

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

	Notes	The Group		The Bank	
		30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
<b>Assets</b>					
Cash and short term funds		1,063,939	1,382,773	1,032,957	1,344,509
Reverse repurchase agreements		200,735	200,251	200,735	200,251
Deposits and placements with banks and other financial institutions		150,891	131	150,862	102
Financial assets held for trading	A5	6,211	2,155	6,211	2,155
Derivative financial instruments	A18(i)	18,195	23,319	18,195	23,319
Financial investments available-for-sale	A6	1,464	2,824	745	745
Loans advances and financing	A7	169,141	131,067	169,141	131,067
Other assets	A8	1,547,117	1,211,653	1,544,430	1,209,563
Tax recoverable		18	257	-	-
Deferred tax assets		42,492	48,914	42,361	48,754
Amounts due from subsidiaries		-	-	22	131
Amounts due from related companies		17,841	14,515	17,841	14,515
Amounts due from ultimate holding company		42	190	42	190
Statutory deposits with Bank Negara Malaysia		3,461	2,451	3,461	2,451
Investment in subsidiaries		-	-	9,050	9,050
Investment in associates		5,624	6,386	-	-
Property, plant and equipment		181,857	199,115	182,633	199,782
Goodwill		964	964	-	-
<b>Total assets</b>		<b>3,409,992</b>	<b>3,226,965</b>	<b>3,378,686</b>	<b>3,186,584</b>
<b>Liabilities</b>					
Deposits from customers	A9	319,124	351,123	319,124	351,123
Deposits and placements of banks and other financial institutions	A10	1,034,336	1,145,641	1,034,336	1,145,641
Derivative financial instruments	A18(i)	9,039	9,383	9,039	9,383
Other liabilities	A11	1,416,995	1,113,770	1,415,083	1,110,756
Provision for taxation and Zakat		17,367	20,339	17,359	20,337
Amounts due to related companies		6,073	2,281	6,073	2,281
Subordinated loan		5,090	15,000	-	-
<b>Total liabilities</b>		<b>2,808,024</b>	<b>2,657,537</b>	<b>2,801,014</b>	<b>2,639,521</b>
<b>Capital and reserves attributable to equity holders of the Bank</b>					
Ordinary share capital		100,000	100,000	100,000	100,000
Redeemable preference shares		10	10	10	10
Reserves		501,958	469,418	477,662	447,053
<b>Total equity</b>		<b>601,968</b>	<b>569,428</b>	<b>577,672</b>	<b>547,063</b>
<b>Total equity and liabilities</b>		<b>3,409,992</b>	<b>3,226,965</b>	<b>3,378,686</b>	<b>3,186,584</b>
<b>Commitments and contingencies</b>	A18(ii)	<b>794,457</b>	<b>767,637</b>	<b>794,457</b>	<b>767,637</b>
<b>Net assets per share (RM)</b>		<b>6.02</b>	<b>5.69</b>	<b>5.78</b>	<b>5.47</b>

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

**CIMB INVESTMENT BANK BERHAD**  
(Company Number 18417-M)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014**

	Notes	The Group				The Bank			
		3rd quarter ended		Nine months ended		3rd quarter ended		Nine months ended	
		30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Interest income	A12	9,126	9,011	28,567	27,018	8,218	7,742	25,705	23,350
Interest expense	A13	(9,608)	(9,260)	(29,632)	(32,202)	(9,543)	(9,069)	(29,248)	(31,723)
Net interest expense		(482)	(249)	(1,065)	(5,184)	(1,325)	(1,327)	(3,543)	(8,373)
Income derived from investment of depositors' funds and others		610	859	1,315	14,085	610	859	1,315	14,085
Income derived from investment of shareholders' funds		9,399	22,027	23,344	32,279	9,399	22,027	23,344	32,279
Income attributable to the depositors		(1,224)	(3,592)	(3,252)	(12,586)	(1,224)	(3,592)	(3,252)	(12,586)
Income from Islamic Banking operations	A22b	8,785	19,294	21,407	33,778	8,785	19,294	21,407	33,778
Fee and commission income	A14	18,202	17,955	62,156	88,983	18,202	17,955	62,156	88,983
Dividend income	A14	-	-	4	3	-	-	4	3
Net trading (expense)/income	A14	(93)	416	418	670	(93)	416	374	670
Income from asset management and securities services	A14	5,366	4,608	13,629	12,900	5,366	4,608	13,629	12,900
Brokerage income	A14	38,409	36,153	122,147	113,039	37,273	34,528	118,832	108,794
Other non-interest income	A14	623	2,209	3,094	6,545	621	2,187	3,073	6,503
Non-interest income		62,507	61,341	201,448	222,140	61,369	59,694	198,068	217,853
Total income		70,810	80,386	221,790	250,734	68,829	77,661	215,932	243,258
Overheads	A15	(58,798)	(65,355)	(173,448)	(180,243)	(57,716)	(63,625)	(170,017)	(176,432)
Profit before allowances		12,012	15,031	48,342	70,491	11,113	14,036	45,915	66,826
Allowance for impairment losses on loans, advances and financing	A16	(1,150)	(93)	(1,233)	(672)	(1,150)	(93)	(1,233)	(672)
Allowance for other impairment losses	A17	-	(432)	-	(717)	-	-	-	-
Write back of (allowance for) impairment losses on other receivables (net)		2,293	590	124	(1,223)	2,293	531	112	(1,221)
Recoveries from investment management and securities services		-	-	804	-	-	-	804	-
		13,155	15,096	48,037	67,879	12,256	14,474	45,598	64,933
Share of profit of associates		250	255	858	625	-	-	-	-
Profit before taxation		13,405	15,351	48,895	68,504	12,256	14,474	45,598	64,933
Taxation		(6,975)	(7,605)	(20,581)	(21,706)	(6,750)	(7,418)	(19,493)	(20,928)
Profit after taxation		6,430	7,746	28,314	46,798	5,506	7,056	26,105	44,005
Profit for the financial period attributable to: Owners of the Group/Bank		6,430	7,746	28,314	46,798	5,506	7,056	26,105	44,005

Earnings per share attributable to ordinary equity holders (sen)

-Basic	6.4	7.7	28.3	46.8	5.5	7.1	26.1	44.0
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The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the year ended 31 December 2013

CIMB INVESTMENT BANK BERHAD  
(Company Number 18417-M)  
CONDENSED FINANCIAL STATEMENTS  
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

