

CIMB GROUP HOLDINGS BERHAD
(Company Number 50841-W)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	The Group	
		30 June 2014	31 December 2013
		RM'000	RM'000
ASSETS			
Cash and short-term funds		35,666,385	33,678,882
Reverse repurchase agreements		4,465,871	8,260,504
Deposits and placements with banks and other financial institutions		3,424,782	3,789,019
Financial assets held for trading	A8	27,552,330	23,403,280
Derivative financial instruments	A22	4,358,164	5,020,453
Financial investments available-for-sale	A9	30,123,612	30,334,058
Financial investments held-to-maturity	A10	14,789,423	10,821,493
Loans, advances and financing	A11	234,998,243	228,431,705
Other assets	A12	11,006,580	7,990,355
Tax recoverable		49,186	64,578
Deferred tax assets		386,790	357,250
Statutory deposits with central banks		7,264,037	6,361,648
Investment in associates and joint ventures		1,011,377	1,013,482
Property, plant and equipment		1,403,929	1,546,783
Investment properties		4,000	4,000
Prepaid lease payments		142,033	147,901
Goodwill		7,880,403	7,877,463
Intangible assets		1,890,724	1,760,225
		386,417,869	370,863,079
Non-current assets held for sale		117,221	49,718
TOTAL ASSETS		386,535,090	370,912,797
LIABILITIES AND EQUITY			
Deposits from customers	A13	268,593,251	263,004,302
Deposits and placements of banks and other financial institutions	A14	22,762,935	20,727,845
Repurchase agreements		7,475,309	5,922,788
Financial liabilities designated at fair value	A15	2,391,082	2,132,170
Derivative financial instruments	A22	5,316,402	6,009,608
Bills and acceptances payable		4,090,539	4,713,219
Other liabilities	A16	11,277,574	8,562,039
Current tax liabilities		453,969	384,800
Deferred tax liabilities		102,289	50,327
Bonds and debentures	B7	7,495,895	7,490,265
Other borrowings	B7	7,053,137	7,772,727
Subordinated obligations	B7	12,083,034	12,066,700
Non-cumulative guaranteed and redeemable preference shares		814,211	847,447
TOTAL LIABILITIES		349,909,627	339,684,237
Ordinary share capital		8,336,522	7,729,346
Reserves		27,325,322	22,542,356
Less: Shares held under trust		(563)	(563)
Treasury shares, at cost		(41)	(41)
		35,661,240	30,271,098
Perpetual preference shares		200,000	200,000
Non-controlling interests		764,223	757,462
TOTAL EQUITY		36,625,463	31,228,560
TOTAL EQUITY AND LIABILITIES		386,535,090	370,912,797
COMMITMENTS AND CONTINGENCIES	A23	609,360,722	522,489,461
Net assets per share attributable to owners of the Parent (RM)		4.28	3.92

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 GROUP HOLDINGS BERHAD
(Company Number 50841-W)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 JUNE 2014

	Note	The Group			
		2nd quarter ended		Six months ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
		RM'000	RM'000	RM'000	RM'000
Interest income	A17	3,988,620	3,601,627	7,796,517	7,137,930
Interest expense	A18	(1,813,157)	(1,626,076)	(3,554,289)	(3,265,755)
Net interest income		2,175,463	1,975,551	4,242,228	3,872,175
Income from Islamic Banking operations	A27(c)	360,641	384,480	728,654	762,719
Net non-interest income	A19	871,084	1,077,335	1,968,154	2,232,697
Gain on disposal of subsidiaries and associates		3,407,188	3,437,366	6,939,036	6,867,591
		(14)	6,861	6,191	521,956
Overheads	A20	3,407,174	3,444,227	6,945,227	7,389,547
		(2,007,882)	(2,042,431)	(4,018,825)	(4,262,020)
Profit before allowances		1,399,292	1,401,796	2,926,402	3,127,527
Allowance made for impairment losses on loans, advances and financing	A21	(147,181)	(71,028)	(258,626)	(151,751)
Allowance made for impairment losses on other receivables		(8,904)	(4,723)	(13,621)	(8,286)
Allowance written back for commitments and contingencies		-	-	1,829	1,334
Recoveries from investment management and securities services		804	-	804	-
Allowance (made)/written back for other impairment losses		(743)	256	(15,787)	660
Share of results of joint ventures		1,243,268	1,326,301	2,641,001	2,969,484
Share of results of associates		1,961	7,597	(3,837)	15,230
		35,924	52,525	75,058	120,203
Profit before taxation		1,281,153	1,386,423	2,712,222	3,104,917
Taxation	B4	(317,082)	(315,362)	(665,929)	(631,482)
Profit for the period		964,071	1,071,061	2,046,293	2,473,435
Profit for the period attributable to :					
Owners of the Parent		949,938	1,054,267	2,016,220	2,440,445
Non-controlling interests		14,133	16,794	30,073	32,990
		964,071	1,071,061	2,046,293	2,473,435
Earnings per share (sen):					
- Basic	B9(a)	11.4	14.0	24.6	32.6
- Fully diluted	B9(b)	N/A	N/A	N/A	N/A

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 GROUP HOLDINGS BERHAD

(Company Number 50841-W)

CONDENSED INTERIM FINANCIAL STATEMENTS

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2014

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period	964,071	1,071,061	2,046,293	2,473,435
Other comprehensive income:				
<i>Items that will not be reclassified to profit or loss</i>				
Remeasurement of post employment benefits obligation				
- Actuarial loss	(52)	-	(82)	-
- Income tax effects	(8)	-	1,085	-
- Currency translation difference	96	-	50	-
	36	-	1,053	-
<i>Items that may be reclassified subsequently to profit or loss</i>				
Revaluation reserve-financial investments available-for-sale	59,248	(406,078)	25,700	(521,532)
- Net loss from change in fair value	85,392	(290,247)	84,674	(304,883)
- Realised gain transferred to statement of income on disposal and impairment	(33,992)	(84,333)	(66,456)	(197,451)
- Income tax effects	(6,348)	(31,295)	6,489	(19,193)
- Currency translation difference	14,196	(203)	993	(5)
Net investment hedge	66,211	(46,005)	67,667	(52,419)
Hedging reserve - cash flow hedge	5,524	(1,125)	8,773	(1,778)
- Net loss from change in fair value	7,062	(1,125)	10,166	(1,778)
- Income tax effects	(1,538)	-	(1,393)	-
Exchange fluctuation reserve	(722,040)	(12,210)	(42,926)	320,228
Share of other comprehensive income of associates and joint ventures	1,443	-	12,412	5,213
	(589,614)	(465,418)	71,626	(250,288)
Total other comprehensive (expense)/income for the period, net of tax	(589,578)	(465,418)	72,679	(250,288)
Total comprehensive income for the period	374,493	605,643	2,118,972	2,223,147
Total comprehensive income for the period attributable to:				
Owners of the Parent	373,899	594,922	2,090,636	2,190,307
Non-controlling interests	594	10,721	28,336	32,840
	374,493	605,643	2,118,972	2,223,147

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 GROUP HOLDINGS BERHAD

(Company Number 50841-W)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014**

Attributable to owners of the Parent

The Group
30 June 2014

	Share capital RM'000	Share premium-ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2014	7,729,346	5,832,520	4,933,045	137,104	(2,106,977)	(563)	(41)	(42,709)	(271,510)	101,642	1,743,883	12,215,358	30,271,098	200,000	757,462	31,228,560
Profit for the financial period	-	-	-	-	-	-	-	-	-	-	-	2,016,220	2,016,220	-	30,073	2,046,293
Other comprehensive income (net of tax)	-	-	(45)	-	(41,423)	-	-	38,155	77,493	236	-	-	74,416	-	(1,737)	72,679
- financial investments available-for-sales	-	-	-	-	-	-	-	25,743	-	-	-	-	25,743	-	(43)	25,700
- net investment hedge	-	-	-	-	-	-	-	-	67,667	-	-	-	67,667	-	-	67,667
- hedging reserve - cash flow hedge	-	-	-	-	-	-	-	-	8,773	-	-	-	8,773	-	-	8,773
- remeasurement of post employment benefits obligations	-	-	-	-	-	-	-	1,053	-	-	-	-	1,053	-	-	1,053
- currency translation difference	-	-	(45)	-	(41,423)	-	-	-	-	236	-	-	(41,232)	-	(1,694)	(42,926)
- share of other comprehensive income of associate and joint ventures	-	-	-	-	-	-	-	12,412	-	-	-	-	12,412	-	-	12,412
Total comprehensive income for the period	-	-	(45)	-	(41,423)	-	-	38,155	77,493	236	-	2,016,220	2,090,636	-	28,336	2,118,972
Dividend for the financial year ended 31 December 2013	-	-	-	-	-	-	-	-	-	-	-	(850,091)	(850,091)	-	-	(850,091)
- single tier second interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(1,328)	(1,328)
Non-controlling interest share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	381,522	-	-	-	-	-	-	-	-	(381,522)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	154,504	(154,504)	-	-	-	-
Arising from disposal of equity interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	(9,681)	(9,681)	-	(26,922)	(36,603)
Arising from increase in capital of subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,675	6,675
Share-based payment expense	-	-	-	-	-	-	-	-	-	48,102	-	-	48,102	-	-	48,102
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	-	69,305	(74,051)	-	-	(4,746)	-	-	(4,746)
Purchase of shares in relation to Equity Ownership Plan	-	-	-	-	-	-	-	-	(127,615)	-	-	-	(127,615)	-	-	(127,615)
Issuance of shares arising from:																
- dividend reinvestment scheme	107,176	594,827	-	-	-	-	-	-	-	-	-	-	702,003	-	-	702,003
- private placement	500,000	3,041,534	-	-	-	-	-	-	-	-	-	-	3,541,534	-	-	3,541,534
At 30 June 2014	8,336,522	9,468,881	5,314,522	137,104	(2,148,400)	(563)	(41)	(4,554)	(252,327)	75,929	1,898,387	12,835,780	35,661,240	200,000	764,223	36,625,463

CIMB GROUP HOLDINGS BERHAD

(Company Number 50841-W)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2014**

← Attributable to owners of the Parent →

**The Group
30 June 2013**

	Share capital RM'000	Share premium-ordinary shares RM'000	Statutory reserve RM'000	Capital reserve RM'000	Exchange fluctuation reserve RM'000	Shares held under trust RM'000	Treasury shares RM'000	Revaluation reserve - financial investments available-for-sale RM'000	Other reserves RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	Total RM'000	Perpetual preference shares RM'000	Non-controlling interests RM'000	Total RM'000
At 1 January 2013	7,432,775	4,192,596	4,306,464	137,104	(876,172)	(563)	(32)	800,965	(149,444)	59,459	1,173,577	11,216,265	28,292,994	200,000	773,325	29,266,319
Profit for the financial period	-	-	-	-	-	-	-	-	-	-	-	2,440,445	2,440,445	-	32,990	2,473,435
Other comprehensive income (net of tax)	-	-	51	-	314,190	-	-	(509,659)	(54,462)	(258)	-	-	(250,138)	-	(150)	(250,288)
- financial investments available-for-sales	-	-	-	-	-	-	-	(514,872)	-	-	-	-	(514,872)	-	(6,660)	(521,532)
- net investment hedge	-	-	-	-	-	-	-	-	(52,684)	-	-	-	(52,684)	-	265	(52,419)
- hedging reserve - cash flow hedge	-	-	-	-	-	-	-	-	(1,778)	-	-	-	(1,778)	-	-	(1,778)
- currency translation difference	-	-	51	-	314,190	-	-	-	-	(258)	-	-	313,983	-	6,245	320,228
- share of other comprehensive expense of associate and joint ventures	-	-	-	-	-	-	-	5,213	-	-	-	-	5,213	-	-	5,213
Total comprehensive income for the period	-	-	51	-	314,190	-	-	(509,659)	(54,462)	(258)	-	2,440,445	2,190,307	-	32,840	2,223,147
Dividend for the financial year ended 31 December 2012	-	-	-	-	-	-	-	-	-	-	-	(1,366,143)	(1,366,143)	-	-	(1,366,143)
- single tier second interim dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6,054)	(6,054)
Non-controlling interest share of dividend	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfer to statutory reserve	-	-	44,667	-	-	-	-	-	-	-	-	(44,667)	-	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	-	-	-	-	290,472	(290,472)	-	-	-	-
Transfer to capital reserve	-	-	-	2,000	-	-	-	-	-	-	-	-	2,000	-	-	2,000
Arising from (dilution)/accretion of equity interests in subsidiaries	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(8,142)	(8,142)
Purchase of treasury shares	-	-	-	-	-	-	(1)	-	-	-	-	-	(1)	-	-	(1)
Share-based payment expense	-	-	-	-	-	-	-	-	-	44,296	-	-	44,296	-	-	44,296
Shares released under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	(47,076)	-	-	(47,076)	-	-	(47,076)
Purchase of shares in relation to Equity Ownership Plan	-	-	-	-	-	-	-	-	(64,497)	-	-	-	(64,497)	-	-	(64,497)
Arising from staffs resigned under Equity Ownership Plan	-	-	-	-	-	-	-	-	-	-	-	6,582	6,582	-	-	6,582
Issuance of shares pursuant to Dividend Reinvestment Plan	183,076	970,302	-	-	-	-	-	-	-	-	-	-	1,153,378	-	-	1,153,378
At 30 June 2013	7,615,851	5,162,898	4,351,182	139,104	(561,982)	(563)	(33)	291,306	(268,403)	56,421	1,464,049	11,962,010	30,211,840	200,000	791,969	31,203,809

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 GROUP HOLDINGS BERHAD
(Company Number 50841-W)
CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2014

	The Group	
	30 June 2014	30 June 2013
	RM'000	RM'000
Profit before taxation	2,712,222	3,104,917
Adjustments for non-operating and non-cash items	268,701	(634,174)
Operating profit before changes in working capital	2,980,923	2,470,743
Net changes in operating assets	(10,617,855)	(22,371,222)
Net changes in operating liabilities	11,621,677	23,721,058
	1,003,822	1,349,836
Cash flows generated from operations	3,984,745	3,820,579
Taxation paid	(558,946)	(744,654)
Net cash flows generated from operating activities	3,425,799	3,075,925
Net cash flows used in investing activities	(3,890,171)	(836,027)
Net cash flows from/(used in) financing activities	2,602,982	(932,933)
Net increase in cash and cash equivalents during the financial period	2,138,610	1,306,965
Effects of exchange rate changes	(151,107)	250,187
Cash and short-term funds at beginning of the financial period	33,678,882	30,759,899
Cash and short-term funds at end of the financial period	35,666,385	32,317,051
Statutory deposits with Bank Indonesia*	(3,632,536)	(4,002,049)
Monies held in trust	(31,202)	(28,601)
Cash and cash equivalents at end of the financial period	32,002,647	28,286,401

* This represent non-interest bearing statutory deposits of a foreign subsidiary maintained with Bank Indonesia in compliance with their applicable legislation which is not readily available for use by the Group.

