	7,666	(19,210)	17,073
Total finance income and hibah	<u>211,025</u>	<u>243,260</u>	<u>430,576</u>	<u>492,449</u>
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised (loss)/gain	(82)	(1,543)	68	(1,426)
- unrealised gain/(loss)	162	(364)	(166)	(940)
- Net gain from sale of financial investments available-for-sale	355	4,905	739	5,552
- Net gain from sale of financial investments held-to-maturity	-	-	-	117
- Net gain/(loss) from foreign exchange transactions	12,621	(23,041)	13,502	(31,430)
	<u>13,056</u>	<u>(20,043)</u>	<u>14,143</u>	<u>(28,127)</u>
Fee and commission income	739	275	1,305	497
	<u>224,820</u>	<u>223,492</u>	<u>446,024</u>	<u>464,819</u>

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

	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
14 Income derived from investment of depositors funds and others (cont'd.)				
b) Income derived from investment of specific investment deposits				
The Bank				
Financing, advances and other financing/loans				
- Profit income	13,867	9,956	36,399	20,151
Money at call and deposit with financial institutions	5,462	9,358	11,140	15,384
	19,329	19,314	47,539	35,535
c) Income derived from investment of other deposits				
Financing, advances and other financing/loans				
- Profit income	207,828	214,192	406,971	415,374
- Unwinding income [^]	929	939	1,736	1,654
Financial assets held for trading	3,180	5,052	6,102	10,588
Financial investments available-for-sale	7,267	14,981	13,367	28,847
Financial investments held-to-maturity	4,069	3,883	7,581	7,724
Money at call and deposit with financial institutions	26,151	18,179	54,899	34,387
	249,424	257,226	490,656	498,574
Accretion of discount less amortisation of premium	(9,224)	8,370	(20,839)	17,839
Total finance income and hibah	240,200	265,596	469,817	516,413
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised (loss)/gain	(93)	(1,685)	63	(1,567)
- unrealised gain/(loss)	185	(398)	(159)	(977)
- Net gain from sale of financial investments available-for-sale	404	5,356	806	6,007
- Net gain from sale of financial investments held-to-maturity	-	-	-	118
- Net gain/(loss) from foreign exchange transactions	14,365	(25,160)	15,287	(33,601)
	14,861	(21,887)	15,997	(30,020)
Fee and commission income	841	299	1,433	523
	255,902	244,008	487,247	486,916

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

	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
15 Income derived from investment of shareholder's funds				
The Group				
Financing, advances and other financing/loans				
- Profit income	24,732	-	47,516	-
- Unwinding income [^]	111	-	203	-
Financial assets held for trading	378	-	713	-
Financial investments available-for-sale	865	-	1,563	-
Financial investments held-to-maturity	484	-	886	-
Money at call and deposit with financial institutions	3,112	-	6,401	-
	<u>29,682</u>	-	<u>57,282</u>	-
Accretion of discount less amortisation of premium	(1,098)	-	(2,427)	-
Total finance income and hibah	<u>28,584</u>	-	<u>54,855</u>	-
Other operating income				
- Net gain/(loss) arising from financial assets held for trading				
- realised (loss)/gain	(11)	-	7	-
- unrealised gain/(loss)	22	-	(17)	-
- Net gain from sale of financial investments available-for-sale	48	-	94	-
- Net gain from foreign exchange transactions	1,710	-	1,815	-
- Net gain/(loss) arising from hedging activities	203	-	(340)	-
Net gain/(loss) arising from financial liabilities designated at fair value				
- realised loss	(962)	-	(1,551)	-
- unrealised (loss)/gain	(882)	-	4,390	-
- Net gain/(loss) arising from derivative financial instrument	-	-	-	-
- realised loss	(24,870)	-	(551)	-
- unrealised loss	(7,685)	-	(36,480)	-
	<u>(32,427)</u>	-	<u>(32,633)</u>	-
Fee and commission income	29,083	-	46,865	-
Less : fee and commission expense	-	-	(769)	-
Net fee and commission income	<u>29,083</u>	-	<u>46,096</u>	-
Other income				
- Sundry income	1,073	-	2,326	-
	<u>26,313</u>	-	<u>70,644</u>	-