	The Group				The Bank			
	3rd quarter ended		Nine months ended		3rd quarter ended		Nine months ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Profit for the period	6,430	7,746	28,314	46,798	5,506	7,056	26,105	44,005
<b>Other comprehensive expense:</b>								
<b>Items that may be reclassified subsequently to profit or loss</b>								
Revaluation reserve - financial investments available-for-sale	-	-	(278)	(791)	-	-	-	-
- Loss from change in fair value	-	-	(278)	(791)	-	-	-	-
Other comprehensive income for the financial period net of tax	6,430	7,746	28,036	46,007	5,506	7,056	26,105	44,005
<b>Total comprehensive income attributable to:</b>								
Owners of the Group/Bank	6,430	7,746	28,036	46,007	5,506	7,056	26,105	44,005

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

**CIMB INVESTMENT BANK BERHAD**  
(Company Number 18-117-M)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014**

	Attributable to owners of Parent						Total RM'000
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000	
<b>The Group</b>							
<b>30 September 2014</b>	100,000	10	155,805	492	30,070	283,051	569,428
<b>At 1 January 2014</b>							
Net profit for the financial period	-	-	-	-	-	28,314	28,314
Other comprehensive expense (net of tax)	-	-	-	(278)	-	(278)	(278)
- financial investments available-for-sales	-	-	-	(278)	-	(278)	(278)
<b>Total comprehensive income for the financial period</b>	-	-	-	(278)	-	28,314	28,036
Share-based payment expense	-	-	-	-	28,113	-	28,113
Shares released under Equity Ownership Plan	-	-	-	-	(23,609)	-	(23,609)
<b>At 30 September 2014</b>	100,000	10	155,805	214	34,574	311,365	601,968

	Attributable to owners of the Parent						Total RM'000
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Revaluation reserve- financial investments available-for-sale RM'000	Share-based payment reserve RM'000	Retained profits RM'000	
<b>The Group</b>							
<b>30 September 2013</b>	100,000	10	155,805	1,283	18,598	269,836	545,532
<b>At 1 January 2013</b>							
Net profit for the financial period	-	-	-	-	-	46,798	46,798
Other comprehensive expense (net of tax)	-	-	-	(791)	-	(791)	(791)
- financial investments available-for-sales	-	-	-	(791)	-	(791)	(791)
<b>Total comprehensive income for the financial period</b>	-	-	-	(791)	-	46,798	46,007
Share-based payment expense	-	-	-	-	21,524	-	21,524
Shares released under Equity Ownership Plan	-	-	-	-	(18,191)	-	(18,191)
Final dividend paid in respect of the financial year ended 31 December 2012	-	-	-	-	-	(56,000)	(56,000)
<b>At 30 September 2013</b>	100,000	10	155,805	492	21,931	260,634	538,872

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

**CIMB INVESTMENT BANK BERHAD**  
(Company Number 18417-M)  
**CONDENSED FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014**

	Non-distributable					Distributable		
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
The Bank 30 September 2014	100,000	10	155,805	(272,007)	30,070	271,377	261,808	547,063
At 1 January 2014								
Net profit for the financial period							26,105	26,105
<b>Total comprehensive income for the financial period</b>							<b>26,105</b>	<b>26,105</b>
Share-based payment expense					28,113			28,113
Shares released under Equity Ownership Plan					(23,609)			(23,609)
At 30 September 2014	100,000	10	155,805	(272,007)	34,574	271,377	287,913	577,672

	Non-distributable					Distributable		
	Share capital RM'000	Redeemable preference shares RM'000	Statutory reserve RM'000	Merger reserve RM'000	Share-based payment reserve RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
The Bank 30 September 2013	100,000	10	155,805	(272,007)	18,598	271,377	248,989	522,772
At 1 January 2013								
Net profit for the financial period							44,005	44,005
<b>Total comprehensive income for the financial period</b>							<b>44,005</b>	<b>44,005</b>
Share-based payment expense					21,524			21,524
Share released under Equity Ownership Plan					(18,191)			(18,191)
Final dividend paid in respect of the financial year ended 31 December 2012							(56,000)	(56,000)
At 30 September 2013	100,000	10	155,805	(272,007)	21,931	271,377	236,994	514,110

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

**CIMB INVESTMENT BANK BERHAD**  
*(Company Number 18417-M)*  
**CONDENSED INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014**

	The Group		The Bank	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Profit before taxation	48,895	68,504	45,598	64,933
Adjustments for non-operating and non-cash items	59,043	51,757	59,832	51,660
Cash flow from operating profit before changes in operating assets and liabilities	107,938	120,261	105,430	116,593
Net changes in operating assets	(555,953)	373,839	(556,866)	367,040
Net changes in operating liabilities	131,423	(250,118)	132,528	(251,185)
Cash (used in)/generated from operating activities	(316,592)	243,982	(318,908)	232,448
Taxation paid	(16,892)	(6,895)	(16,077)	(6,438)
Net cash (used in) / generated from operating activities	(333,484)	237,087	(334,985)	226,010
Net cash used in investing activities	(7,727)	(31,776)	(8,854)	(31,777)
Net cash used in financing activities	(9,910)	(51,000)	-	(56,000)
	(17,637)	(82,776)	(8,854)	(87,777)
Net (decrease)/increase in cash and cash equivalents during the financial period	(351,121)	154,311	(343,839)	138,233
Cash and cash equivalents at beginning of the financial period	1,382,773	1,393,651	1,344,509	1,372,047
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,031,652</b>	<b>1,547,962</b>	<b>1,000,670</b>	<b>1,510,280</b>
<b>Cash and cash equivalents comprise the following:</b>				
Cash and short term funds	1,063,939	1,577,657	1,032,957	1,539,975
Adjustment for monies held in trust:				
Remisiers' balances	(32,287)	(29,695)	(32,287)	(29,695)
<b>Cash and cash equivalents at end of the financial period</b>	<b>1,031,652</b>	<b>1,547,962</b>	<b>1,000,670</b>	<b>1,510,280</b>

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

## EXPLANATORY NOTES

### **A1 Basis of preparation**

The unaudited condensed interim financial statements for the financial period ended 30 September 2014 have been prepared under the historical cost convention except for financial assets held for trading financial investments available-for-sale and derivative financial instruments that have been measured at fair value

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134 Interim Financial Reporting issued by the Malaysian Accounting Standards Board and paragraph 9.22 of Bursa Malaysia Securities Berhad's Listing Requirements

The unaudited condensed interim financial statements should be read in conjunction with the Group's audited financial statements for the financial year ended 31 December 2013. The explanatory notes attached to the condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013

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

Amendment to MFRS 132 Financial instruments: Presentation  
Amendments to MFRS 10, MFRS 12 and MFRS 127 "Investment entities  
IC Interpretation 21 "Levies"

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

The unaudited condensed interim financial statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under Shariah principles

The preparation of unaudited condensed interim financial statements in conformity with the MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the unaudited condensed interim financial statements, and the reported amounts of income and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group and Bank's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates