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

PART A - EXPLANATORY NOTES

A1. 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 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"
- 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 impact on the financial results of the Group and the Company.

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 Company's accounting policies. Although these estimates and assumptions are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

A2. CHANGES IN ESTIMATES

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

A3. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES

Other than detailed below, there were no other new shares issuance, repayment of debt securities, share buy backs and share cancellations, or resale of shares held as treasury shares during the period ended 30 June 2014:-

(a) On 9 May 2013, the Group announced its intention to resume with the proposal to undertake the dual listing of ordinary shares on the Stock Exchange of Thailand ("SET"). On 30 May 2013, the Securities Commission ("SC") approved the proposed SET listing. On 10 June 2013, approval was attained from Bursa Malaysia Securities for the proposed SET listing. On 15 November 2013, the Group submitted an application to the SC for a 6-month extension to complete the proposed SET listing. On 25 February 2014, the Group announced that it has decided to abort the proposed SET listing in light of the market conditions in Thailand.

(b) On 13 January 2014, the Company announced its undertaking of a private placement pursuant to the shareholders' mandate for the issuance of new ordinary share ("New CIMB Shares") under Section 132D of the Companies Act, 1965 obtained at the Company's Annual General Meeting held on 17 April 2013. Pursuant to the private placement, 500 million new CIMB shares were issued, representing 6.08% of the enlarged issued and paid-up share capital of the Company as at 31 December 2013, to domestic and foreign investors. The private placement was completed on 23 January 2014 and successfully raised gross proceeds of RM3.55 billion.

(c) On 28 February 2014, the Company announced that it will seek its shareholders' approval at its 57th Annual General Meeting ("AGM") to be convened on a later announced date for the proposed renewal of the authority for the Company to purchase its own shares of up to 10% of the issued and paid-up capital of the Company. Shareholders' approval was subsequently obtained at the AGM which was held on 15 April 2014.

A3. ISSUANCE AND REPAYMENT OF DEBT AND EQUITY SECURITIES (CONTINUED)

(d) From 1 January 2014 to 30 June 2014 the Company purchased 100 of its own shares from the open market at an average market price of RM7.30 per share. The total consideration paid for the purchase of own shares, including transaction costs was RM771.

The shares purchased were held as treasury shares in accordance with Section 67A subsection 3(A)(b) of the Companies Act, 1965.

(e) On 28 February 2014, the Company settled the RM300 million 3-month Commercial Papers which had matured on 28 February 2014.

(f) On 31 March 2014, CIMB Islamic Bank (“CIMB Islamic”) a wholly-owned subsidiary of CIMB Bank Berhad, completed its first issuance of a RM150 million Basel III compliant Perpetual Preference Shares (“PPS”) to CIMB Bank Berhad. The issuance was approved by the Board of Directors of CIMB Islamic and CIMB Bank Berhad on 11 November and 13 November 2013 respectively. The issuance was subsequently approved by CIMB Islamic's shareholder and BNM 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 I capital ratio and Total capital ratio computation of CIMB Islamic. The capital instrument issued is perpetual, only callable from 5 years onwards subject to conditions imposed and approval required by BNM. The proceeds of the PPS shall be made available to CIMB Islamic, without limitation for its working capital, general banking and other corporate purposes if required.

(g) The entitlement date pursuant to Single Tier Second Interim Dividend for financial year ended 31 December 2013 and the corresponding DRS was fixed for 26 March 2014. The Group had, on 23 April 2014, issued and allotted 107,176,094 new ordinary shares of RM1.00 each in New CIMB Shares. The New CIMB Shares were listed and quoted on the Main Market of Bursa Securities with effect from 9.00 a.m., Thursday, 24 April 2014. With the listing of the New Shares, the enlarged issued and paid-up share capital of CIMBGH is 8,336,522,033 shares.

(h) On 14 May 2014, CIMB Bank Berhad issued HKD300 million 5-year senior unsecured fixed rate notes (the “Notes”) under its USD1 billion nominal value Euro Medium Term Note Programme established on 27 January 2011. The Notes will mature on 14 May 2019 (subject to adjustment in accordance with the modified following business day convention). It bears a coupon rate of 2.70% per annum payable annually in arrear.

(i) On 28 May 2014, the Company settled the RM400 million 6-month Commercial Papers which had matured on 28 May 2014.

(j) On 28 May 2014, the Company issued RM100 million 6-month Commercial Papers (“CPs”). The CPs carry an interest rate of 3.6% per annum.

(k) During the financial period, CIMB Thai Bank issued various unsecured structured debentures amounted to THB5.4 billion with embedded callable range accrual swaps. The debentures will mature in five years from respective issuance dates. The debentures bear interest rates ranges from 0 - 5.0% per annum variable to index of THBFIX 6 months, payable semi annually.

Subsequent to the year end, CIMB Thai Bank issued issued various unsecured structured debentures amounted to THB2.8 billion with embedded callable range accrual swaps. The debentures will mature in five years from respective issuance dates. The debentures bear interest rate ranges from 0 - 5.0% per annum variable to index of THBFIX 6 months, payable semi annually.

CIMB Thai Bank has the option to early redeem the above structured debentures on any coupon dates.

During and subsequent to financial period, CIMB Thai Bank has early redeemed structured debentures amounted to THB4.6 billion and THB2.0 billion respectively.

A4. DIVIDENDS PAID AND PROPOSED

The Directors have proposed a single-tier second interim dividend of 10.33[^] sen per ordinary share, on 8,229,341,531[^] ordinary shares amounting to RM850,090,928 in respect of the financial year ended 31 December 2013. The single-tier second interim dividend was approved by the Board of Directors on 11 February 2014. The dividend consists of an electable portion of 10.33 sen which can be elected to be reinvested in new ordinary shares in accordance with the Dividend Reinvestment Scheme (“DRS”). Following the completion of the DRS, a total cash dividend of RM148,087,512 was paid on 23 April 2014.

The Directors have proposed a single tier first interim dividend of 10.00 sen per ordinary share, on 8,336,517,525 ordinary shares amounting to RM833,651,753 in respect of the financial year ending 31 December 2014 under DRS.

[^] On 25 February 2014 the Company announced a single-tier interim dividend of 11.00 sen per ordinary share based on the share capital as at 31 December 2013 of 7,729,341,531 ordinary shares. Pursuant to the completion of the private placement in January 2014 of 500 million new ordinary shares which increased the share capital to 8,229,341,531 ordinary shares, the single-tier second interim dividend translates to 10.33 sen per ordinary share.

A5. STATUS OF CORPORATE PROPOSAL

(a) Bank Negara Malaysia (“BNM”) has, via its letter dated 10 July 2014, stated that it has no objection for 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.

All consideration used to effect the Proposed Merger shall be referenced to the respective closing market price of CIMB Group, RHB Capital and MBSB as at 9 July 2014.

(b) On 23 July 2014, CIMB-Principal Asset Management Company Limited (“CPAM Thailand”), a 60%-owned indirect subsidiary of CIMB Group, has entered into a conditional Share Purchase Agreement with Finansa Public Company Limited in relation to the proposed acquisition of entire issued and outstanding shares of Finansa Asset Management Limited, for a cash consideration of THB225 million (equivalent to approximately RM22 million).

A6. EVENTS DURING THE REPORTING PERIOD

(a) CIMB Securities International Pte Ltd, a wholly-owned indirect subsidiary of CIMB Group, has on 22 January 2014 disposed its 99.6% shareholding in CIMB Securities International (Thailand) Public Company Limited (“CSIT”) (“Disposal”) to a third party. The Disposal was completed on 22 January 2014.

(b) On 11 August 2014, CIMB Strategic Assets Sdn. Bhd., a wholly-owned subsidiary of CIMB Group has entered into a 50:50 joint venture with MC Emerging Capital Partners B.V., a wholly-owned subsidiary of Mitsubishi Corporation, in relation to the setting up of CIMB-MC Capital Ltd. (“Joint Venture”).

The Joint Venture will be incorporated in Cayman Islands and will act as an investment holding company dedicated to establishing and managing a private equity fund.

A7. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no significant events that had occurred between 30 June 2014 and the date of this announcement, other than those disclosed under Issuance and Repayment of Debts and Equity Securities, and Status of Corporate Proposal.

PART A - EXPLANATORY NOTES

A8. FINANCIAL ASSETS HELD FOR TRADING

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Money market instruments:		
Unquoted		
Malaysian Government securities	860,187	422,188
Cagamas bonds	-	14,891
Malaysian Government treasury bills	93,466	75,075
Bank Negara Malaysia monetary notes	1,672,791	3,638,918
Negotiable instruments of deposit	3,204,617	1,874,343
Bankers' acceptances and Islamic accepted bills	1,352,574	345,728
Credit-linked notes	-	49,347
Other Government's securities	4,930,696	4,197,517
Commercial papers	330,452	362,189
Government investment issues	347,035	106,451
	12,791,818	11,086,647
Quoted securities:		
<i>In Malaysia:</i>		
Shares	2,756,770	1,533,392
<i>Outside Malaysia:</i>		
Shares	26,973	114,456
Private and Islamic debt securities	345,811	325,660
Other Government bonds	2,168,276	1,100,785
Bank Indonesia certificates	604,242	546,404
Investment linked funds	543,014	497,482
	6,445,086	4,118,179
Unquoted securities:		
<i>In Malaysia:</i>		
Private and Islamic debt securities	5,037,455	5,324,359
Shares	6,740	6,716
<i>Outside Malaysia:</i>		
Private and Islamic debt securities	3,194,315	2,791,654
Shares	67,742	66,332
Unit trust	9,174	9,393
	8,315,426	8,198,454
Total financial assets held for trading	27,552,330	23,403,280

A9. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

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

Money market instruments:

Unquoted

Malaysian Government securities	538,517	656,270
Cagamas bonds	237,088	239,735
Khazanah bonds	451,731	322,874
Other Government securities	250,924	254,035
Other Government treasury bills	35,554	27,052
Government investment issues	2,541,229	2,518,856
	4,055,043	4,018,822

Quoted securities:

In Malaysia:

Shares	159,171	221,771
Unit trusts	165,487	163,834

Outside Malaysia:

Shares	4,541	27
Private and Islamic debt securities	1,745,770	1,586,488
Other Government bonds	4,033,462	4,611,523
Unit trusts	86,695	86,798
	6,195,126	6,670,441

Unquoted securities:

In Malaysia:

Private and Islamic debt securities	14,116,564	13,629,307
Shares	1,073,668	1,080,282
Loan stocks	10,433	10,433
Property funds	189	189

Outside Malaysia:

Shares	48,700	51,720
Private equity and unit trust funds	343,218	384,807
Private and Islamic debt securities	4,562,080	4,754,199
Loan stocks	750	1,672
	20,155,602	19,912,609
	30,405,771	30,601,872

Allowance for impairment loss:

Private debt securities	(65,416)	(70,743)
Private equity funds	(47,242)	(29,493)
Quoted shares	(15,988)	(15,988)
Quoted bonds	(5,817)	(5,650)
Unquoted shares	(136,881)	(135,121)
Unit trusts	(382)	(386)
Loan stocks	(10,433)	(10,433)
	(282,159)	(267,814)

Total financial investments available-for-sale

30,123,612 30,334,058

A10. FINANCIAL INVESTMENTS HELD-TO-MATURITY

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Money market instruments:		
Unquoted		
Malaysian Government securities	981,220	802,446
Cagamas bonds	185,965	160,997
Other government securities	774,638	780,810
Other government treasury bills	16,674	16,830
Bank Negara Malaysia Monetary Notes	9,992	9,845
Khazanah bonds	245,511	66,736
Malaysian Government investment issues	2,309,836	808,104
	4,523,836	2,645,768
Quoted securities		
<i>Outside Malaysia</i>		
Private debt securities	2,511,655	1,930,753
Islamic bonds	6,782	6,789
Other Government bonds	521,278	501,824
Bank Indonesia certificates	166,181	155,219
	3,205,896	2,594,585
Unquoted securities		
<i>In Malaysia</i>		
Private debt securities	6,028,260	4,479,105
Loan stocks	27,388	27,388
<i>Outside Malaysia</i>		
Private debt securities	1,031,626	1,116,035
	7,087,274	5,622,528
	14,817,006	10,862,881
Accretion of discount net of amortisation of premium	5,048	(8,516)
Less : Allowance for impairment losses	(32,631)	(32,872)
Total financial investments held-to-maturity	14,789,423	10,821,493

Included in the financial investments held-to-maturity of the Group as at 30 June 2014 are 10-year promissory notes of THB9 million (2013: THB9 million) maturing between 2014 to 2015, which were received from Thai Asset Management Corporation ("TAMC") for settlement of impaired loans transferred by CIMB Thai Bank to TAMC. Such promissory notes are non-transferable, bear interest at the average deposit rate of 5 major banks in Thailand and availed by the Financial Institutions Development Fund. As part of the agreement to transfer the impaired loans to TAMC, CIMB Thai Bank has a gain and loss sharing arrangement with TAMC arising from the recovery of the impaired loans. During the previous financial year, CIMB Bank Thai has recognised a gain of approximately RM113 million arising from the sharing agreement.