	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
15 Income derived from investment of shareholder's funds (cont'd.)				
The Bank				
Financing, advances and other financing/loans				
- Profit income	24,732	19,833	47,516	39,807
- Unwinding income [^]	111	87	203	158
Financial assets held for trading	378	467	713	1,017
Financial investments available-for-sale	865	1,387	1,563	2,764
Financial investments held-to-maturity	484	360	886	741
Money at call and deposit with financial institutions	3,112	1,683	6,401	3,292
	29,682	23,817	57,282	47,779
Accretion of discount less amortisation of premium	(1,098)	775	(2,427)	1,715
Total finance income and hibah	28,584	24,592	54,855	49,494
Other operating income				
- Net gain/(loss) from sale of financial investments held for trading				
- realised (loss)/gain	(11)	(156)	7	(144)
- unrealised gain/(loss)	22	(36)	(17)	(94)
- Net gain from sale of financial investments available-for-sale	48	496	94	561
- Net gain from sale of financial investments held-to-maturity	-	-	-	12
- Net gain/(loss) from foreign exchange transactions	1,710	(2,330)	1,815	(3,168)
- Net gain/(loss) arising from hedging activities	203	(100)	(340)	229
Net gain/(loss) arising from financial liabilities designated at fair value				
- realised loss	(962)	(392)	(1,551)	(392)
- unrealised (loss)/gain	(882)	2,761	4,390	4,334
- Net gain/(loss) arising from derivative financial instrument				
- realised (loss)/gain	(24,870)	(12,354)	(551)	9,461
- unrealised (loss)/gain	(7,685)	52,571	(36,480)	40,296
	(32,427)	40,461	(32,633)	51,096
Fee and commission income	29,083	15,132	46,865	31,779
Less : fee and commission expense	-	(616)	(769)	(1,110)
Net fee and commission income	29,083	14,516	46,096	30,669
Other income				
- Sundry income	1,058	906	2,311	1,553
	26,298	80,475	70,629	132,812

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

	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
16 Allowance for impairment losses on financing, advances and other financing/loans				
The Group				
Individual impairment allowance				
- Made during the period	359	-	314	-
Portfolio impairment allowance				
- Made during the period	32,559	-	48,965	-
Impaired financing :				
- recovered	(10,892)	-	(22,086)	-
- written off	516	-	1,085	-
	<u>22,542</u>	<u>-</u>	<u>28,278</u>	<u>-</u>

The Bank

Individual impairment allowance				
- Made/(written back) during the period	359	(124)	314	(12,714)
Portfolio impairment allowance				
- Made during the period	32,559	13,340	48,965	63,909
Impaired financing :				
- recovered	(10,892)	(13,151)	(22,086)	(25,582)
- written off	516	548	1,085	1,159
	<u>22,542</u>	<u>613</u>	<u>28,278</u>	<u>26,772</u>

17 Income attributable to depositors

The Group

Deposits from customers

- Mudharabah	26,985	-	54,539	-
- Non-Mudharabah	173,983	-	336,471	-
- Financial liabilities designated at fair value	1,749	-	3,197	-

Deposits and placements of banks and other financial institutions

- Mudharabah	19,765	-	45,192	-
- Non-Mudharabah	17,663	-	45,541	-

Subordinated Sukuk	9,587	-	19,015	-
	<u>249,732</u>	<u>-</u>	<u>503,955</u>	<u>-</u>

The Bank

Deposits from customers

- Mudharabah	26,985	35,136	54,539	63,916
- Non-Mudharabah	173,983	161,896	336,471	331,076
- Financial liabilities designated at fair value	1,749	1,202	3,197	1,965

Deposits and placements of banks and other financial institutions

- Mudharabah	19,765	23,704	45,192	42,454
- Non-Mudharabah	17,663	64,621	45,541	133,009

Subordinated Sukuk	9,587	9,447	19,015	18,855
	<u>249,732</u>	<u>296,006</u>	<u>503,955</u>	<u>591,275</u>

2nd Quarter Ended		6 Months Ended	
30 June	30 June	30 June	30 June
2014	2013	2014	2013
RM'000	RM'000	RM'000	RM'000

18 Personnel expenses

The Group

Salaries, allowances and bonuses	12,639	-	29,477	-
Pension cost (defined contribution plan)	809	-	1,557	-
Training fees	193	-	220	-
Overtime	33	-	61	-
Others	1,845	-	3,732	-
	15,519	-	35,047	-

The Bank

Salaries, allowances and bonuses	12,639	17,621	29,477	34,598
Pension cost (defined contribution plan)	809	747	1,557	1,480
Training fees	193	103	220	113
Overtime	33	33	61	57
Others	1,845	2,053	3,732	3,840
	15,519	20,557	35,047	40,088

19 Other overheads and expenditures

The Group

Establishment

Rental	423	-	806	-
Depreciation of property, plant and equipment	530	-	1,068	-
Outsourcing expenses	65	-	68	-
Others	772	-	2,105	-
Total	1,790	-	4,047	-