### **A2. Changes in estimates**

There were no material changes to financial estimates made in respect of the current financial year that had previously been announced or disclosed

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

The Directors do not recommend the payment of any dividend for the financial period ended 30 September 2014

### **A4. Significant events after balance sheet date**

Bank Negara Malaysia (BNM) has, via its letter dated 10 July 2014, stated that it has no objection for the bank's ultimate holding company, CIMB Group Holdings Berhad ("CIMB Group") and/or its nominees to commence negotiations with (i) RHB Capital and/or its nominees; and (ii) MBSB and/or its nominees for a proposed merger of their businesses and undertakings and the creation of an enlarged Islamic banking franchise ("Proposed Merger"). The approval to commence negotiations is valid for a period of 6 months from the date of BNM's letter. (CIMB Group, RHB Capital and MBSB are collectively defined as the "Parties")

Pursuant to BNM's approval, the Parties have on the same day entered into an exclusivity agreement to negotiate and finalise pricing, structure, and other relevant terms and conditions of the Proposed Merger for a period of ninety (90) days (unless otherwise agreed by the Parties) ("Exclusivity Period"). There will be an automatic extension of the Exclusivity Period upon submissions being made to BNM by the Parties on the Proposed Merger until the date of execution of the relevant definitive agreement(s) to effect the Proposed Merger

On 8 October 2014, CIMB Group and RHB Capital, as well as their relevant subsidiaries, had made a joint application to BNM to seek the approval of BNM and/or the Minister of Finance ("MoF") through BNM for amongst others the Proposed Merger

The Proposed Merger is intended to encompass the following:

- The proposed disposal by CIMB Group of all its assets, liabilities, businesses and undertakings ("Assets and Liabilities") to RHB Capital ("Proposed Disposal");
- The proposed acquisition (an integral part of the Proposed Merger) by CIMB Islamic Bank Berhad ("CIMB Islamic") of the Assets and Liabilities of RHB Islamic Bank Berhad ("RHB Islamic") ("Proposed RHB Islamic Acquisition"); and
- The proposed merger of the Assets and Liabilities of CIMB Islamic, RHB Islamic and MBSB to create a mega Islamic bank ("Proposed Islamic Merger")

The Proposed Disposal and Proposed RHB Islamic Acquisition are not conditional upon the Proposed Islamic Merger and vice versa, or any other transaction or proposal involving the Parties.

**EXPLANATORY NOTES (Continued)**

**A5. Financial assets held for trading**

	The Group and the Bank	
	30 September 2014	31 December 2013
	RM'000	RM'000
<b>At fair value</b>		
Quoted securities :		
<i>In Malaysia</i>		
Shares	1,713	1 119
Unquoted securities :		
<i>In Malaysia</i>		
Private debt securities	4,498	1 036
Total financial assets held for trading	<u>6,211</u>	<u>2,155</u>

**A6. Financial investments available-for-sale**

	The Group		The Bank	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Unquoted securities :				
<i>In Malaysia</i>				
Shares	-	2 200	-	-
<i>Outside Malaysia</i>				
Shares	7,795	8 072	7,076	7 076
	<u>7,795</u>	<u>10,272</u>	<u>7,076</u>	<u>7,076</u>
Allowance for impairment losses :				
Unquoted shares in Malaysia	-	(1 117)	-	-
Unquoted shares outside Malaysia	(6,331)	(6,331)	(6,331)	(6,331)
	<u>(6,331)</u>	<u>(7,448)</u>	<u>(6,331)</u>	<u>(6,331)</u>
Total financial investments available-for-sale	<u>1,464</u>	<u>2,824</u>	<u>745</u>	<u>745</u>

**A7. Loans, advances and financing**

	The Group and the Bank	
	30 September 2014	31 December 2013
	RM'000	RM'000
(i) By type		
Staff loans *	171,717	133 063
Other loans	1,536	883
Gross loans, advances and financing	<u>173,253</u>	<u>133 946</u>
Less: allowance for impairment losses		
- Individual impairment allowance	(1,535)	(883)
- Portfolio impairment allowance	(2,577)	(1 996)
Total net loans, advances and financing	<u>169,141</u>	<u>131,067</u>

\* Included in staff loans of the Group and the Bank are loans to Directors amounting to RM505 164 (2013: RM Nil)



**EXPLANATORY NOTES (Continued)****A7. Loans advances and financing (continued)**

	The Group and the Bank	
	30 September 2014	31 December 2013
	RM'000	RM'000
<b>(ii) By type of customers</b>		
Individuals	173,253	133,946
<b>(iii) By interest rate sensitivity</b>		
Fixed rate		
- Other fixed rate loan	41,724	46,835
Variable rate		
- B1 R plus	131,529	87,111
	<u>173,253</u>	<u>133,946</u>
<b>(iv) By economic purpose:</b>		
Personal use	1,540	1,159
Purchase of residential property (housing)	157,744	118,782
Purchase of securities	1	1
Purchase of transport vehicles	13,968	14,004
Gross loans advances and financing	<u>173,253</u>	<u>133,946</u>
<b>(v) By geographical distribution</b>		
Malaysia	<u>173,253</u>	<u>133,946</u>
<b>(vi) By residual contractual maturity</b>		
Within one year	370	227
One year to less than three years	3,708	2,042
Three years to less than five years	6,603	7,298
Five years and more	162,572	124,379
	<u>173,253</u>	<u>133,946</u>
<b>(vii) Impaired loans, advances and financing by economic purpose</b>		
Purchase of residential property (housing)	1,422	786
Purchase of transport vehicles	113	97
Gross impaired loans advances and financing	<u>1,535</u>	<u>883</u>
<b>(viii) Impaired loans, advances and financing by geographical distribution</b>		
Malaysia	<u>1,535</u>	<u>883</u>
<b>(ix) Movements in the impaired loans, advances and financing are as follows:</b>		
At 1 January	883	432
Classified as impaired during the period / year	1,077	592
Amounts written back in respect of recoveries	(425)	(141)
At 30 September 2014 / 31 December 2013	<u>1,535</u>	<u>883</u>
Ratio of gross impaired loans to total loans advances and financing	<u>0.9%</u>	<u>0.7%</u>

**EXPLANATORY NOTES (Continued)**

**A7 Loans advances and financing (continued)**

(x) Movements in the allowance for impaired loans are as follows:

		The Group and the Bank	
		30 September 2014	31 December 2013
		RM'000	RM'000
<u>Individual impairment allowance</u>			
At 1 January		883	432
Allowance made during the period / year		1,077	592
Amounts written back during the period / year		(425)	(141)
At 30 September 2014 / 31 December 2013		1,535	883
<u>Portfolio impairment allowance</u>			
At 1 January		1,996	1,115
Net allowance made during the period / year		581	881
At 30 September 2014 / 31 December 2013		2,577	1,996
Portfolio impairment allowance as % of gross loans advances and financing less individual impairment allowance		1.5%	1.5%