A11. LOANS, ADVANCES AND FINANCING

(i) By type

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
At amortised cost		
Overdrafts	5,502,017	5,659,427
Term loans/financing		
- Housing loans/financing	59,771,179	56,905,328
- Syndicated term loans	13,796,335	13,911,828
- Hire purchase receivables	15,047,470	14,428,652
- Lease receivables	125,080	142,147
- Factoring receivables	19,660	22,312
- Other term loans/financing	87,136,049	88,843,150
Bills receivable	10,343,879	9,239,224
Trust receipts	1,679,500	2,077,961
Claims on customers under acceptance credits	4,898,732	4,942,558
Staff loans *	810,194	756,729
Credit card receivables	6,739,293	6,440,933
Revolving credits	32,284,035	28,830,969
Share margin financing	2,658,365	2,354,659
Other loans	1,302	1,665
Gross loans, advances and financing	240,813,090	234,557,542
Fair value changes arising from fair value hedge	146,329	140,453
	240,959,419	234,697,995
Less: Allowance for impairment losses		
- Individual impairment allowance	(2,748,833)	(3,005,066)
- Portfolio impairment allowance	(3,212,343)	(3,261,224)
	(5,961,176)	(6,266,290)
Total net loans, advances and financing	234,998,243	228,431,705

* Included in staff loans of the Group are loans to Directors amounting to RM8,750,698 (2013: RM8,409,959).

(a) Included in the Group's loans, advances and financing balances are RM53 million (2013: RM57 million) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and were done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

(b) The Group has undertaken fair value hedge on the interest rate risk of loans, advances and financing with RM8,044 million (2013: RM8,182 million), using interest rate swaps.

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Gross loan hedged	8,043,559	8,181,776
Fair value changes arising from fair value hedges	146,329	140,453
	8,189,888	8,322,229

The fair value loss of interest rate swaps in these hedge transaction as at 30 June 2014 was RM115 million (2013: RM101 million).

A11. LOANS, ADVANCES AND FINANCING (Continued)

(ii) By type of customers

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Domestic banking financial institutions	1,043,059	1,078,983
Domestic non-bank financial institutions		
- stockbroking companies	10,023	10,210
- others	2,519,956	2,572,679
Domestic business enterprises		
- small medium enterprises	33,808,977	31,258,050
- others	48,571,783	48,095,116
Government and statutory bodies	8,827,900	11,885,181
Individuals	117,588,895	111,963,768
Other domestic entities	2,479,836	2,020,750
Foreign entities	25,962,661	25,672,805
Gross loans, advances and financing	240,813,090	234,557,542

(iii) By interest/profit rate sensitivity

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Fixed rate		
- Housing loans	1,809,103	1,786,148
- Hire-purchase receivables	15,032,862	14,414,027
- Other fixed rate loans	37,733,299	41,358,703
Variable rate		
- BLR plus	121,143,578	114,131,244
- Cost plus	29,229,444	26,730,436
- Other variable rates	35,864,804	36,136,984
Gross loans, advances and financing	240,813,090	234,557,542

(iv) By economic purpose

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Personal use	8,157,683	8,441,137
Credit card	6,739,293	6,440,933
Purchase of consumer durables	355,812	170,550
Construction	7,302,158	8,023,104
Residential property (Housing)	60,901,221	57,390,465
Non-residential property	19,186,962	17,866,777
Purchase of fixed assets other than land and building	14,891,124	14,251,738
Mergers and acquisitions	3,803,457	5,410,650
Purchase of securities	16,428,481	15,139,766
Purchase of transport vehicles	20,403,524	19,742,044
Working capital	68,791,558	65,766,696
Other purposes	13,851,817	15,913,682
Gross loans, advances and financing	240,813,090	234,557,542

A11. LOANS, ADVANCES AND FINANCING (Continued)**(v) By geographical distribution**

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Malaysia	143,151,359	140,849,113
Indonesia	47,689,606	45,941,706
Thailand	19,474,552	18,495,506
Singapore	19,549,281	19,056,385
United Kingdom	747,501	1,152,021
Hong Kong	722,696	636,761
China	6,168,591	5,730,857
Other countries	3,309,504	2,695,193
Gross loans, advances and financing	240,813,090	234,557,542

(vi) By residual contractual maturity

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Within one year	62,976,200	61,219,942
One year to less than three years	20,627,913	23,303,174
Three years to less than five years	29,525,446	31,614,934
Five years and more	127,683,531	118,419,492
Gross loans, advances and financing	240,813,090	234,557,542

(vii) Impaired loans, advances and financing by economic purpose

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Personal use	262,742	252,938
Credit card	78,792	94,765
Purchase of consumer durables	24,311	289
Construction	1,160,450	1,180,289
Residential property (Housing)	1,560,138	1,540,293
Non-residential property	250,273	258,780
Purchase of fixed assets other than land and building	561,726	438,895
Purchase of securities	177,105	186,441
Purchase of transport vehicles	458,603	314,470
Working capital	2,312,452	2,373,246
Other purpose	675,941	752,863
Gross impaired loans, advances and financing	7,522,533	7,393,269

(viii) Impaired loans, advances and financing by geographical distribution

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Malaysia	4,206,206	4,452,536
Indonesia	1,834,853	1,458,612
Thailand	1,256,128	1,219,287
Singapore	47,338	58,585
United Kingdom	2,519	3,636
China	87,966	111,869
Other countries	87,523	88,744
Gross impaired loans, advances and financing	7,522,533	7,393,269

A11. LOANS, ADVANCES AND FINANCING (Continued)

(ix) Movements in impaired loans

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
At 1 January	7,393,269	7,927,817
Classified as impaired during the period/year	2,147,569	3,451,780
Reclassified as not impaired during the period/year	(908,271)	(1,591,922)
Amount written back in respect of recoveries	(419,923)	(1,223,557)
Amount written off	(685,135)	(1,239,233)
Reclassification from unwinding income	-	50,870
Exchange fluctuation	(4,976)	17,514
At 30 June/31 December	7,522,533	7,393,269
Ratio of gross impaired loans to gross loans, advances and financing	3.12%	3.15%

(x) Movements in the allowance for impaired loans, advances and financing are as follows:

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
<u>Individual impairment allowance</u>		
At 1 January	3,005,066	3,270,343
Net allowance made during the period/year	56,232	179,523
Amount written off	(295,050)	(440,126)
Allowance written back and charged to deferred assets	(2,769)	(959)
Amount transferred from portfolio impairment allowance	442	1,043
Unwinding income	(6,341)	46,595
Exchange fluctuation	(8,747)	(51,353)
At 30 June/31 December	2,748,833	3,005,066
<u>Portfolio impairment allowance</u>		
At 1 January	3,261,224	3,295,857
Net allowance made during the period/year	365,262	858,902
Amount transferred to individual impairment allowance	(442)	(1,043)
Amount written off	(384,945)	(735,157)
Allowance written back and charged to deferred assets	106	258
Unwinding income	(15,993)	(31,518)
Exchange fluctuation	(12,869)	(126,075)
At 30 June/31 December	3,212,343	3,261,224
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross loans, advances and financing (excluding RPSIA financing) less individual impairment allowance	2.23%	2.28%

A12. OTHER ASSETS

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Due from brokers and clients net of allowance for doubtful debts	3,053,492	2,044,742
Other debtors, deposits and prepayments, net of allowance for doubtful debts	5,125,798	3,163,529
Due from joint ventures	1,138,366	1,059,473
Due from insurers, brokers and reinsurers	20,076	26,026
Option premium receivable	199,203	193,721
Deferred assets	70,597	83,018
Foreclosed properties net of allowance for impairment losses	184,731	187,787
Collateral pledged for derivative transactions	1,214,317	1,232,059
	11,006,580	7,990,355

A13. DEPOSITS FROM CUSTOMERS

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
<u>By type of deposit</u>		
Demand deposits	61,712,570	60,469,052
Savings deposits	31,534,390	30,209,802
Fixed deposits	112,112,865	110,777,319
Negotiable instruments of deposit	6,201,627	6,419,989
Others	57,031,799	55,128,140
	268,593,251	263,004,302
 <u>By type of customer</u>		
Government and statutory bodies	8,731,691	9,759,358
Business enterprises	111,138,816	109,298,049
Individuals	96,280,644	92,638,301
Others	52,442,100	51,308,594
	268,593,251	263,004,302

The maturity structure of fixed deposits and negotiable instruments of deposit is as follows:

Due within six months	99,649,134	97,933,973
Six months to less than one year	15,367,230	15,849,808
One year to less than three years	1,661,499	1,850,649
Three years to less than five years	1,414,644	1,234,394
Five years and more	221,985	328,484
	118,314,492	117,197,308

A14. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Licensed banks	16,464,719	16,745,660
Licensed finance companies	472,089	223,121
Licensed investment banks	197,601	755,900
Bank Negara Malaysia	2,725,994	795,996
Other financial institutions	2,902,532	2,207,168
	22,762,935	20,727,845

The maturity structure of deposits and placements of banks and other financial institutions is as follows:

Due within six months	20,370,998	9,099,477
Six months to less than one year	1,304,788	6,788,703
One year to less than three years	46,618	2,404,567
Three years to less than five years	336,186	1,414,464
Five years and more	704,345	1,020,634
	22,762,935	20,727,845

A15. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Deposits from customers - structured investments	2,391,082	2,132,170

The Group has issued structured investments, and have designated them at fair value in accordance with MFRS139. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group 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 RM2,468,489,000 (2013: RM2,253,559,000), RM151,617,000 (2013: RM151,118,000) and RM4,014,000 (2013: Nil) respectively.

The carrying amount of the Group at 30 June 2014 of financial liabilities designated at fair value were RM233,038,000 (2013: RM272,507,000) 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.

A16. OTHER LIABILITIES

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Due to brokers and clients	2,661,273	1,904,117
Expenditure payable	1,625,644	2,000,789
Provision for legal claims	81,472	82,783
Sundry creditors	3,798,218	1,367,197
Insurance fund - life and takaful insurance business	65,775	54,894
Allowance for commitments and contingencies	14,736	16,823
Post employment benefit obligations	324,146	279,160
Credit card expenditure payable	205,149	162,088
Call deposit borrowing	639,213	926,272
Unit link contract liabilities	535,905	492,485
Others	1,326,043	1,275,431
	11,277,574	8,562,039

A17. INTEREST INCOME

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income	3,159,078	2,857,967	6,224,132	5,611,918
- Unwinding income [^]	28,620	21,194	52,523	52,764
Money at call and deposit placements with financial institutions	111,675	153,630	244,893	345,042
Reverse repurchase agreements	40,348	80,445	85,213	154,772
Financial assets held for trading	149,075	116,781	285,674	228,151
Financial investments available-for-sale	299,062	275,281	593,822	530,442
Financial investments held-to-maturity	192,077	80,131	296,907	166,755
Others	7,838	3,897	14,965	7,783
	3,987,773	3,589,326	7,798,129	7,097,627
Accretion of discounts less amortisation of premiums	847	12,301	(1,612)	40,303
	3,988,620	3,601,627	7,796,517	7,137,930

[^] Unwinding income is interest income earned on impaired financial assets

A18. INTEREST EXPENSE

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	57,880	43,520	108,400	83,463
Deposits from other customers	1,385,989	1,209,599	2,700,005	2,440,947
Repurchase agreements	18,375	51,995	35,439	92,614
Bonds and debentures	61,861	50,161	129,015	94,315
Subordinated obligations	151,300	144,286	291,226	301,609
Financial liabilities designated at fair value	15,336	8,250	33,633	12,553
Negotiable certificates of deposits	26,269	27,130	60,317	53,696
Other borrowings	79,077	70,444	161,347	144,340
Others	17,070	20,691	34,907	42,218
	1,813,157	1,626,076	3,554,289	3,265,755