Marketing

Advertisement and publicity	733	-	2,109	-
Others	579	-	1,003	-
	1,312	-	3,112	-

General expenses

Auditor's remuneration-statutory audit	51	-	149	-
Amortisation of intangible assets	3,661	-	4,691	-
Professional fees	60	-	532	-
Others	4,383	-	9,234	-
	8,155	-	14,606	-
Total other overheads and expenditures	11,257	-	21,765	-

Shared service costs paid/payable to CIMB Bank/CIMB Investment Bank

	90,750	-	185,064	-
	102,007	-	206,829	-

	2nd Quarter Ended		6 Months Ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
19 Other overheads and expenditures (cont'd.)				
The Bank				
Establishment				
Rental	423	338	806	658
Depreciation of property, plant and equipment	530	523	1,068	1,005
Outsourcing expenses	65	197	68	339
Others	772	1,337	2,105	2,284
	1,790	2,395	4,047	4,286
Marketing				
Advertisement and publicity	733	2,532	2,109	4,999
Others	579	409	1,003	817
	1,312	2,941	3,112	5,816
General expenses				
Auditor's remuneration-statutory audit	51	96	149	126
Amortisation of intangible assets	3,661	741	4,691	1,271
Professional fees	60	1,082	532	2,083
Others	4,368	6,644	9,219	12,344
	8,140	8,563	14,591	15,824
Total other overheads and expenditures	11,242	13,899	21,750	25,926
Shared service costs paid/payable to CIMB Bank/CIMB Investment Bank	90,750	102,578	185,064	196,670
	101,992	116,477	206,814	222,596

20 Commitments and contingencies

	30 June 2014	31 December 2013
	Principal amount	Principal amount
The Group and the Bank	RM'000	RM'000
<u>Credit-related</u>		
Direct credit substitutes	152,436	153,960
Certain transaction-related contingent items	382,595	390,323
Short-term self-liquidating trade-related contingencies	63,044	19,725
Irrevocable commitments to extend credit :		
- maturity not exceeding one year	3,578,208	4,383,087
- maturity exceeding one year	2,012,006	868,416
Miscellaneous commitments and contingencies	50,086	190,176
Total credit-related commitments and contingencies	6,238,375	6,005,687
<u>Treasury-related</u>		
Foreign exchange related contracts :		
- less than one year	3,294,077	3,671,244
- one year to less than five years	509,159	505,478
- more than five years	892,025	895,706
Profit rate related contracts :		
- less than one year	1,112,420	450,000
- one year to less than five years	10,022,335	8,208,201
- more than five years	5,515,355	6,632,534
Equity related contracts :		
- less than one year	107,650	-
- one year to less than five years	150,181	249,221
- more than five years	342,970	392,102
Credit related contracts:		
- more than five years	113,800	115,960
Total treasury-related commitments and contingencies	22,059,972	21,120,446
	28,298,347	27,126,133

21 Capital Adequacy

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

The risk-weighted assets of the Group and 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 with retail exposures on Advanced IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach.

30 June 2014 - Basel III

(a) The capital adequacy ratios of the Group and Bank are as follows:	The Group	The Bank
	30 June 2014	30 June 2014
Common equity tier 1 ratio	10.206%	10.205%
Tier 1 ratio	11.132%	11.132%
Total capital ratio	<u>14.412%</u>	<u>14.411%</u>
(b) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:	30 June 2014	30 June 2014
	RM'000	RM'000
Credit risk	19,538,004	19,538,228
Market risk	763,314	763,314
Operational risk	1,939,927	1,939,902
Total risk-weighted assets	<u>22,241,245</u>	<u>22,241,444</u>
(c) Components of Common Equity Tier I, Additional Tier I and Tier II capital are as follows:	30 June 2014	30 June 2014
	RM'000	RM'000
Common Equity Tier I capital		
Ordinary shares	1,000,000	1,000,000
Other reserves	1,803,426	1,803,400
Common Equity Tier I capital before regulatory adjustments	<u>2,803,426</u>	<u>2,803,400</u>
<u>Less: Regulatory adjustments</u>		
Goodwill	(136,000)	(136,000)
Intangible assets	(9,872)	(9,872)
Deferred tax assets	(30,061)	(30,061)
Others	(357,656)	(357,658)
Common Equity Tier I capital after regulatory adjustments	<u>2,269,837</u>	<u>2,269,809</u>
Additional Tier I capital		
Perpetual preference shares	206,000	206,000
Additional Tier I capital before regulatory adjustments	<u>206,000</u>	<u>206,000</u>
<u>Less: Regulatory adjustments</u>		
Additional Tier I capital after regulatory adjustments	<u>206,000</u>	<u>206,000</u>
Total Tier I capital	<u>2,475,837</u>	<u>2,475,809</u>
Tier II capital		
Subordinated notes	680,000	680,000
Portfolio impairment allowance and regulatory reserves ^	49,496	49,498
Total Tier II capital	<u>729,496</u>	<u>729,498</u>
Total capital	<u>3,205,333</u>	<u>3,205,307</u>