		The Group		The Bank	
		30 September 2014	31 December 2013	30 September 2014	31 December 2013
		RM'000	RM'000	RM'000	RM'000
<b>A8</b>	<b>Other assets</b>				
	Due from brokers and clients, net of allowance for impairment loss	1,266,012	918,027	1,264,361	916,957
	Collateral pledged for derivative transactions	157,403	163,003	157,403	163,003
	Other debtors, deposits and prepayments, net of allowance for doubtful debts	123,702	130,623	122,666	129,603
		1,547,117	1,211,653	1,544,430	1,209,563

		The Group and the Bank	
		30 September 2014	31 December 2013
		RM'000	RM'000
<b>A9</b>	<b>Deposits from customers</b>		
	<u>(i) By type of deposits</u>		
	Others	319,124	351,123
	<u>(ii) By type of customers</u>		
	Local government and statutory bodies	54,400	54,400
	Business enterprises	169,624	196,023
	Individuals	91,350	96,950
	Others	3,750	3,750
		319,124	351,123

		The Group and the Bank	
		30 September 2014	31 December 2013
		RM'000	RM'000
<b>A10</b>	<b>Deposits and placements of banks and other financial institutions</b>		
	Licensed banks	627,214	605,290
	Other financial institutions	407,122	540,351
		1,034,336	1,145,641

		The Group		The Bank	
		30 September 2014	31 December 2013	30 September 2014	31 December 2013
		RM'000	RM'000	RM'000	RM'000
<b>A11</b>	<b>Other liabilities</b>				
	Due to brokers and clients	1,190,378	876,517	1,190,378	876,517
	Others	226,617	237,253	224,705	234,239
		1,416,995	1,113,770	1,415,083	1,110,756

EXPLANATORY NOTES (Continued)

	3rd quarter ended		Nine months ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
<b>A12 Interest income</b>				
<b>Group</b>				
Loans, advances and financing	1,293	833	3,454	2,244
Money at call and deposits placements with banks and other financial institutions	5,748	6,636	19,492	19,655
Reverse repurchase agreements	1,713	1,272	4,687	3,479
Financial assets held for trading	43	72	86	237
Others	334	201	857	1,356
	9,131	9,014	28,576	26,971
Accretion of discount less amortisation of premium	(5)	(3)	(9)	47
	9,126	9,011	28,567	27,018
<b>Bank</b>				
Loans, advances and financing	1,293	833	3,454	2,244
Money at call and deposits placements with banks and other financial institutions	4,840	5,367	16,630	15,987
Reverse repurchase agreements	1,713	1,272	4,687	3,479
Financial assets held for trading	43	72	86	237
Others	334	201	857	1,356
	8,223	7,745	25,714	23,303
Accretion of discount less amortisation of premium	(5)	(3)	(9)	47
	8,218	7,742	25,705	23,350
<b>A13 Interest expense</b>				
<b>Group</b>				
Deposits and placements of banks and other financial institutions	4,228	7,497	22,001	27,421
Deposits from customers	5,315	1,572	7,247	4,302
Subordinated loans	65	191	384	479
	9,608	9,260	29,632	32,202
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	4,228	7,497	22,001	27,421
Deposits from customers	5,315	1,572	7,247	4,302
	9,543	9,069	29,248	31,723
<b>A14 Non interest income</b>				
<b>Group</b>				
<b>a) Fee income and commission income:</b>				
Portfolio management fees	1,932	2,254	5,764	6,603
Advisory and arrangement fees	11,188	3,722	30,286	38,318
Underwriting commissions	2,853	-	5,585	16,749
Placement fees	577	10,154	16,201	22,608
Other fee income	1,652	1,825	4,320	4,705
	18,202	17,955	62,156	88,983
<b>b) Net trading income</b>				
(Loss)/gain arising from trading in financial assets held for trading	(93)	420	515	443
- realised (loss)/gain	(157)	280	491	4,857
- unrealised gain/(loss)	64	140	24	(4,414)
(Loss)/gain arising from trading in derivative financial instruments	-	(4)	(141)	227
- realised (loss)/gain	-	(4)	(141)	227
	(93)	416	374	670
<b>c) Net gain from sale of financial investments available-for-sale</b>	-	-	44	-
<b>d) Dividend income from:</b>				
Financial assets held for trading	-	-	4	3
<b>e) Other income:</b>				
Foreign exchange gain	575	1,366	1,065	3,787
(Loss)/gain on disposal of property, plant and equipment	(130)	1,439	1,204	2,138
Other non-operating income/(expense)	178	(596)	825	620
	623	2,209	3,094	6,545
<b>f) Income from asset management and securities services</b>	5,366	4,608	13,629	12,900
<b>g) Brokerage Income</b>	38,409	36,155	122,147	113,039
<b>Total non interest income</b>	<b>62,507</b>	<b>61,341</b>	<b>201,448</b>	<b>222,140</b>

**EXPLANATORY NOTES (Continued)**

**A14 Non interest income (Continued)**

	3rd quarter ended		Nine months ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
a) <b>Fee income and commission income:</b>				
Portfolio management fees	1 932	2 254	5 764	6 603
Advisory and arrangement fees	11 188	3 722	30 286	38 318
Underwriting commissions	2,853	-	5,585	16 749
Placement fees	577	10 827	16 201	23 281
Other fee income	1,652	1,152	4,320	4,032
	<b>18,202</b>	<b>17,955</b>	<b>62,156</b>	<b>88,983</b>
b) <b>Net trading income</b>				
(Loss)/gain arising from trading in financial assets held for trading	(93)	420	515	443
- realised (loss)/gain	(157)	280	491	4 857
- unrealised gain/(loss)	64	140	24	(4,414)
(Loss)/gain arising from trading in derivative financial instruments	-	(4)	(141)	227
- realised (loss)/gain	(93)	416	374	670
c) <b>Dividend income from:</b>				
Financial assets held for trading	-	-	4	3
d) <b>Other income:</b>				
Foreign exchange gain	573	1 344	1,044	3 745
(Loss)/gain on disposal of property, plant and equipment	(130)	1,439	1,204	2 138
Other non-operating income/(expense)	178	(596)	825	620
	<b>621</b>	<b>2,187</b>	<b>3,073</b>	<b>6,503</b>
e) <b>Income from asset management and securities services</b>	5,366	4 608	13,629	12 900
f) <b>Brokerage Income</b>	37 273	34 528	118,832	108 794
<b>Total non interest income</b>	<b>61,369</b>	<b>59,694</b>	<b>198,068</b>	<b>217,853</b>