A19. NET NON-INTEREST INCOME

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
(a) Net fee income and commission income:				
Commissions	177,053	151,982	331,213	291,028
Fee on loans, advances and financing	100,417	113,718	265,420	237,451
Portfolio management fees	5,837	5,865	11,383	12,017
Service charges and fees	160,920	145,124	306,688	282,440
Corporate advisory fees	8,560	26,862	29,277	67,143
Guarantee fees	23,450	17,279	40,722	29,102
Other fee income	73,695	73,262	176,698	146,456
Placement fees	5,262	21,854	22,782	33,553
Underwriting commission	11,153	33,812	27,704	42,122
Fee and commission income	566,347	589,758	1,211,887	1,141,312
Fee and commission expense	(113,634)	(119,139)	(256,712)	(230,615)
Net fee and commission income	452,713	470,619	955,175	910,697
(b) Gross dividend income from :				
<i>In Malaysia</i>				
- Financial assets held for trading	11,676	5,637	14,719	8,495
- Financial investments available-for-sale	2,623	7,525	10,074	9,181
<i>Outside Malaysia</i>				
- Financial assets held for trading	703	285	783	822
- Financial investments available-for-sale	1,727	412	2,086	8,633
	16,729	13,859	27,662	27,131
(c) Net gain/(loss) arising from financial assets held for trading	47,630	(65,691)	93,805	(101,441)
- realised	(13,607)	23,948	(58,017)	43,893
- unrealised	61,237	(89,639)	151,822	(145,334)
(d) Net (loss)/gain arising from derivative financial instruments	(24,532)	884	364,144	229,884
- realised	79,280	170,075	26,142	451,907
- unrealised	(103,812)	(169,191)	338,002	(222,023)
(e) Net gain/(loss) arising from financial liability designated at fair value	10,075	45,530	17,469	98,433
- realised	(6,363)	(11,562)	(21,075)	(11,736)
- unrealised	16,438	57,092	38,544	110,169
(f) Net (loss)/gain arising from hedging derivatives	(7,943)	11,793	6,123	(1,573)
(g) Net gain from sale of financial investments available-for-sale	34,036	84,303	66,494	196,371
(h) Net gain from maturity of financial investment held-to-maturity	18	2	2,614	44,666
(i) Income from assets management and securities services	60,774	55,229	122,745	106,316
(j) Brokerage income	121,292	145,279	241,404	284,576
(k) Other non-interest income:				
Foreign exchange gain/(loss)	102,075	176,315	(81,999)	188,447
Rental income	3,000	3,888	6,372	7,261
Gain on disposal of property, plant and equipment/assets held for sale	3,043	9,391	1,724	11,929
Underwriting surplus before management expenses	1,745	5,064	6,774	7,162
Loss on disposal of foreclosed properties	(15,710)	(5,964)	(31,104)	(12,785)
Other non-operating income	66,139	126,834	168,752	235,623
	160,292	315,528	70,519	437,637
Total other operating income	871,084	1,077,335	1,968,154	2,232,697

A20. OVERHEADS

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
- Salaries, allowances and bonus	877,912	895,100	1,788,737	1,855,440
- Pension cost	84,833	83,054	168,809	170,125
- Overtime	8,947	8,197	17,857	16,369
- Staff incentives and other staff payments	75,574	68,810	133,954	124,232
- Medical expenses	27,122	26,662	52,056	47,878
- Others	47,916	83,198	96,928	161,743
	1,122,304	1,165,021	2,258,341	2,375,787
Establishment costs				
- Depreciation of property, plant and equipment	85,677	91,696	169,265	179,895
- Amortisation of prepaid lease payments	3,038	3,004	5,845	6,018
- Rental	111,187	113,595	232,081	226,752
- Repair and maintenance	104,627	103,741	223,200	216,860
- Outsourced services	66,742	61,282	132,782	121,082
- Security expenses	41,963	26,927	66,828	52,514
- Others	55,511	55,753	108,377	109,314
	468,745	455,998	938,378	912,435
Marketing expenses				
- Sales commission	2,401	2,599	4,599	5,320
- Advertisement	62,352	81,381	126,036	144,598
- Others	23,126	21,240	43,407	43,330
	87,879	105,220	174,042	193,248
Administration and general expenses				
- Amortisation and impairment of intangible assets	75,733	54,902	153,602	230,612
- Legal and professional fees	43,539	36,445	70,503	78,007
- Stationery	17,237	16,297	32,543	33,782
- Communication	33,396	38,918	71,836	76,356
- Incidental expenses on banking operations	9,339	2,080	18,548	13,121
- Insurance	54,271	50,682	109,070	103,800
- Others	95,439	116,868	191,962	244,872
	328,954	316,192	648,064	780,550
	2,007,882	2,042,431	4,018,825	4,262,020

A21. ALLOWANCE MADE FOR IMPAIRMENT LOSSES ON LOANS, ADVANCES AND FINANCING

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Allowance made for impaired loans, advances and financing:				
Net allowance made/(written back) during the financial period				
- Individual impairment allowance	63,892	(7,594)	56,232	(11,810)
- Portfolio impairment allowance	156,561	164,269	365,262	364,959
Impaired loans, advances and financing:				
- recovered	(79,689)	(96,564)	(175,893)	(212,752)
- written off	6,417	10,917	13,025	11,354
	147,181	71,028	258,626	151,751

A22. DERIVATIVE FINANCIAL INSTRUMENTS

The following tables summarise the contractual or underlying principal amounts of trading derivatives 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 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		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
At 30 June 2014			
Trading derivatives			
<u>Foreign exchange derivatives</u>			
Currency forward	16,017,518	119,116	(180,995)
- Up to 1 year	13,070,115	100,587	(101,898)
- More than 1 year to 3 years	1,545,972	12,056	(23,356)
- More than 3 years	1,401,431	6,473	(55,741)
Currency swaps	104,525,803	492,559	(422,311)
- Up to 1 year	103,279,323	458,793	(415,398)
- More than 1 year to 3 years	879,931	16,869	(3,096)
- More than 3 years	366,549	16,897	(3,817)
Currency spot	10,544,393	3,217	(5,734)
- Up to 1 year	10,544,393	3,217	(5,734)
Currency options	6,885,238	44,790	(41,276)
- Up to 1 year	6,055,028	22,370	(19,428)
- More than 1 year to 3 years	510,906	10,294	(10,295)
- More than 3 years	319,304	12,126	(11,553)
Cross currency interest rate swaps	39,360,581	978,858	(675,457)
- Up to 1 year	6,917,017	80,506	(103,561)
- More than 1 year to 3 years	13,101,916	206,283	(292,794)
- More than 3 years	19,341,648	692,069	(279,102)
	177,333,533	1,638,540	(1,325,773)
<u>Interest rate derivative</u>			
Interest rate swaps	296,779,393	1,984,592	(1,510,779)
- Up to 1 year	94,411,160	115,575	(117,244)
- More than 1 year to 3 years	95,532,471	458,523	(417,984)
- More than 3 years	106,835,762	1,410,494	(975,551)
Interest rate futures	3,662,844	4,118	(1,738)
- Up to 1 year	2,898,134	3,721	(1,727)
- More than 1 year to 3 years	764,710	397	(11)
Interest rate options	509,274	1,431	(4,038)
- Up to 1 year	388,154	1,098	(3,171)
- More than 1 year to 3 years	121,120	333	(867)
	300,951,511	1,990,141	(1,516,555)
<u>Equity related derivatives</u>			
Equity futures	796,877	8,992	(9,198)
- Up to 1 year	796,877	8,992	(9,198)
Equity options	6,380,532	108,913	(1,773,789)
- Up to 1 year	2,694,313	79,156	(990,214)
- More than 1 year to 3 years	2,641,667	14,153	(667,706)
- More than 3 years	1,044,552	15,604	(115,869)
Equity swaps	918,879	213,973	(209,870)
- Up to 1 year	142,198	17,175	(1,622)
- More than 1 year to 3 years	293,647	44,698	(205,206)
- More than 3 years	483,034	152,100	(3,042)
	8,096,288	331,878	(1,992,857)
<u>Commodity related derivatives</u>			
Commodity swaps	2,871,207	132,879	(129,009)
- Up to 1 year	2,601,059	109,921	(107,369)
- More than 1 year to 3 years	270,148	22,958	(21,640)
Commodity options	481,003	103,669	(9,156)
- Up to 1 year	319,556	7,032	(7,032)
- More than 1 year to 3 years	75,724	62,467	(1,225)
- More than 3 years	85,723	34,170	(899)
	3,352,210	236,548	(138,165)
<u>Credit related contract</u>			
Credit default swaps	6,633,984	27,509	(86,489)
- Up to 1 year	2,849,884	1,106	(59,412)
- More than 1 year to 3 years	2,368,049	16,110	(17,437)
- More than 3 years	1,416,051	10,293	(9,640)
<u>Hedging derivatives</u>			
Interest rate swaps	21,583,889	122,999	(238,215)
- Up to 1 year	19,324	-	(13)
- More than 1 year to 3 years	4,345,140	56,287	(18,262)
- More than 3 years	17,219,425	66,712	(219,940)
Currency forward	186,383	1,707	-
- Up to 1 year	186,383	1,707	-
Cross currency interest rate swaps	2,462,940	8,842	(18,348)
- Up to 1 year	70,751	-	(2,358)
- More than 1 year to 3 years	1,948,470	7,846	(1,544)
- More than 3 years	443,719	996	(14,446)
	24,233,212	133,548	(256,563)
Total derivative assets/(liabilities)	520,600,738	4,358,164	(5,316,402)

A22. DERIVATIVE FINANCIAL INSTRUMENTS (Continued)

At 31 December 2013	The Group		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
Trading derivatives			
<u>Foreign exchange derivatives</u>			
Currency forward	15,535,868	238,332	(245,114)
- Up to 1 year	12,621,248	201,431	(142,366)
- More than 1 year to 3 years	831,402	18,567	(21,322)
- More than 3 years	2,083,218	18,334	(81,426)
Currency swaps	74,588,373	891,838	(984,888)
- Up to 1 year	73,927,701	858,684	(979,138)
- More than 1 year to 3 years	391,499	13,487	(3,224)
- More than 3 years	269,173	19,667	(2,526)
Currency spot	7,270,147	6,317	(12,801)
- Up to 1 year	7,270,147	6,317	(12,801)
Currency options	3,605,527	97,774	(88,128)
- Up to 1 year	2,629,363	34,023	(24,965)
- 1 year to 3 years	520,621	12,429	(12,424)
- More than 3 years	455,543	51,322	(50,739)
Cross currency interest rate swaps	33,767,451	1,098,021	(1,043,097)
- Up to 1 year	3,956,556	100,069	(144,281)
- More than 1 year to 3 years	11,912,611	213,787	(392,459)
- More than 3 years	17,898,284	784,165	(506,357)
	134,767,366	2,332,282	(2,374,028)
<u>Interest rate derivative</u>			
Interest rate swaps	263,828,147	2,063,089	(1,541,162)
- Up to 1 year	71,813,536	96,482	(109,301)
- More than 1 year to 3 years	111,752,273	600,116	(573,553)
- More than 3 years	80,262,338	1,366,491	(858,308)
Interest rate futures	4,646,388	12,418	(199)
- Up to 1 year	3,734,506	10,901	(162)
- More than 1 year to 3 years	911,882	1,517	(37)
Interest rate options	598,180	1,701	(7,776)
- Up to 1 year	359,691	108	(5,157)
- More than 1 year to 3 years	238,489	1,593	(2,619)
	269,072,715	2,077,208	(1,549,137)
<u>Equity related derivatives</u>			
Equity futures	43,473	-	(755)
- Up to 1 year	43,473	-	(755)
Equity options	7,332,980	103,070	(1,401,984)
- Up to 1 year	2,670,549	59,227	(823,089)
- More than 1 year to 3 years	1,983,267	15,312	(541,463)
- More than 3 years	2,679,164	28,531	(37,432)
Equity swaps	812,041	17,113	(172,249)
- Up to 1 year	115,944	8,935	(140,632)
- More than 1 year to 3 years	61,862	4,591	(28,020)
- More than 3 years	634,235	3,587	(3,597)
	8,188,494	120,183	(1,574,988)
<u>Commodity related derivatives</u>			
Commodity swaps	1,961,518	106,882	(105,681)
- Up to 1 year	1,850,789	79,803	(79,308)
- More than 1 year to 3 years	103,658	20,960	(20,254)
- More than 3 years	7,071	6,119	(6,119)
Commodity options	238,781	158,512	(48,376)
- Up to 1 year	73,965	1,086	(944)
- More than 1 year to 3 years	77,304	109,769	(33,496)
- More than 3 years	87,512	47,657	(13,936)
	2,200,299	265,394	(154,057)
<u>Credit related contract</u>			
Credit default swaps	7,656,021	38,265	(89,176)
- Up to 1 year	3,144,871	1,493	(63,846)
- More than 1 year to 3 years	2,180,546	15,731	(10,541)
- More than 3 years	2,330,604	21,041	(14,789)
Hedging derivatives			
Interest rate swaps	19,335,113	182,117	(219,736)
- Up to 1 year	21,526	41	(55)
- More than 1 year to 3 years	3,942,730	77,097	(25,010)
- More than 3 years	15,370,857	104,979	(194,671)
Currency forward	190,863	-	(4,646)
- Up to 1 year	190,863	-	(4,646)
Cross currency interest rate swaps	2,224,201	5,004	(43,840)
- Up to 1 year	326,652	-	(19,187)
- More than 1 year to 3 years	1,380,496	414	(4,918)
- More than 3 years	517,053	4,590	(19,735)
	21,750,177	187,121	(268,222)
Total derivative assets/(liabilities)	443,635,072	5,020,453	(6,009,608)

A22. 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 the positive fair value or receivable resulting from the execution of contract terms. As at 30 June 2014, the amount of credit risk in the Group, measured in terms of the cost to replace the profitable contracts, was RM4,358 million (2013: RM5,020 million). This amount will increase or decrease over the life of the contracts, mainly as a function of maturity dates and market rates or prices.

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

- 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 are discussed in the audited annual financial statements for the financial year ended 31 December 2013 and the Risk Management section of the 2013 Annual Report.

A23. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group enter into various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured over the Group's assets except for certain financial assets held for trading being pledged as credit support assets for certain over-the-counter derivative contracts.