21 Capital Adequacy (Continued)

31 December 2013 - Basel III

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

	The Group	The Bank
	31 December 2013	31 December 2013
Common equity tier 1 ratio	9.905%	9.905%
Tier 1 ratio	10.201%	10.201%
Total capital ratio	14.020%	14.020%

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

	31 December 2013	31 December 2013
	RM'000	RM'000
Credit risk	18,769,386	18,769,614
Market risk	620,945	620,945
Operational risk	1,866,607	1,866,592
Total risk-weighted assets	21,256,938	21,257,151

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

	31 December 2013	31 December 2013
	RM'000	RM'000
Common Equity Tier I capital		
Ordinary shares	1,000,000	1,000,000
Other reserves	1,600,928	1,600,902
Common Equity Tier I capital before regulatory adjustments	2,600,928	2,600,902
<u>Less: Regulatory adjustments</u>		
Goodwill	(136,000)	(136,000)
Intangible assets	(11,080)	(11,080)
Deferred tax assets	(25,566)	(25,566)
Others	(322,811)	(322,814)
Common Equity Tier I capital after regulatory adjustments	2,105,471	2,105,442
Additional Tier I capital		
Perpetual preference shares	63,000	63,000
Additional Tier I capital before regulatory adjustments	63,000	63,000
Additional Tier I capital after regulatory adjustments	63,000	63,000
Total Tier I capital	2,168,471	2,168,442
Tier II capital		
Subordinated notes	765,000	765,000
Portfolio impairment allowance and regulatory reserves ^	46,854	46,857
Total Tier II capital	811,854	811,857
Total capital	2,980,325	2,980,299

^ The capital base of the Group and the Bank as at 30 June 2014 have excluded portfolio impairment allowance on impaired financings restricted from Tier II capital of RM24.1 million (31 December 2013: RM24.9 million) respectively.

22 Fair Value Estimation

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

Determination of fair value and fair value hierarchy

Valuation Model Review and Approval

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

The fair value hierarchy has the following levels:

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

Level 2 - Inputs to the valuation methodology include:

Quoted prices for similar assets and liabilities in active markets; or

Quoted prices for identical or similar assets and liabilities in non-active markets; or

Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

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

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

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

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

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

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

22 Fair Value Estimation (Continued)

- (i) The following table represents the financial assets and financial liabilities measured at fair value and classified by level with the following fair value measurement hierarchy as at 30 June 2014 and 31 December 2013.

The Group and the Bank	Fair Value							
	30 June 2014				31 December 2013			
	Carrying amount	Observable inputs (Level 2)	Fair Value Significant unobservable inputs (Level 3)	Total	Carrying amount	Observable inputs (Level 2)	Fair Value Significant unobservable inputs (Level 3)	Total
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Financial assets								
Financial assets held for trading								
-Money market instruments	2,748,333	2,748,333	-	2,748,333	2,960,355	2,960,355	-	2,960,355
-Quoted securities				-				-
-Unquoted securities	213,256	213,256	-	213,256	208,182	208,182	-	208,182
Financial investments available-for-sale								
-Money market instruments	423,134	423,134	-	423,134	438,075	438,075	-	438,075
-Quoted securities				-				-
-Unquoted securities	1,187,695	1,187,120	575	1,187,695	850,031	849,456	575	850,031
Derivative financial instruments								
-Trading derivatives	150,924	150,924	-	150,924	202,145	202,145	-	202,145
-Hedging derivatives	35,046	35,046	-	35,046	44,655	44,655	-	44,655
Total	4,758,388	4,757,813	575	4,758,388	4,703,443	4,702,868	575	4,703,443
Financial liabilities								
Derivative financial instruments								
Trading derivatives	156,221	156,221	-	156,221	170,950	170,950	-	170,950
Hedging derivatives	119,675	119,675	-	119,675	114,427	114,427	-	114,427
Financial liabilities designated at fair value	196,302	196,302	-	196,302	146,216	146,216	-	146,216
Total	472,198	472,198	-	472,198	431,593	431,593	-	431,593

23 Credit transactions and exposures with connected parties

	The Group and the Bank 30 June 2014 RM'000	The Bank 30 June 2013 RM'000
Outstanding credit exposures with connected parties	839,388	975,736
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.60%	1.90%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.00%	0.00%

24 Change in accounting policies

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

25 Comparative

There is no comparative figure for the Group as the first set of consolidated group financial statements were prepared in financial period ended 30 September 2013.