**A15 Overheads**

**Group**

**Personnel costs**

- Salaries allowances and bonuses	62 391	70 643	186,884	198 339
- Pension cost (defined contribution plan)	7,605	7 627	23,465	23 037
- Training fees	1,886	882	3,739	2 346
- Overtime, meal and transport claims	417	620	1,402	1 607
- Others	4,291	5,244	14,934	13,449
	<b>76,590</b>	<b>85,016</b>	<b>230,424</b>	<b>238,778</b>

**Establishment costs**

- Depreciation of property plant and equipment	8 566	6 426	27 301	18,862
- Rental	9,447	4,600	27,660	13 061
- Others	5,173	7 536	16,314	28,214
	<b>23,186</b>	<b>18,562</b>	<b>71,275</b>	<b>60,137</b>

**Marketing expenses**

- Advertisement	962	4 160	10 586	10 226
- Entertainment expenses	1,460	1 472	4,301	3 970
- Others	2,339	1,405	4,961	3,494
	<b>4,761</b>	<b>7,037</b>	<b>19,848</b>	<b>17,690</b>

**Administration and general expenses**

- Legal and professional fees	3 201	2 950	7,102	7 211
- Communication	1,836	1 716	5,329	5 587
- Printing and stationery	791	666	2,475	1 896
- Administrative vehicle travelling and insurance expenses	2,576	2 287	8,205	7 500
- Others	3,425	3,288	9,143	8,053
	<b>11,829</b>	<b>10,907</b>	<b>32,254</b>	<b>30,247</b>

**Shared services cost**

	(57,568)	(56,167)	(180,353)	(166,609)
<b>Total overhead expenses</b>	<b>58,798</b>	<b>65,355</b>	<b>173,448</b>	<b>180,243</b>

**EXPLANATORY NOTES (Continued)**

**A15. Overheads (Continued)**

	3rd quarter ended		Nine months ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
<b>Personnel costs</b>				
- Salaries, allowances and bonuses	61,937	70,228	185,180	196,978
- Pension cost (defined contribution plan)	7,556	7,582	23,320	22,897
- Training fees	1,885	862	3,737	2,325
- Overtime meal and transport claims	417	620	1,402	1,607
- Others	4,216	5,193	14,801	13,329
	<u>76,011</u>	<u>84,485</u>	<u>228,440</u>	<u>237,136</u>
<b>Establishment costs</b>				
- Depreciation of property plant and equipment	8,530	6,414	27,192	18,827
- Rental	9,078	4,354	26,741	12,352
- Others	5,145	7,517	16,186	28,030
	<u>22,753</u>	<u>18,285</u>	<u>70,119</u>	<u>59,209</u>
<b>Marketing expenses</b>				
- Advertisement	962	4,151	10,582	10,197
- Entertainment expenses	1,399	1,512	4,230	3,970
- Others	2,395	1,362	4,940	3,436
	<u>4,756</u>	<u>7,025</u>	<u>19,752</u>	<u>17,603</u>
<b>Administration and general expenses</b>				
- Legal and professional fees	3,191	2,944	7,074	7,187
- Communication	1,827	1,700	5,284	5,539
- Printing and stationery	791	666	2,475	1,896
- Administrative vehicle travelling and insurance expenses	2,570	2,282	8,188	7,472
- Others	3,385	2,405	9,038	6,999
	<u>11,764</u>	<u>9,997</u>	<u>32,059</u>	<u>29,093</u>
Shared services cost	(57,568)	(56,167)	(180,353)	(166,609)
<b>Total overhead expenses</b>	<u>57,716</u>	<u>63,625</u>	<u>170,017</u>	<u>176,432</u>

**A16. Allowance for impairment losses on loans, advances and financing**

**The Group**

**Allowance for impairment losses on loans, advances and financing :**

(a) Individual impairment allowance				
- made during the financial period	(1,706)	-	(1,077)	(212)
- written back during the financial period	731	120	425	141
(b) Portfolio impairment allowance				
- made during the financial period	(175)	(213)	(581)	(601)
	<u>(1,150)</u>	<u>(93)</u>	<u>(1,233)</u>	<u>(672)</u>

**The Bank**

**Allowance for impairment losses on loans, advances and financing :**

(a) Individual impairment allowance				
- made during the financial period	(1,706)	-	(1,077)	(212)
- written back during the financial period	731	120	425	141
(b) Portfolio impairment allowance				
- made during the financial period	(175)	(213)	(581)	(601)
	<u>(1,150)</u>	<u>(93)</u>	<u>(1,233)</u>	<u>(672)</u>

**A17. Allowance for other impairment losses**

**The Group**

**Financial investments available-for-sale**  
- made during the financial period

	-	(432)	-	(717)
	<u>-</u>	<u>(432)</u>	<u>-</u>	<u>(717)</u>

**EXPLANATORY NOTES (Continued)**

**A18 Derivative financial instruments and commitment and contingencies**

**i) Derivative financial instruments**

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

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in 'Derivative Financial Instruments' Assets and Liabilities respectively

	The Group and The Bank		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
<b>At 30 September 2014</b>			
<b>Trading derivatives</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	469,800	18,195	(9,039)
	469,800	18,195	(9,039)
<u>Equity derivatives</u>			
Equity options			
- More than 3 years	257,645	-	-
	257,645	-	-
<b>Total derivative assets/(liabilities)</b>	<b>727,445</b>	<b>18,195</b>	<b>(9,039)</b>
<b>Trading derivatives</b>			
<u>Interest rate derivatives</u>			
Interest rate swaps			
- More than 3 years	486,600	23,319	(9,383)
	486,600	23,319	(9,383)
<u>Equity derivatives</u>			
Equity options			
- More than 3 years	267,752	-	-
	267,752	-	-
<b>Total derivative assets/(liabilities)</b>	<b>754,352</b>	<b>23,319</b>	<b>(9,383)</b>

**EXPLANATORY NOTES (Continued)**

**A18 Derivative financial instruments and commitment and contingencies (Continued)**

**i) Derivative financial instruments (Continued)**

The Group's derivative financial instruments are subject to market and credit risk as follows:

Market Risk

Market risk is defined as any fluctuation in the value arising from changes in value of market risk factors such as interest rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility. The contractual amounts provide only a measure of involvement in these types of transactions and do not represent the amounts subject to market risk. The Group's risk management department monitors and manages market risk exposure via stress testing of the Group's Value-at-Risk (VaR) model in addition to reviewing and analysing its treasury trading strategy, positions and activities vis-à-vis changes in the financial market, monitoring limit usage, assessing limit adequacy and verifying transaction prices.