<u>The Group</u>	30 June 2014	31 December 2013
	Principal	Principal
	Amount	Amount
	RM'000	RM'000
<u>Credit-related</u>		
Direct credit substitutes	6,000,332	5,558,842
Certain transaction-related contingent items	5,340,616	5,673,446
Short-term self-liquidating trade-related contingencies	4,497,134	4,027,282
Obligations under underwriting agreement	994,553	163,500
Irrevocable commitments to extend credit		
- maturity not exceeding one year	46,190,988	52,400,282
- maturity exceeding one year	21,308,436	8,617,352
Miscellaneous commitments and contingencies	4,427,925	2,413,685
Total credit-related commitments and contingencies	88,759,984	78,854,389
<u>Treasury-related</u>		
<u>Foreign exchange related contracts</u>		
- up to one year	140,123,012	100,922,530
- more than one year to five years	32,233,107	29,082,502
- more than five years	7,626,736	7,177,397
	179,982,855	137,182,429
<u>Interest rate related contracts</u>		
- up to one year	97,716,772	75,929,258
- more than one year to five years	184,782,744	184,333,773
- more than five years	39,719,985	27,820,397
	322,219,501	288,083,428
<u>Equity related contracts</u>		
- up to one year	3,633,388	2,847,171
- more than one year to five years	3,477,392	3,732,189
- more than five years	985,508	1,609,135
	8,096,288	8,188,495
<u>Credit related contracts</u>		
- up to one year	2,849,884	3,144,871
- more than one year to five years	3,291,220	3,812,772
- more than five years	808,780	1,022,778
	6,949,884	7,980,421
<u>Commodity related contracts</u>		
- up to one year	2,920,615	1,924,754
- more than one year to five years	431,595	275,545
	3,352,210	2,200,299
Total treasury-related commitments and contingencies	520,600,738	443,635,072
	609,360,722	522,489,461

A24. CAPITAL ADEQUACY

The capital adequacy ratios of the banking subsidiaries of the Group are computed as follows:

Bank Negara Malaysia (BNM) and Bank of Thailand (BOT) issued revised guidelines on the capital adequacy framework on 28 November 2012 and 8 November 2012 respectively, of which both 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 CIMB Bank Group (other than CIMB Thai Bank and CIMB Bank PLC), CIMB Bank and CIMB Islamic 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 Advance 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.

The risk-weighted assets of CIMB Investment Bank Group 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.

The risk weighted assets of CIMB Thai Bank is based on Bank of Thailand (BOT) requirements and are computed in accordance with the revised "Notification of The BOT. No. SoNoRSor. 87/2551 - The supervisory capital funds of commercial banks". Credit Risk and Market Risk are based on Standardised Approach (SA) while Operational Risk is based on Basic Indicator Approach.

The capital adequacy ratios of Bank CIMB Niaga is based on Bank Indonesia requirements. The approach for Credit Risk and Market Risk is Standardised Approach (SA approach). Operational Risk is based on Basic Indicator Approach.

The regulatory compliance ratios of CIMB Bank PLC refers to Solvency Ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank PLC's net worth divided by its risk-weighted assets.

A24. CAPITAL ADEQUACY (Continued)
30 June 2014

(a) The capital adequacy ratios of the banking subsidiaries of the Group are as follows:

	CIMB Bank	CIMB Islamic Bank	CIMB Thai Bank	CIMB Bank Group	CIMB Investment Bank Group	Bank CIMB Niaga	CIMB Bank PLC*
Common equity tier 1 ratio	10.979% # ^	10.205%	10.195%	9.801% # ^	17.226%	N/A	N/A
Tier 1 ratio	12.540% # ^	11.132%	10.195%	11.047% # ^	17.226%	13.874%	N/A
Total capital ratio	14.704% # ^	14.411%	13.537%	14.341% # ^	17.226%	16.055%	16.638%
After deducting proposed dividend							
Common equity tier 1 ratio	10.372% # ^	10.205%	10.195%	9.337% # ^	17.226%	N/A	N/A
Tier 1 ratio	11.933% # ^	11.132%	10.195%	10.582% # ^	17.226%	13.874%	N/A
Total capital ratio	14.097% # ^	14.411%	13.537%	13.876% # ^	17.226%	16.055%	16.638%

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

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000
Credit risk	115,703,006	19,538,228	16,607,947	152,897,373	1,126,666	43,463,867	751,899
Market risk	13,536,136	763,314	1,907,233	15,670,507	1,237,605	442,127	-
Operational risk	11,519,572	1,939,902	1,158,346	15,227,666	711,882	5,765,774	-
Large exposure risk	515,568	-	-	515,568	-	-	-
	141,274,282	22,241,444	19,673,526	184,311,114	3,076,153	49,671,768	751,899

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

	CIMB Bank RM'000	CIMB Islamic Bank RM'000	CIMB Thai Bank RM'000	CIMB Bank Group RM'000	CIMB Investment Bank Group RM'000	Bank CIMB Niaga RM'000	CIMB Bank PLC RM'000
Common Equity Tier I capital							
Ordinary shares	4,681,930	1,000,000	1,043,434	4,681,930	100,000	436,922	144,450
Other reserves	18,409,613	1,803,400	1,046,328	21,889,974	486,237	6,520,442	(20,954)
Qualifying non-controlling interests	-	-	-	237,520	-	-	-
Common Equity Tier I capital before regulatory adjustments	23,091,543	2,803,400	2,089,762	26,809,424	586,237	6,957,364	123,496
Less: Regulatory adjustments							
Goodwill	(3,555,075)	(136,000)	-	(4,879,379)	(964)	-	-
Intangible assets	(915,584)	(9,872)	(6,639)	(936,635)	-	-	(1,291)
Deferred tax assets	(261,997)	(30,061)	(77,384)	(318,134)	(49,980)	-	-
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(765,837)	-	-	(138,350)	(1,367)	(66,061)	-
Deduction in excess of Tier 2 capital	-	-	-	-	(3,895)	-	-
Shortfall of eligible provisions to expected losses	(371,837)	(107,853)	-	(515,887)	-	-	-
Others	(1,711,043)	(249,805)	-	(1,955,801)	(119)	-	(1,686)
Common Equity Tier I capital after regulatory adjustments	15,510,170	2,269,809	2,005,739	18,065,238	529,912	6,891,303	120,519
Additional Tier I capital							
Perpetual preference shares	160,000	206,000	-	160,000	-	-	-
Non-innovative Tier I Capital	800,000	-	-	800,000	-	-	-
Innovative Tier I Capital	1,289,440	-	-	1,289,440	-	-	-
Qualifying capital instruments held by third parties	-	-	-	47,010	-	-	-
Additional Tier I capital before regulatory adjustments	2,249,440	206,000	-	2,296,450	-	-	-
Less: Regulatory adjustments							
Investments in Additional Tier 1 capital instruments of unconsolidated financial and insurance/takaful entities	(44,054)	-	-	(54)	-	-	-
Additional Tier I capital after regulatory adjustments	2,205,386	206,000	-	2,296,396	-	-	-
Total Tier I Capital	17,715,556	2,475,809	2,005,739	20,361,634	529,912	6,891,303	120,519
Tier II capital							
Subordinated notes	6,050,000	680,000	593,848	6,050,000	-	662,979	-
Redeemable preference shares	29,740	-	-	29,740	8	-	-
Qualifying capital instruments held by third parties	-	-	-	40,568	-	-	-
Portfolio impairment allowance & Regulatory reserve √	222,593	49,498	63,698	503,156	2,402	455,541	4,583
Others	-	-	-	-	-	31,111	-
Tier II capital before regulatory adjustments	6,302,333	729,498	657,546	6,623,464	2,410	1,149,631	4,583
Less: Regulatory adjustments							
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(3,245,041)	-	-	(553,613)	(6,305)	(66,061)	-
Total Tier II capital	3,057,292	729,498	657,546	6,069,851	-	1,083,570	4,583
Total capital base	20,772,848	3,205,307	2,663,285	26,431,485	529,912	7,974,873	125,102
Less :							
Proposed dividends	(857,000)	-	-	(857,000)	-	-	-
Total capital base (net of proposed dividend)	19,915,848	3,205,307	2,663,285	25,574,485	529,912	7,974,873	125,102

Interim dividend for financial year ended 31 December 2013 was paid in March 2014.

√ The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 30 June 2014 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM257 million, RM233 million and RM24 million respectively.

* The amount presented here is the Solvency Ratio of CIMB Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank Plc's net worth divided by its risk-weighted assets.

^ On 24 April 2014, CIMBGH completed its third Dividend Reinvestment Scheme ("DRS") of which approximately RM702 million was reinvested into new CIMBGH shares. Pursuant to the completion of the DRS, CIMBGH reinvested cash dividend surplus of RM454 million into CIMB Bank via rights issue which was completed on 30 June 2014.

CIMB Group proposed to continue with DRS implementation for the first interim dividend in respect of the financial year ending 2014. Pursuant to the completion of DRS, CIMB Group intend to reinvest the excess cash dividend into the Bank which would increase the capital adequacy ratios of the Group and Bank above those stated ratios.

A24. CAPITAL ADEQUACY (Continued)
31 December 2013

(a) The capital adequacy ratios of the banking subsidiaries of the Group are as follows:

	CIMB Bank	CIMB Islamic Bank	CIMB Thai Bank	CIMB Bank Group	CIMB Investment Bank Group	Bank CIMB Niaga	CIMB Bank PLC*
Common equity tier 1 ratio	10.215% # ^	9.905%	9.907%	8.704% # ^	25.300%	N/A	N/A
Tier 1 ratio	12.117% # ^	10.201%	9.907%	10.180% # ^	25.300%	12.993%	N/A
Total capital ratio	13.475% # ^	14.020%	14.082%	13.498% # ^	25.300%	15.378%	20.045%
After deducting proposed dividend							
Common equity tier 1 ratio	9.649% ^	9.905%	9.907%	8.274% ^	25.300%	N/A	N/A
Tier 1 ratio	11.552% ^	10.201%	9.907%	9.750% ^	25.300%	12.993%	N/A
Total capital ratio	12.910% ^	14.020%	14.082%	13.068% ^	25.300%	15.378%	20.045%

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

	CIMB Bank	CIMB Islamic Bank	CIMB Thai Bank	CIMB Bank Group	CIMB Investment Bank Group	Bank CIMB Niaga	CIMB Bank PLC
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit risk	109,355,392	18,769,614	17,250,730	145,845,320	1,208,453	41,585,173	638,964
Market risk	12,107,705	620,945	1,363,788	13,826,815	58,618	410,116	-
Operational risk	11,115,336	1,866,592	1,168,022	14,615,092	758,001	5,028,579	-
Large exposure risk	423,320	-	-	423,320	-	-	-
	133,001,753	21,257,151	19,782,540	174,710,547	2,025,072	47,023,868	638,964

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

	CIMB Bank	CIMB Islamic Bank	CIMB Thai Bank	CIMB Bank Group	CIMB Investment Bank Group	Bank CIMB Niaga	CIMB Bank PLC
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Common Equity Tier I capital							
Ordinary shares	4,131,410	1,000,000	1,053,119	4,131,410	100,000	433,774	147,465
Other reserves	15,810,362	1,600,902	998,423	18,954,705	469,418	5,723,758	(21,440)
Qualifying non-controlling interests	-	-	-	243,991	-	-	-
Common Equity Tier I capital before regulatory adjustments	19,941,772	2,600,902	2,051,542	23,330,106	569,418	6,157,532	126,025
Less: Regulatory adjustments							
Goodwill	(3,555,075)	(136,000)	-	(4,890,179)	(964)	-	-
Intangible assets	(852,787)	(11,080)	-	(874,518)	-	-	(1,613)
Deferred tax assets	(212,431)	(25,566)	(91,698)	(263,926)	(48,914)	-	-
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	-	-	-	-	-	(47,931)	-
Deduction in excess of Tier 2 capital	-	-	-	-	(6,921)	-	-
Shortfall of eligible provisions to expected losses	(151,434)	(92,725)	-	(282,726)	-	-	-
Others	(1,584,536)	(230,089)	-	(1,811,720)	(271)	-	(710)
Common Equity Tier I capital after regulatory adjustments	13,585,509	2,105,442	1,959,844	15,207,037	512,348	6,109,601	123,702
Additional Tier I capital							
Perpetual preference shares	180,000	63,000	-	180,000	-	-	-
Non-innovative Tier I Capital	900,000	-	-	900,000	-	-	-
Innovative Tier I Capital	1,450,620	-	-	1,450,620	-	-	-
Qualifying capital instruments held by third parties	-	-	-	48,180	-	-	-
Additional Tier I capital before regulatory adjustments	2,530,620	63,000	-	2,578,800	-	-	-
Additional Tier I capital before and after regulatory adjustments	2,530,620	63,000	-	2,578,800	-	-	-
Total Tier I Capital	16,116,129	2,168,442	1,959,844	17,785,837	512,348	6,109,601	123,702
Tier II capital							
Subordinated notes	6,050,000	765,000	539,424	6,050,000	-	691,874	-
Redeemable preference shares	29,740	-	-	29,740	9	-	-
Qualifying capital instruments held by third parties	-	-	-	30,471	-	-	-
Portfolio impairment allowance & Regulatory reserve √	207,315	46,857	61,837	486,766	1,996	446,988	4,380
Others	-	-	224,760	-	-	30,887	-
Tier II capital before regulatory adjustments	6,287,055	811,857	826,021	6,596,977	2,005	1,169,749	4,380
Less: Regulatory adjustments							
Investment in capital instruments of unconsolidated financial and insurance/takaful entities	(4,480,601)	-	-	(800,439)	(8,926)	(47,931)	-
Total Tier II capital	1,806,454	811,857	826,021	5,796,538	-	1,121,818	4,380
Total capital base	17,922,583	2,980,299	2,785,865	23,582,375	512,348	7,231,419	128,082
Less :							
Proposed dividends	(752,000)	-	-	(752,000)	-	-	-
Total capital base (net of proposed dividend)	17,170,583	2,980,299	2,785,865	22,830,375	512,348	7,231,419	128,082

Interim dividend for financial year ending 31 December 2013 was paid in September 2013.

√ The capital base of CIMB Bank Group, CIMB Bank and CIMB Islamic Bank as at 31 December 2013 have excluded portfolio impairment allowance on impaired loans restricted from Tier II capital of RM245 million, RM220 million and RM25 million respectively.

* The amount presented here is the Solvency Ratio of CIMB Bank Plc, which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived at CIMB Bank Plc's net worth divided by its risk-weighted assets.