Credit Risk

Credit risk arises when counterparties to derivative contracts, such as interest rate swaps, are not able to or willing to fulfil their obligation to pay the Group and the Bank the positive fair value or receivable resulting from the execution of contract terms. As at 30 September 2014, the amount of credit risk in the Group and the Bank, measured in terms of the cost to replace the profitable contracts, was RM18,195,000 (31 December 2013: RM23,319,000). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

There have been no changes since the end of the previous financial year in respect of the following:

- a) the types of derivative financial contracts entered into and the rationale for entering into such contracts, as well as the expected benefits accruing from these contracts;
- b) the risk management policies in place for mitigating and controlling the risks associated with these financial derivative contracts; and
- c) the related accounting policies.

The above information, policies and procedures in respect of derivative financial instruments of the Group and the Bank are discussed in the audited annual financial statements for the financial year ended 31 December 2013 and the Risk Management section of the 2013 in Annual Report of CIMB Group Holdings Berhad.

**ii) Commitment and contingencies**

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

These commitments and contingencies are not secured over the Group and the Bank.

The notional or principal amount of the commitments and contingencies constitute the following :

	The Group and the Bank	
	30 September 2014	31 December 2013
	Principal amount RM'000	Principal amount RM'000
<u>Credit-related</u>		
Obligations under underwriting agreement	49,876	-
Irrevocable commitments to extend credit:		
- Maturity exceeding 1 year	17,136	13,285
Total credit-related commitments and contingencies	67,012	13,285
<u>Treasury-related</u>		
Interest rate related contracts		
- Five years and above	469,800	486,600
Equity related contracts		
- Five years and above	257,645	267,752
Total treasury-related commitments and contingencies	727,445	754,352
	794,457	767,637

## EXPLANATORY NOTES (Continued)

### A19 Capital Adequacy

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

The risk-weighted assets of the Group and Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets). The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach.

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

	The Group		The Bank	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
Common Equity Tier 1 Ratio	21.631%	25.300%	21.776%	26.364%
Tier 1 ratio	21.631%	25.300%	21.776%	26.364%
Total capital ratio	21.631%	25.300%	21.776%	26.364%

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

	The Group		The Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Credit risk	1,164,479	1,208,453	1,047,885	1,053,268
Market risk	647,602	58,618	646,477	57,888
Operational risk	698,102	758,001	685,171	746,501
Total risk-weighted assets	2,510,183	2,025,072	2,379,533	1,857,657

c) Components of Common Equity Tier 1 and Tier II capitals are as follows:

	The Group		The Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
<b>Common Equity Tier 1 capital</b>				
Ordinary shares	100,000	100,000	100,000	100,000
Other reserves	495,528	469,418	472,156	447,053
Common Equity Tier 1 capital before regulatory adjustments	595,528	569,418	572,156	547,053
<u>Less: Regulatory adjustments</u>				
Goodwill	(964)	(964)	-	-
Deferred Tax Assets	(42,492)	(48,914)	(42,361)	(48,754)
Deduction in excess of Tier 2 capital	(7,560)	(6,921)	(9,687)	(8,539)
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(1,418)	-	(1,949)	-
Others	(118)	(271)	-	-
Common equity tier 1 capital after regulatory adjustments / total Tier 1 capital	542,976	512,348	518,159	489,760
<b>Tier II capital</b>				
Redeemable Preference Shares	8	9	8	9
Portfolio impairment allowance and regulatory reserves	2,577	1,996	2,577	1,996
Tier II capital before regulatory adjustments	2,585	2,005	2,585	2,005
<u>Less: Regulatory adjustments</u>				
Investments in capital instruments of unconsolidated financial and insurance/takaful entities	(10,145)	(8,926)	(12,272)	(10,544)
Total Tier II capital	-	-	-	-
Total capital base	542,976	512,348	518,159	489,760

N1 The excess of Tier II capital was deducted under Tier I capital.

N2 The capital base of the Group and the Bank has excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM2,577,000 (2013: RM1,996,000) for the Group and the Bank.



## EXPLANATORY NOTES (Continued)

### A20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Management Committee as its chief operating decision-maker.

Segment information is presented in respect of the Group's business segment.

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure.

#### Definition of segments

For management purposes, the Group is divided into five major business lines - Financial advisory, underwriting and other fees, Debt related, Equity related, Investments and securities services and Support and others. The business lines are the basis on which the Group reports its primary segment information.

*Financial advisory, underwriting and other fees* mainly comprise fees derived from structured financial solutions, origination of capital market products including debt and equity, mergers and acquisitions, secondary offerings, asset backed securities, debt restructurings, corporate advisory, Islamic capital market products and project advisory. In addition, this segment also includes underwriting of primary equities and debt products.

*Debt financing related* mainly comprises proprietary trading and market making in the secondary market for debt, debt related derivatives and structured products. It also invests in proprietary capital.

*Equity related* mainly comprises institutional and retail broking business for securities listed on the Exchange. It also includes income from trading and investing in domestic and regional equities market.

*Investments and securities services* mainly comprise annuity income derived from fund management, agency and securities services.

*Support and others* mainly comprise all middle and back-office processes and other related services which are non-core operations.

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

The Group	Financial advisory, underwriting and other fees RM'000	Debt / financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
30 September 2014						
Net interest (expense)/income	-	(4,519)	-	-	3,454	(1,065)
Non interest income	37,761	4,746	130,138	27,633	1,170	201,448
Income from Islamic Banking operations	2,766	13,028	5,474	47	92	21,407
	40,527	13,255	135,612	27,680	4,716	221,790
Overheads	(45,653)	(10,931)	(99,973)	(16,991)	-	(173,448)
<i>of which:</i>						
Depreciation of property, plant and equipment	(5,542)	(3,207)	(15,776)	(2,776)	-	(27,301)
(Loss)/profit before allowances	(5,126)	2,324	35,639	10,789	4,716	48,342
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(1,233)	(1,233)
(Allowance for)/ write back of impairment losses on other receivables	(1,354)	(235)	(4,309)	318	5,704	124
Recoveries from investment management and securities services	-	-	-	804	-	804
Segment results	(6,480)	2,089	31,330	11,911	9,187	48,037
Share of results of associates	-	-	-	-	-	858
Profit before taxation	-	-	-	-	-	48,895
Taxation	-	-	-	-	-	(29,581)
Net profit for the financial period	-	-	-	-	-	28,314
30 September 2014						
Segment assets	51,563	1,601,559	1,424,942	22,543	246,992	3,347,599
Unallocated assets	-	-	-	-	-	62,393
Total assets	-	-	-	-	-	3,409,992
Segment liabilities	3,379	1,384,775	1,258,040	3,084	135,302	2,784,580
Unallocated liabilities	-	-	-	-	-	23,144
Total liabilities	-	-	-	-	-	2,808,024
Other segment items						
Incurring capital expenditure:						
- addition of property, plant and equipment	2,517	1,457	7,117	1,261	-	12,352
Accretion of discount less amortisation of premium	-	(9)	-	-	-	(9)

**EXPLANATORY NOTES (Continued)**

**A20 Segment reporting (Continued)**

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

	Financial advisory, underwriting and other fees RM'000	Debt/ financing related RM'000	Equity related RM'000	Investments and securities services RM'000	Support and others RM'000	Total RM'000
The Group 30 September 2013						
Net interest (expense)/income	-	(7,428)	-	-	2,344	(5,184)
Non interest income	52,866	7,489	128,897	27,895	4,993	222,140
Income from Islamic Banking operations	8,309	10,471	8,897	3,072	3,029	33,778
	61,175	10,532	137,794	30,967	10,266	250,734
Overheads	(52,533)	(5,880)	(101,612)	(20,218)	-	(180,243)
<i>of which:</i> Depreciation of property plant and equipment	(3,292)	(3,454)	(9,021)	(3,095)	-	(18,862)
Profit before allowances	8,642	4,652	36,182	10,749	10,266	70,491
Allowance for impairment losses on loans, advances and financing	-	-	-	-	(672)	(672)
(Allowance for)/ write back of impairment losses on other receivables	(2,436)	-	1,213	-	-	(1,223)
Allowance for other impairment losses	-	-	(717)	-	-	(717)
Segment results	6,206	4,652	36,678	10,749	9,594	67,879
Share of results of associates						625
Profit before taxation						68,504
Taxation						(21,706)
Net profit for the financial period						46,798
 31 December 2013						
Segment assets	52,352	1,816,314	1,942,186	41,380	208,272	3,161,104
Unallocated assets						65,861
Total assets						3,226,965
Segment liabilities	2,290	1,510,112	938,274	7,531	176,708	2,634,915
Unallocated liabilities						22,622
Total liabilities						2,657,537
 Other segment items						
Incurring capital expenditure: - addition of property plant and equipment	15,499	34,086	38,991	13,534	-	102,110
Accretion of discount less amortisation of premium	-	47	-	-	-	47

## EXPLANATORY NOTES (Continued)

### A21. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

#### Determination of fair value and fair value hierarchy

##### Valuation Model Review and Approval

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

The fair value hierarchy has the following levels:

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

Level 2 - Inputs to the valuation methodology include:

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

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

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

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

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

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

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

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

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

**EXPLANATORY NOTES (Continued)**

**A21 FAIR VALUE OF FINANCIAL INSTRUMENTS (Continued)**

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy as at 30 September 2014 and 31 December 2013

The Group	Fair Value				Total RM'000
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>30 September 2014</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	1,713	1,713	-	-	1,713
- Unquoted securities	4,498	-	4,498	-	4,498
Financial investments available-for-sale					
- Unquoted securities	1,464	-	-	1,464	1,464
Derivative financial instruments					
- Trading derivatives	18,195	-	18,195	-	18,195
<b>Total</b>	<b>25,870</b>	<b>1,713</b>	<b>22,693</b>	<b>1,464</b>	<b>25,870</b>
<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	9,039	-	9,039	-	9,039
<b>Total</b>	<b>9,039</b>	<b>-</b>	<b>9,039</b>	<b>-</b>	<b>9,039</b>

The Bank	Fair Value				Total RM'000
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>30 September 2014</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	1,713	1,713	-	-	1,713
- Unquoted securities	4,498	-	4,498	-	4,498
Financial investments available-for-sale					
- Unquoted securities	745	-	-	745	745
Derivative financial instruments					
- Trading derivatives	18,195	-	18,195	-	18,195
<b>Total</b>	<b>25,151</b>	<b>1,713</b>	<b>22,693</b>	<b>745</b>	<b>25,151</b>
<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	9,039	-	9,039	-	9,039
<b>Total</b>	<b>9,039</b>	<b>-</b>	<b>9,039</b>	<b>-</b>	<b>9,039</b>

The Group	Fair Value				Total RM'000
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>31 December 2013</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	1,119	1,119	-	-	1,119
- Unquoted securities	1,036	-	1,036	-	1,036
Financial investments available-for-sale					
- Unquoted securities	2,824	-	-	2,824	2,824
Derivative financial instruments					
- Trading derivatives	23,319	-	23,319	-	23,319
<b>Total</b>	<b>28,298</b>	<b>1,119</b>	<b>24,355</b>	<b>2,824</b>	<b>28,298</b>
<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	9,383	-	9,383	-	9,383
<b>Total</b>	<b>9,383</b>	<b>-</b>	<b>9,383</b>	<b>-</b>	<b>9,383</b>

The Bank	Fair Value				Total RM'000
	Carrying amount RM'000	Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
<b>31 December 2013</b>					
<b>Financial assets</b>					
Financial assets held for trading					
- Quoted securities	1,119	1,119	-	-	1,119
- Unquoted securities	1,036	-	1,036	-	1,036
Financial investments available-for-sale					
- Unquoted securities	745	-	-	745	745
Derivative financial instruments					
- Trading derivatives	23,319	-	23,319	-	23,319
<b>Total</b>	<b>26,219</b>	<b>1,119</b>	<b>24,355</b>	<b>745</b>	<b>26,219</b>
<b>Financial liabilities</b>					
Derivative financial instruments					
- Trading derivatives	9,383	-	9,383	-	9,383
<b>Total</b>	<b>9,383</b>	<b>-</b>	<b>9,383</b>	<b>-</b>	<b>9,383</b>

## EXPLANATORY NOTES (Continued)

### A21. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The following represents the movement in Level 3 instruments for the financial period/year ended 30 September 2014 and 31 December 2013 for the Group and the Bank

The Group	Financial Assets Financial investments available-for-sale	
	RM'000	Total RM'000
<b>30 September 2014</b>		
At 1 January	2,824	2,824
Total gain recognised in statement of income	44	44
Total loss recognised in other comprehensive income	(278)	(278)
Sales	(1,126)	(1,126)
At 30 September	<u>1,464</u>	<u>1,464</u>
Total gain recognised in statement of income relating to assets held on 30 September	<u>44</u>	<u>44</u>
Total loss recognised in other comprehensive income relating to assets held on 30 September	<u>(278)</u>	<u>(278)</u>

The Bank	Financial Assets Financial investments available-for-sale	
	RM'000	Total RM'000
<b>30 September 2014</b>		
At 1 January / 30 September	<u>745</u>	<u>745</u>