^ CIMB Group Holdings Berhad ("CIMBGH") recently completed its second DRS of which RM783 million was reinvested into new CIMBGH shares. Pursuant to the completion of DRS, CIMBGH reinvested cash dividend surplus of RM400 million and additional cash of RM735 million into CIMB Bank via rights issue which was completed on 30 December 2013.

CIMBGH proposed to continue with DRS implementation for the second interim dividend in respect of the financial year ended 2013. Pursuant to the completion of DRS, CIMBGH intend to reinvest the excess cash dividend into the Bank which would increase the capital adequacy ratio of the Group and the Bank above those stated above. The second interim dividend was approved by the Board and Bank Negara Malaysia on 11 February 2014 and 21 February 2014 respectively.

A25. SEGMENTAL REPORT

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 and geographical segment.

All inter-segment transactions are conducted on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public.

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

Business segment reporting

Definition of segments:

Consumer Banking

Consumer Banking provides full-fledged financial services to individual and commercial customer. The divisions which make up the Consumer Banking are Consumer Sales & Distribution, Retail Financial Services, Commercial Banking, Group Cards & Personal Financing and Group Insurance.

Consumer Sales & Distribution oversees the Group's sales network including branches and mobile sales teams.

Retail Financial Services is responsible for most of the products and services to individual customers. It offers products covering lending, deposit, wealth management, remittance and other services.

Commercial Banking is responsible for the development of products and services for small and medium-scale enterprises (SMEs) and mid-sized corporation.

Group Cards & Personal Financing is responsible for the Group's credit card business and personal loans portfolio.

Wholesale Banking

Wholesale Banking comprises Corporate Banking, Treasury & Markets, and Investment Banking

Corporate Banking, Treasury and Markets (CBTM) is responsible for corporate lending and deposit taking, transaction banking, treasury and markets activities. Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

Investment Banking includes client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and institutional clients.

Advisory offers financial advisory services to corporations, advising issuance of equity and equity-linked products, debts restructuring, initial public offerings, secondary offerings and general corporate advisory. Equities provide services including acting as underwriter, global co-ordinator, book runner or lead manager for equity and equity-linked transactions, originating, structuring, pricing and executing equity and equity-linked issues and executing programme trades, block trades and market making, as well as provides nominee services and stock broking services to retail and corporate clients.

A25. SEGMENTAL REPORT (Continued)

Investment

Investments focus on Group Strategy and Strategic Investments (GSSI) including funding operations for the group. GSSI consists of Group Strategy, Group Insurance, Private Equity and Strategic Investment which focuss in defining and formulating strategies at the corporate and business unit levels, oversee the Group's strategic, private equity fund management and Strategic Investments. It also invests in the Group's proprietary capital.

Support and others

Support services comprise all middle and back-office processes, cost centres and non-profit generating divisions of companies in the Group. Other business segments in the Group include investment holding, property management and other related services, whose results are not material to the Group.

A25. SEGMENTAL REPORT (Continued)

	Wholesale Banking					Total RM'000
	Consumer Banking RM'000	Investment Banking RM'000	Corporate Banking, Treasury and Markets RM'000	Investment RM'000	Support and others RM'000	
30 June 2014						
Net interest income						
- external income/(expense)	2,923,071	44,545	1,056,863	231,121	(13,372)	4,242,228
- inter-segment (expense)/income	(279,829)	(8,355)	151,540	141,242	(4,598)	-
	2,643,242	36,190	1,208,403	372,363	(17,970)	4,242,228
Income from Islamic Banking operations	445,519	3,348	230,102	46,138	3,547	728,654
Net non-interest income	889,481	494,015	465,812	70,863	47,983	1,968,154
Gain on disposal of subsidiaries and associates	-	-	-	6,191	-	6,191
Net income	3,978,242	533,553	1,904,317	495,555	33,560	6,945,227
Overheads	(2,517,379)	(516,243)	(688,861)	(268,730)	(27,612)	(4,018,825)
of which:						
- Depreciation of property, plant and equipment	(111,600)	(31,951)	(21,368)	(3,987)	(359)	(169,265)
- Amortisation of prepaid lease payments	(152)	(69)	(11)	(5,613)	-	(5,845)
- Amortisation and impairment of intangible assets	(63,269)	(5,902)	(8,647)	(65,590)	(10,194)	(153,602)
Profit/(loss) before allowances	1,460,863	17,310	1,215,456	226,825	5,948	2,926,402
Allowance (made)/written back for impairment losses on loans, advances and financing	(270,809)	(72)	(428)	11,432	1,251	(258,626)
Allowance (made)/written back for losses on other receivables	(3,748)	(2,971)	(285)	(4,884)	(1,733)	(13,621)
Allowance written back for commitments and contingencies	1,829	-	-	-	-	1,829
Recoveries written back from investment management and securities services	-	-	-	804	-	804
Allowance written back/(made) for other impairment losses	-	20	219	(15,996)	(30)	(15,787)
Segment results	1,188,135	14,287	1,214,962	218,181	5,436	2,641,001
Share of results of joint ventures	1,694	21	-	(5,552)	-	(3,837)
Share of results of associates	-	(1,089)	-	76,147	-	75,058
Profit/(loss) before taxation	1,189,829	13,219	1,214,962	288,776	5,436	2,712,222
% of profit before taxation	43.9	0.6	44.8	10.5	0.1	99.9
Taxation						(665,929)
Profit for the period						2,046,293

A25. SEGMENTAL REPORT (Continued)

	Wholesale Banking					Total RM'000
	Consumer Banking RM'000	Investment Banking RM'000	Corporate Banking, Treasury and Markets RM'000	Investment RM'000	Support and others RM'000	
30 June 2013						
Net interest income						
- external income/(expense)	2,559,367	45,018	1,123,145	144,020	625	3,872,175
- inter-segment (expense)/income	(37,110)	(6,422)	(21,775)	75,843	(10,536)	-
	2,522,257	38,596	1,101,370	219,863	(9,911)	3,872,175
Income from Islamic Banking operations	454,303	2,413	261,746	41,023	3,234	762,719
Net non-interest income	894,961	512,864	538,598	288,726	(2,452)	2,232,697
Gain on disposal of subsidiaries and associates	-	-	-	521,956	-	521,956
Net income	3,871,521	553,873	1,901,714	1,071,568	(9,129)	7,389,547
Overheads	(2,536,850)	(414,510)	(665,838)	(614,754)	(30,068)	(4,262,020)
of which:						
- Depreciation of property, plant and equipment	(127,063)	(26,352)	(20,125)	(5,044)	(1,311)	(179,895)
- Amortisation of prepaid lease payments	(161)	(68)	(7)	(5,781)	(1)	(6,018)
- Amortisation of intangible assets	(52,114)	(4,927)	(8,275)	(44,798)	(900)	(111,014)
- Amortisation of intangible assets	-	-	-	(119,598)	-	(119,598)
Profit/(loss) before allowances	1,334,671	139,363	1,235,876	456,814	(39,197)	3,127,527
Allowance (made)/written back for impairment losses on loans, advances and	(158,852)	(216)	8,012	152	(847)	(151,751)
Allowance (made)/written back for losses on other receivables	(8,838)	(3,391)	(353)	2,202	2,094	(8,286)
Allowance written back for commitments and contingencies	-	-	1,334	-	-	1,334
Allowance written back/(made) for other impairment losses	-	18	2,373	(2,869)	1,138	660
Segment results	1,166,981	135,774	1,247,242	456,299	(36,812)	2,969,484
Share of results of joint ventures	5,224	189	-	9,817	-	15,230
Share of results of associates	-	973	-	119,230	-	120,203
Profit/(loss) before taxation	1,172,205	136,936	1,247,242	585,346	(36,812)	3,104,917
% of profit before taxation	37.8	4.4	40.2	18.9	(1.3)	100.0
Taxation						(631,482)
Profit for the period						2,473,435

A26. 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 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. 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.

A26. FAIR VALUE ESTIMATION (Continued)

(i). The following table represents the Group's 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.

	Carrying amount RM'000	Fair Value			Total RM'000
		Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
30 June 2014					
<i>Recurring fair value measurements</i>					
Financial assets					
Financial assets held for trading					
- Money market instruments	12,791,818	-	12,791,818	-	12,791,818
- Quoted securities	6,445,086	2,792,297	3,652,789	-	6,445,086
- Unquoted securities	8,315,426	-	8,240,944	74,482	8,315,426
Financial investments available-for-sale					
- Money market instruments	4,055,043	-	4,055,043	-	4,055,043
- Quoted securities	6,172,939	399,524	5,773,415	-	6,172,939
- Unquoted securities	19,895,630	-	18,676,269	1,219,361	19,895,630
Derivative financial instruments					
- Trading derivatives	4,224,616	16,541	4,142,157	65,918	4,224,616
- Hedging derivatives	133,548	-	133,548	-	133,548
Total	62,034,106	3,208,362	57,465,983	1,359,761	62,034,106
Financial liabilities					
Derivative financial instruments					
- Trading derivatives	5,059,839	52,599	3,948,936	1,058,304	5,059,839
- Hedging derivatives	256,563	-	256,563	-	256,563
Financial liabilities designated at fair value	2,391,082	-	2,391,082	-	2,391,082
Total	7,707,484	52,599	6,596,581	1,058,304	7,707,484

	Carrying amount RM'000	Fair Value			Total RM'000
		Quoted market prices (Level 1) RM'000	Observable inputs (Level 2) RM'000	Significant unobservable inputs (Level 3) RM'000	
31 December 2013					
<i>Recurring fair value measurements</i>					
Financial assets					
Financial assets held for trading					
- Money market instruments	11,086,647	-	11,086,647	-	11,086,647
- Quoted securities	4,118,179	2,155,444	1,962,735	-	4,118,179
- Unquoted securities	8,198,454	-	8,125,406	73,048	8,198,454
Financial investments available-for-sale					
- Money market instruments	4,018,822	-	4,018,822	-	4,018,822
- Quoted securities	6,648,417	456,056	6,192,361	-	6,648,417
- Unquoted securities	19,666,819	-	18,387,885	1,278,934	19,666,819
Derivative financial instruments					
- Trading derivatives	4,833,332	12,418	4,771,239	49,675	4,833,332
- Hedging derivatives	187,121	-	187,121	-	187,121
Total	58,757,791	2,623,918	54,732,216	1,401,657	58,757,791
Financial liabilities					
Derivative financial instruments					
- Trading derivatives	5,741,386	2,314	4,795,921	943,151	5,741,386
- Hedging derivatives	268,222	-	268,222	-	268,222
Financial liabilities designated at fair value	2,132,170	-	2,132,170	-	2,132,170
Total	8,141,778	2,314	7,196,313	943,151	8,141,778

A26. FAIR VALUE ESTIMATION (Continued)

(ii). The following represents the movement in Level 3 instruments for the financial year ended 30 June 2014 and 31 December 2013 for the Group.

	Financial Assets			Total	Financial Liabilities	
	Financial assets held for trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Total
	Unquoted securities RM'000	Unquoted securities RM'000	RM'000		RM'000	RM'000
30 June 2014						
At 1 January	73,048	1,278,933	49,675	1,401,656	943,151	943,151
Total gains recognised in Statement of Income	2,838	(10,091)	(10,748)	(18,001)	67,136	67,136
Total losses recognised in Other Comprehensive Income	-	(8,201)	-	(8,201)	-	-
Purchases	-	13,754	33,171	46,925	674,813	674,813
Sales	-	(48,932)	(6,180)	(55,112)	(626,796)	(626,796)
Settlements	-	(1,150)	-	(1,150)	-	-
Transfers out of Level 3 to Level 1	-	(883)	-	(883)	-	-
Exchange fluctuation	(1,404)	(4,069)	-	(5,473)	-	-
At 30 June	74,482	1,219,361	65,918	1,359,761	1,058,304	1,058,304
Total gains/(losses) recognised in Statement of Income relating to assets held on 30 June under "net non-interest income"	2,838	(10,109)	(10,748)	(18,019)	67,136	67,136
Total gains recognised in Other Comprehensive Income relating to assets held on 30 June under "revaluation reserves"	-	(7,563)	-	(7,563)	-	-
Change in unrealised gain recognised in Statement of Income relating to assets held on 30 June under "net non-interest income"	2,838	-	(10,705)	(7,866)	18,619	18,619

A26. FAIR VALUE ESTIMATION (Continued)

(ii). The following represents the movement in Level 3 instruments for the financial year ended 30 June 2014 and 31 December 2013 for the Group (Continued)

	Financial Assets			Total	Financial Liabilities	
	Financial assets held for trading	Financial investments available-for-sale	Derivative financial instruments		Derivative financial instruments	Total
	Unquoted securities RM'000	Unquoted securities RM'000	RM'000		RM'000	RM'000
31 December 2013						
At 1 January	66,313	1,175,188	-	1,241,501	-	-
Total gains recognised in Statement of Income	2,387	(41,647)	251	(39,009)	195	195
Total losses recognised in Other Comprehensive Income	-	74,075	-	74,075	-	-
Purchases	-	77,566	49,424	126,990	943,051	943,051
Sales	-	(19,966)	-	(19,966)	(95)	(95)
Settlements	-	(4,270)	-	(4,270)	-	-
Transfers out of Level 3 to Level 1	-	(5,780)	-	(5,780)	-	-
Exchange fluctuation	4,348	23,768	-	28,116	-	-
At 31 December	73,048	1,278,934	49,675	1,401,657	943,151	943,151
Total gains recognised in Statement of Income relating to assets held on 31 December under "net non-interest income"	2,612	(22,504)	251	(19,641)	195	195
Total gains recognised in Other Comprehensive Income relating to assets held on 31 December under "revaluation reserves"	-	71,530	-	71,530	-	-
Change in unrealised gain/loss recognised in Statement of Income relating to assets held on 31 December under "net non-interest income"	2,387	-	251	2,637	195	195

During the financial period, the transfer out of Level 3 of RM883,000 (2013: RM5,780,000) to Level 1 was due to the conversion of convertible notes to quoted shares in active markets.