The Group	Financial Assets Financial investments available-for-sale	
	RM'000	Total RM'000
<b>31 December 2013</b>		
At 1 January	4,732	4,732
Total loss recognised in statement of income	(1,117)	(1,117)
Total loss recognised in other comprehensive income	(791)	(791)
At 31 December	<u>2,824</u>	<u>2,824</u>

Total loss recognised in statement of income relating to assets held on 31 December 2013	<u>(1,117)</u>	<u>(1,117)</u>
Total loss recognised in other comprehensive income relating to assets held on 31 December 2013	<u>(791)</u>	<u>(791)</u>

The Bank	Financial Assets Financial investments available-for-sale	
	RM'000	Total RM'000
<b>31 December 2013</b>		
At 1 January / 31 December	<u>745</u>	<u>745</u>

**EXPLANATORY NOTES (Continued)**

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

		The Group and the Bank	
		30 September 2014	31 December 2013
		RM'000	RM'000
<b>Assets</b>			
Cash and short-term funds		348 185	538 321
Deposit and placements with banks and other financial institutions		150 759	-
Islamic derivative financial instruments		18 195	23 319
Other assets		158 571	164 118
Deferred tax assets		37	-
Property, plant and equipment		440	66
Amount due from related companies		481	109
<b>Total assets</b>		<b>676,668</b>	<b>725,933</b>
<b>Liabilities and Islamic Banking capital funds</b>			
Deposits from customers	A22c	156,600	162 200
Deposits and placements of banks and other financial institutions		85,629	132 143
Islamic derivative financial instruments		9,039	9 383
Provision for taxation and Zakat		1 527	2 667
Other liabilities		4,438	8 494
Amount due to related companies		281	274
<b>Total liabilities</b>		<b>257,514</b>	<b>315 161</b>
Islamic Banking capital funds		55 250	55 250
Reserves		363,904	355 522
<b>Total Islamic Banking capital funds</b>		<b>419,154</b>	<b>410,772</b>
<b>Total liabilities and Islamic Banking capital funds</b>		<b>676,668</b>	<b>725,933</b>

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

		The Group and the Bank			
		3rd quarter ended		Nine months ended	
		30 September 2014	30 September 2013	30 September 2014	30 September 2013
		RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others		610	859	1 315	14 085
Income derived from investment of shareholders' funds		9 399	22 027	23 344	32 279
Allowance for impairment losses on other receivables		(50)	(5)	(43)	(11)
<b>Total attributable income</b>		<b>9 959</b>	<b>22 881</b>	<b>24 616</b>	<b>46 353</b>
Income attributable to the depositors		(1,224)	(3 592)	(3 252)	(12 586)
<b>Total net income</b>		<b>8,735</b>	<b>19,289</b>	<b>21,364</b>	<b>33,767</b>
Personnel expenses		(119)	(140)	(416)	(388)
Other overheads and expenditures		(4,002)	(9 762)	(9 505)	(13 673)
<b>Profit before taxation</b>		<b>4,614</b>	<b>9 387</b>	<b>11,443</b>	<b>19 706</b>
Taxation		(1,149)	(2,784)	(3,062)	(5,442)
<b>Profit after taxation/total comprehensive income for the period</b>		<b>3,465</b>	<b>6,603</b>	<b>8,381</b>	<b>14,264</b>
<b>Income from Islamic operations (per page 2)</b>					
<b>Total net income</b>		<b>8 735</b>	<b>19 289</b>	<b>21 364</b>	<b>33 767</b>
Less: Allowance for impairment losses on other receivables		50	5	43	11
		<b>8,785</b>	<b>19,294</b>	<b>21,407</b>	<b>33,778</b>

A22c Deposits from customers

		The Group and the Bank	
		30 September 2014	31 December 2013
		RM'000	RM'000
<b>(i) By type of deposits</b>			
Term deposits			
Specific investment account			
Mudharabah		156,600	162,200
<b>(ii) Maturity structure of term deposits:</b>			
More than five years		156,600	162 200
		<b>156,600</b>	<b>162,200</b>

## EXPLANATORY NOTES (Continued)

### A22d. Capital Adequacy

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

	The Group and the Bank	
	30 September 2014	31 December 2013
Common Equity Tier I Ratio	108.966%	110.483%
Tier I ratio	108.966%	110.483%
Total capital ratio	108.966%	110.483%

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

	The Group and the Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
Credit risk	218,377	181,076
Market risk	16,745	17,359
Operational risk	146,328	173,362
Total risk-weighted assets	<u>381,450</u>	<u>371,797</u>

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

	The Group and the Bank	
	30 September 2014 RM'000	31 December 2013 RM'000
<b>Common Equity Tier I capital</b>		
Ordinary shares	55,250	55,250
Other reserves	360,436	355,522
Common Equity Tier I capital / Total Tier I Capital	415,686	410,772
<u>Less: Regulatory adjustments</u>		
Deferred Tax Assets	(37)	-
Common equity tier I capital after regulatory adjustments / total Tier I capital	<u>415,649</u>	<u>410,772</u>
Total capital base	<u>415,649</u>	<u>410,772</u>

## **EXPLANATORY NOTES (Continued)**

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

The Group achieved a profit after tax of RM28.3 million for the period ended 30 September 2014, 39.5% lower than the same period in 2013. This was mainly due to the decrease in total income to RM221.8 million for the period ended 30 September 2014 as compared to RM250.7 million for the same period in 2013. There was a decrease in fee and commission income to RM62.2 million for the period ended 30 September 2014 as compared to RM89.0 million for the same period in 2013. Income from Islamic Banking operations decrease 36.6% from RM33.8 million to RM21.4 million. However, this was partly offset by increase in brokerage income to RM122.1 million, 8.1% higher than the same period in 2013.

Overhead expenses stood at RM173.4 million for the period ended 30 September 2014, 3.8% lower than the same period in 2013, mainly due to decrease in personnel cost.

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

The Malaysian economic outlook remains sound as 1H14 GDP growth surprised on the upside, with real GDP growth expected to accelerate to 6.0% in 2014 compared to 4.7% in 2013. The KLCI is expected to play catch-up with its regional peers, as CIMB Research forecasts an end-2014 FBMKLCI target of 1,950 points and an end-2015 FBMKLCI target of 2,050 points. CIMB benefitted from improved trading volumes on Bursa, with higher brokerage income for the nine months to September 2014 as compared to the same period in 2013, and we anticipate the positive momentum to continue into 2015. On the equity capital markets, deal volume has been relatively muted in 2014, and this has affected our fee-based revenue. Nevertheless, CIMB Investment Bank's leadership in the Advisory and Mergers & Acquisitions space positions it well to grow in tandem with a potential recovery in deal volumes going forward into 2015.