The financial assets held-for-trading and financial investments available-for-sale categorised under Level 3 include unquoted securities. The fair value are driven based on net tangible assets.

Derivative financial instruments categorised under Level 3 includes credit derivatives and equity derivatives. The valuation techniques used are discounted cash flow, Stochastic Default, foreign currency correlation and option pricing model.

(iii). The following represents the Group's non-financial assets measured at fair value and classified by level with the following fair value measurement hierarchy as at 30 June 2014 and 31 December 2013.

Investment properties (Recurring)

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

Non-current assets held for sales (Non-recurring)

In accordance with MFRS5, the non-current assets held for sales were stated at the lower of carrying amount and fair value less cost to sell. As at 30 June 2014, the property plant and equipment and investment properties held for sales that were stated at fair value less cost to sell was RM19,501,000 (2013: RM21,598,000). This is a non-recurring fair value which has been measured using observable inputs under sales comparison approach performed by independent valuers. Sales prices of comparable land and building in close proximity are adjusted for differences in key attributes such as property size. Therefore, it is within level 2 of the fair value hierarchy.

A27. OPERATIONS OF ISLAMIC BANKING**A27a. UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

		The Group	
	Note	30 June 2014 RM'000	31 December 2013 RM'000
ASSETS			
Cash and short-term funds		8,826,316	8,558,114
Reverse repurchase agreements		-	18,645
Deposits and placements with banks and other financial institutions		553,745	730,415
Financial assets held for trading		3,074,354	3,329,824
Islamic derivative financial instruments		214,867	271,201
Financial investments available-for-sale		2,058,060	1,783,107
Financial investments held-to-maturity		1,110,014	1,040,933
Financing, advances and other financing/loans	A27d(i)	37,050,856	37,851,664
Deferred tax assets		29,676	25,241
Amount due from conventional operations		3,399,504	3,391,843
Statutory deposits with Bank Negara Malaysia		1,295,338	1,436,747
Property, plant and equipment		7,988	9,485
Other assets		962,561	588,654
Goodwill		136,000	136,000
Intangible assets		13,643	14,225
TOTAL ASSETS		58,732,922	59,186,098
LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS			
Deposits from customers	A27(e)	42,606,495	41,186,141
Deposits and placements of banks and other financial institutions		5,727,115	7,296,029
Islamic derivative financial instruments		287,550	294,760
Amount due to conventional operations		348,135	786,600
Provision for taxation and zakat		30,410	17,978
Other liabilities		3,787,027	4,181,097
Financial liabilities designated at fair value	A27(f)	196,302	146,216
Subordinated Sukuk		855,835	856,722
TOTAL LIABILITIES		53,838,869	54,765,543
Equity			
Ordinary share capital		1,000,000	1,000,000
Islamic banking funds		55,250	55,250
Perpetual preference shares		220,000	70,000
Reserves		3,608,694	3,285,874
		4,883,944	4,411,124
Non-controlling interests		10,109	9,431
TOTAL EQUITY		4,894,053	4,420,555
TOTAL LIABILITIES AND EQUITY		58,732,922	59,186,098

A27b. UNAUDITED CONSOLIDATED STATEMENT OF INCOME FOR THE PERIOD ENDED 30 JUNE 2014

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	567,557	609,629	1,117,423	1,160,498
Net income derived from investment of shareholders' funds	37,996	51,147	92,529	148,367
Allowance made for impairment losses on financing, advances and other financing/loans	(32,223)	(22,745)	(47,669)	(57,900)
Allowance (made)/written back for impairment losses on other receivables	(9)	306	146	(249)
Total distributable income	573,321	638,337	1,162,429	1,250,716
Income attributable to depositors	(244,912)	(276,296)	(481,298)	(546,146)
Total net income	328,409	362,041	681,131	704,570
Other operating expenses	(132,805)	(152,306)	(270,216)	(292,305)
Profit before allowances	195,604	209,735	410,915	412,265
Allowance written back/(made) for impairment losses	103	17	125	(47)
Profit before taxation	195,707	209,752	411,040	412,218
Taxation	(42,305)	(55,754)	(90,565)	(101,144)
Profit for the period	153,402	153,998	320,475	311,074
Profit for the period attributable to:				
Owners of the Parent	153,107	153,778	319,908	310,499
Non-controlling interests	295	220	567	575
	153,402	153,998	320,475	311,074

A27c. UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2014

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Profit for the period	153,402	153,998	320,475	311,074
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Revaluation reserve-financial investments available-for-sale	(616)	(22,802)	(3,136)	(22,681)
- Net gain/(loss) from change in fair value	1,770	(16,911)	(3,678)	(12,157)
- Realised gain transferred to income statement on disposal and impairment	(1,984)	(11,351)	(3,742)	(16,587)
- Income tax effects	(402)	5,460	4,284	6,063
Exchange fluctuation reserve	(360)	(2,293)	6,281	(1,275)
Other comprehensive income for the period, net of tax	(976)	(25,095)	3,145	(23,956)
Total comprehensive income for the period	152,426	128,903	323,620	287,118
Total comprehensive income for the period attributable to:				
Owners of the Parent	152,451	128,897	323,511	287,078
Non-controlling interests	(25)	6	109	40
	152,426	128,903	323,620	287,118
<u>Income from Islamic operations (per page 2)</u>				
Total net income	328,409	362,041	681,131	704,570
Add: Allowance made for impairment losses on financing, advances and other financing/loans	32,223	22,745	47,669	57,900
Add: Allowance made/(written back) for impairment losses on other receivables	9	(306)	(146)	249
	360,641	384,480	728,654	762,719

A27d. FINANCING, ADVANCES AND OTHER FINANCING/LOANS
(i) By type and Shariah contract
30 June 2014

At amortised cost	The Group					Total RM'000
	Bai' RM'000	Ijarah RM'000	Musharakah RM'000	Qard RM'000	Others RM'000	
Cash line [^]	470,610	-	-	12,515	-	483,125
Term financing						
House Financing	8,944,884	749,242	-	-	-	9,694,126
Syndicated Financing	300,880	234,200	-	-	29,561	564,641
Hire purchase receivables	685,312	5,791,358	-	-	-	6,476,670
Other term financing	16,119,170	47,740	-	-	1,153,674	17,320,584
Bills receivable	3,728	-	-	273	-	4,001
Trust receipts	22,158	-	-	-	61,228	83,386
Claims on customers under acceptance credits	316,343	-	-	-	-	316,343
Staff financing	-	-	-	-	2	2
Revolving credits	2,166,743	-	-	-	65,220	2,231,963
Credit card receivables	-	-	-	-	123,840	123,840
Share margin financing	16,784	-	21,659	-	65,803	104,246
Ar Rahn	-	-	-	-	5,650	5,650
Other financing	-	10,004	-	-	16,225	26,229
Gross financing, advances and other financing/loans	29,046,612	6,832,544	21,659	12,788	1,521,203	37,434,806
Fair value changes arising from fair value hedge						54,770
						37,489,576
Less: Allowance for impairment losses						
- Individual impairment allowance						(50,215)
- Portfolio impairment allowance						(388,505)
						(438,720)
Net financing, advances and other financing/loans						37,050,856

31 December 2013

At amortised cost	The Group					Total RM'000
	Bai' RM'000	Ijarah RM'000	Musharakah RM'000	Qard RM'000	Others RM'000	
Cash line [^]	476,126	-	-	2,006	-	478,132
Term financing						
House Financing	9,071,124	435,622	-	-	-	9,506,746
Syndicated Financing	276,330	226,666	-	-	-	502,996
Hire purchase receivables	785,834	6,288,975	-	-	-	7,074,809
Other term financing	16,151,926	609,684	-	-	759,112	17,520,722
Bills receivable	2,885	-	-	-	-	2,885
Trust receipts	25,934	-	-	-	40,681	66,615
Claims on customers under acceptance credits	370,754	-	-	-	-	370,754
Staff financing	-	-	-	-	2	2
Revolving credits	2,242,158	-	-	-	150,851	2,393,009
Credit card receivables	-	-	-	-	121,966	121,966
Share margin financing	16,441	-	39,714	-	144,782	200,937
Ar Rahn	-	-	-	-	5,081	5,081
Other financing	-	16,350	-	-	13,012	29,362
Gross financing, advances and other financing/loans	29,419,512	7,577,297	39,714	2,006	1,235,487	38,274,016
Fair value changes arising from fair value hedge						40,548
						38,314,564
Less: Allowance for impairment losses						
- Individual impairment allowance						(48,093)
- Portfolio impairment allowance						(414,807)
						(462,900)
Net financing, advances and other financing/loans						37,851,664

[^] Includes current account in excess

A27d. FINANCING, ADVANCES AND OTHER FINANCING/LOANS (Continued)**(i) By type and Shariah contract (Continued)**

(a) During the financial period, the Group has undertaken fair value hedges on RM6,350 million (2013: RM6,350 million) financing using profit rate swaps.

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

The fair value loss on profit rate swaps in the hedge transaction as at 30 June 2014 were RM81 million (2013: 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	
	30 June 2014	31 December 2013
	RM'000	RM'000
At 1 January	2,006	4,594
New disbursement	12,581	1,571
Repayment	(1,799)	(4,159)
At 30 June/31 December	12,788	2,006

b) Sources and uses of Qard Financing**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 use	11,061	1,596
	12,788	2,006

(ii) By geographical distribution

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Malaysia	34,492,946	35,523,792
Indonesia	1,714,848	1,847,307
Singapore	1,227,012	902,917
Gross financing, advances and other financing/loans	37,434,806	38,274,016

(iii) Impaired financing, advances and other financing/loans by geographical distribution

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Malaysia	388,099	310,151
Indonesia	75,225	65,277
Gross impaired financing, advances and other financing/loans	463,324	375,428

A27d. FINANCING, ADVANCES AND OTHER FINANCING/LOANS (Continued)

(iv) Movements in impaired financing, advances and other financing/loans:

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
At 1 January	375,428	443,673
Classified as impaired during the period/year	389,947	493,410
Reclassified as not impaired during the period/year	(166,895)	(192,703)
Amount recovered	(43,290)	(127,800)
Amount written off	(92,072)	(237,366)
Exchange fluctuation	206	(3,786)
At 30 June/31 December	463,324	375,428
Ratio of gross impaired financing, advances and other financing/loans to gross financing, advances and other financing/loans	1.24%	0.98%

(v) Movements in allowance for impaired financing, advances and other financing/loans:

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Individual impairment allowance		
At 1 January	48,093	127,290
Allowance made/(written back) during the period/year	9,234	(12,569)
Amount written off	(7,000)	(100,377)
Exchange fluctuation	(112)	33,749
At 30 June/31 December	50,215	48,093
Portfolio impairment allowance		
At 1 January	414,807	380,259
Allowance made during the period/year	59,435	205,711
Amount written off	(73,843)	(136,989)
Allowance transferred from conventional operations	-	2,715
Exchange fluctuation	(11,894)	(36,889)
At 30 June/31 December	388,505	414,807
Portfolio impairment allowance (inclusive of regulatory reserve) as % of gross financing, advances and other loans (excluding RPSIA financing) less individual impairment allowance	2.19%	2.21%

A27e. DEPOSITS FROM CUSTOMERS
(i) By type of deposits

	The Group	
	30 June 2014 RM'000	31 December 2013 RM'000
Savings deposit		
Wadiah	1,907,486	1,734,338
Mudharabah	752,020	711,650
	2,659,506	2,445,988
Demand deposit		
Wadiah	3,356,502	3,439,690
Qard	24,567	11,854
Mudharabah	5,217,061	4,793,196
	8,598,130	8,244,740
Term deposit		
<i>Commodity Murabahah</i>	5,341,990	5,652,819
<i>Islamic negotiable instruments</i>	5,481,015	5,934,040
Mudharabah	393,977	414,592
Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	5,087,038	5,519,448
<i>Short term money market deposit-i</i>	15,969,164	14,334,939
Wakalah	15,963,643	14,334,939
Wadiah	5,521	-
<i>Fixed Deposit-i</i>	1,198,428	1,009,928
Wakalah	654,173	507,007
Wadiah	544,255	502,921
<i>General investment account</i>	2,999,455	3,200,189
Mudharabah	2,999,455	3,200,189
<i>Specific investment account</i>	335,367	338,070
Mudharabah	335,367	337,655
Murabahah	-	415
	31,325,419	30,469,985
Others - Qard	23,440	25,428
	42,606,495	41,186,141

(ii) By maturity structures of term deposit

Due within six months	29,627,496	29,055,401
Six months to one year	983,561	628,554
One year to three years	141,936	68,248
Three years to five years	241,930	383,128
More than five years	330,496	334,654
	31,325,419	30,469,985

(iii) By type of customer

Government and statutory bodies	3,569,525	4,881,479
Business enterprises	16,850,788	17,828,677
Individuals	6,610,484	5,388,521
Others	15,575,698	13,087,464
	42,606,495	41,186,141

A27f. FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Deposits from customers - structured investments	196,302	146,216

The Group has issued structured investments, and have designated them at fair value in accordance with MFRS139. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group 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) respectively.

The carrying amount of the Group 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.

A28. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Outstanding credit exposures with connected parties	12,109,972	9,815,718
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	3.83%	3.24%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	0.00%	0.00%

Part B - Explanatory Notes Pursuant to BNM/GP8 Guidelines on Financial Reporting for Licensed Institutions

B1. GROUP PERFORMANCE REVIEW COMPARISON WITH THE PRECEDING QUARTER'S RESULTS

CIMB CIMB Group Holdings (“CIMB Group”) Results

CIMB Group Holdings Berhad (“CIMB Group” or the “Group”) today reported a net profit of RM2.016 billion for the first half of 2014 (“1H14”), equivalent to a net earnings per share (“EPS”) of 24.6 sen. In 1H13, the Group reported a 1H13 net profit of RM2.440 billion, which includes a RM365 million net gain from the sale of CIMB Aviva. Excluding the exceptional gains, the Group’s Business As Usual (“BAU”) 1H14 net profit decreased by 2.8% year-on-year (“Y-o-Y”). The Group’s annualised 1H14 net return on average equity (“ROE”) was 12.2% with an enlarged equity base following the private placement of new shares in January 2014. The Group declared a first interim net dividend of 10.00 sen per share to be paid in the form of cash or an optional Dividend Reinvestment Scheme (“DRS”). The total interim dividend amounts to a net payment of RM834 million, translating to a dividend payout ratio of 41.3% of 1H14 profits.

CIMB Group Y-o-Y Results

For comparative purposes, the Y-o-Y performance is based on BAU numbers for 1H13. CIMB Group’s 1H14 operating income was 1.0% higher at RM6.945 billion. Net interest income was 6.4% higher while non-interest income declined by 10.0%, due to a combination of lower volatility in treasury markets, weaker equity markets and decline in Indonesia bancassurance fees. CIMB Niaga’s contribution to the Group was also impacted by an 11.8% Y-o-Y foreign exchange depreciation in the Rupiah. Operating expenses declined 1.1% as the Group’s cost control efforts show results. The Group’s profit before tax (“PBT”) was 2.8% lower at RM2.712 billion.

The Group’s regional Consumer Bank PBT expanded by 1.4% Y-o-Y in 1H14 to RM1.190 billion, making up 44% of Group PBT (from 42% in 1H13), with Thailand and Singapore turning profitable. Malaysia now contributes 79% of total Consumer Banking operations. The Group’s Regional Wholesale Banking PBT declined by 11.3% Y-o-Y to RM1.228 billion due to the slower equity and treasury markets. Investments was up 26.2% Y-o-Y. The overall contribution of the Group’s core corporate and consumer banking business has increased from 68% to 70% of total PBT.

Non-Malaysian PBT contribution to the Group was lower at 35% in 1H14 from 39% in 1H13. This was mainly due to the 20.1% Y-o-Y decline in Indonesia’s PBT to RM741 million from the lower CIMB Niaga earnings and the Rupiah’s depreciation. Thailand’s PBT contribution to the Group grew 5.2% Y-o-Y at RM125 million as the strong growth at CIMB Thai was offset by much weaker performance at CIMB Securities (Thailand). Total PBT contribution from Singapore rose 13.2% to RM160 million as CIMB Bank Singapore PBT grew by 58.2% Y-o-Y.

The Group’s total gross loans (excluding the declining bad bank loan book) expanded 8.5% Y-o-Y or 11.3% after adjusting for foreign exchange fluctuations. Over the same period, total deposits grew 4.8% Y-o-Y or 7.8% higher Y-o-Y after excluding foreign exchange fluctuations. This raised the Group’s loan to deposit (“LDR”) ratio to 89.7% from 86.2% previously.

The Group’s gross impairment ratio improved to 3.1% as at June 2014 from 3.6% in June 2013, with allowance coverage (including regulatory reserve) of 104.5% as at June 2014. The Group’s cost to income ratio was marginally higher at 57.9% compared to 57.7% previously. However, compared to the BAU of 59.1% in 1H13, the 1H14 cost to income ratio improved markedly. The Group’s Net Interest Margins (“NIM”) were unchanged at 2.88%.

As at 30 June 2014, CIMB Group’s total capital ratio stood at 14.7% while its Common Equity Tier 1 (CET 1) capital ratio stood at 9.5%.

CIMB Group Q-o-Q Results

The Group’s 2Q14 operating income of RM3.407 billion were 3.7% lower than 1Q14, as the 4.0% Q-o-Q increase in net interest income was offset by the 20.0% Q-o-Q reduction in non-interest income in light of the lower fee-based income from CIMB Niaga’s Consumer business. 2Q14 net profit was 10.9% lower Q-o-Q at RM950 million due to higher loan impairment at CIMB Niaga.

CIMB Niaga Results

On 29 July 2014, CIMB Niaga reported a 1H14 net profit of IDR1,953 billion, a 8.5% Y-o-Y decline, with a 1H14 annualised net ROE of 14.5%. The weaker Y-o-Y performance was underpinned by the reduction in non-interest income and increased overhead expenses and provisions. On a sequential basis, the 2Q14 net profit was 22.1% lower than 1Q14.

CIMB Niaga’s gross loans grew 9.1% Y-o-Y for 1H14 mainly driven by the small, medium and micro enterprises (“SMME”) and corporate banking segments, which expanded by 15.3% and 11.7% respectively. Retail banking loans grew 2.9% while the commercial banking segment grew 9.1%. The Gross NPL stood at 3.0% as at end-1H14 compared to 2.2% in 1H13. CIMB Niaga’s loan loss coverage (based on BI definition) stood at 86.5% as at end-1H14 compared to 112.9% as at end-1H13.

CIMB Niaga’s core capital and risk weighted capital ratios stood at 13.9% and 16.1% respectively as at 30 June 2014.

B1. GROUP PERFORMANCE REVIEW COMPARISON WITH THE PRECEDING QUARTER'S RESULTS (CONTINUED)

CIMB Thai Results

On 17 July 2014, CIMB Thai announced a 11.2% Y-o-Y growth in net profit to THB625 million for 1H14. The better performance was attributed to the strong loans growth, improved NIMs as well as expansion in non-interest income. Sequentially, CIMB Thai's net profit was 58.2% lower Q-o-Q due to the lack of treasury investment gains which occurred in 1Q14.

The annualised loan loss charge increased to 1.0% from 0.7% as at 1H14, while the loan loss coverage ratio rose to 100.8% from 83.1% at end-1H14 as CIMB Thai kept coverage high in view of the challenging economic conditions. CIMB Thai's net NPL ratio improved to 1.8% from 1.9% previously.

CIMB Islamic

CIMB Islamic's Y-o-Y PBT increased by 16.0% to RM277 million due to a recovery in Islamic capital markets activity. CIMB Islamic's gross financing assets grew 0.6% Y-o-Y, accounting for 14.5% of total Group loans. Total deposits grew by 13.3% Y-o-Y to RM40.1 billion.

Other Highlights

On the M&A front, the Group received Bank Negara Malaysia approval to commence discussions with RHB Capital Berhad and Malaysia Building Society Berhad to potentially undertake the largest merger in Malaysian banking history. Discussions remain on-going.

In 1H14, CIMB Group commenced CIMB Bank branch operations in Hong Kong and Shanghai to facilitate transaction banking requirements of our ASEAN corporate customers. In July 2014, CIMB Thai opened its branch in Laos.

Leadership Transition Plan

On 3 July 2014, the Group announced a leadership transition plan effective 1 September 2014, where the Chairman Tan Sri Md Nor Yusof will retire from the Board of Directors. Dato' Sri Nazir Razak will take over as Chairman of CIMB Group. The Group announces today that on 1 September 2014, Tengku Dato' Zafrul Tengku Abdul Aziz will be Acting Group Chief Executive Officer ("CEO").

B2. CORPORATE DEVELOPMENTS

Capital Management

- On 9 May 2013, CIMB Group announced its intention to resume with the proposal to undertake the dual listing of ordinary shares on the Stock Exchange of Thailand ("SET"). On 30 May 2013, the Securities Commission ("SC") approved the proposed SET listing. On 10 June 2013, approval was attained from Bursa Malaysia Securities for the proposed SET listing. On 15 November 2013, the Group submitted an application to the SC for a 6-month extension to complete the proposed SET listing. On 25 February 2014, the Group announced that it has decided to abort the proposed SET listing in light of the market conditions in Thailand.
- On 13 January 2014, CIMB Group undertook a private placement of 500 million new ordinary shares at an issue price of RM7.10 per share. The issuance represented 6.08% of the enlarged issued and paid-up share capital of CIMB Group and raised a total amount of RM3.55 billion. The new shares were listed and quoted on the Main Market of Bursa Securities on 23 January 2014.
- On 31 March 2014, CIMB Islamic Bank completed its first issuance of a RM150 million Basel III compliant Perpetual Preference Shares to CIMB Bank.
- On 23 April 2014, CIMB Group issued and allotted 107,176,094 new ordinary shares of RM1 each in new CIMB Group shares pursuant to the DRS arising from the Single Tier Second Interim Dividend announcement for FY13. The new shares were listed and quoted on the Main Market of Bursa Securities on 24 April 2014.

Mergers and Acquisition

- On 10 July 2014, CIMB Group, RHB Capital and Malaysia Building Society ("MBSB") announced the approval from Bank Negara Malaysia to commence discussions with the aim of merging the businesses of both RHB and CIMB as well as creating an enlarged Islamic Banking franchise with MBSB. The three parties entered into a 90-day exclusivity agreement to negotiate and finalise pricing, structure and other relevant terms and conditions.
- On 23 July 2014, CIMB-Principal Asset Management Company Limited ("CPAM Thailand") entered into a conditional S&P agreement with Finasia Public Company Limited for the proposed acquisition of Finasia Asset Management Limited for THB225 million cash.

B2. CORPORATE DEVELOPMENTS (continued)

Others

- On 2 January 2014, Dagong Global Credit Rating Co. affirmed CIMB Bank's long term local and foreign currency issuer default ratings of 'AA' and 'AA-' respectively. The outlook is stable.
- On 12 January 2014, Moody's affirmed CIMB Niaga's bank financial strength rating ("BFSR") of D, which maps to a ba2 baseline credit assessment and a ba1 adjusted baseline credit assessment. Moody's affirmed CIMB Niaga's issuer rating and long-term bank deposits at Baa3/P3 and short-term bank deposits at P-3. The outlook is stable.
- On 15 January 2014, Moody's assigned rating on CIMB Thai's long-term local/foreign currency deposit and issuer ratings of Baa2/P2. CIMB Thai attained BFSR of D which maps to a baseline credit assessment of ba2 and adjusted baseline credit assessment of baa2. The outlook is stable.
- On 23 January 2014, MARC affirmed CIMB Islamic's long-term and short-term Financial Institution ratings at 'AAA' and 'MARC-1'. MARC also affirmed CIMB Islamic's RM2.0 billion Tier 2 Junior Sukuk Programme at 'AA+_{IS}' and set the outlook for all ratings as stable.
- On 25 March 2014, Fitch Ratings affirmed CIMB Thai's long-term issuer default rating and national long-term rating at 'BBB' and 'AA-(tha)' respectively, both with stable outlook. Short-term issuer default rating and national rating are affirmed at 'F3' and 'F1+(tha)' respectively. Fitch also assigned a bb- and 2 for CIMB Thai's viability and support ratings respectively. The outlook is stable.
- On 25 March 2014, Fitch Ratings affirmed CIMB Thai's THB10bn Unsecured Subordinated Short-term Debenture Programme at 'F1+(tha)', THB3bn 5.35% and THB3bn 4.80% Subordinated Lower Tier 2 at 'A+(tha)', and THB2.5bn 5.25% Subordinated Upper Tier 2 Notes at 'A(tha)'.
- On 15 April 2014, Fitch Ratings affirmed CIMB Niaga's long-term issuer default rating at 'BBB' and national rating at 'AAA(idn)', both with stable outlook. Fitch also assigned 'F3' and 'F1+(idn)' for Niaga's short-term issuer default rating and national rating as well as AAA(idn) for the senior unsecured bonds.
- On 15 April 2014, Fitch Ratings affirmed CIMB Niaga's IDR1.6 trillion 10.85% Subordinated Debt II and IDR1.38 trillion 11.3% Subordinated Debt at 'AA(idn)', and IDR8 trillion Senior Unsecured Debt Programme and Senior Unsecured Bonds at 'AAA(idn)'. Fitch also assigned bb and 2 for CIMB Niaga's viability and support ratings respectively. The outlook is stable.
- On 16 May 2014, Moody's affirmed CIMB Islamic Bank's BFSR at D+, local currency rating at A1/P-1 and foreign currency rating at A3/P-2. On 20 November 2013, the outlook of its foreign currency deposit and issuer ratings is revised to positive from stable. All other ratings carry a stable outlook. Moody's also assigned a ba1 for CIMB Islamic's baseline credit assessment and a baa1 for the adjusted baseline credit assessment.
- On 11 June 2014, Moody's affirmed CIMB IB's long-term local and foreign currency bank deposit and issuer ratings at A3 as well as the short-term local and foreign currency bank deposit and issuer ratings at P-2. The outlook is stable.
- On 3 July 2014, CIMB Group announced a leadership transition plan which will take effect on 1 September 2014. Tan Sri Md Nor Yusof, Chairman of CIMB Group, will retire from the Board of Directors. Dato' Sri Nazir Razak will take over as Chairman of CIMB Group. On 29 September 2014, CIMB Group announced that Tengku Dato' Zafrul Tengku Abdul Aziz will be Acting Group CEO.
- On 22 July 2014, Moody's affirmed CIMB GH's long-term and short-term issuer ratings at A3 and P-2 respectively. The outlook is stable.
- On 6 August 2014, Moody's affirmed CIMB Bank's BFSR at C-, local currency bank deposit ratings at A1/P-1 and foreign currency bank deposit ratings at A3/P-2. On 20 November 2013, the outlook of CIMB Bank's foreign currency deposit, issuer, senior unsecured debt and senior unsecured MTN program ratings is revised to positive from stable. All other ratings carry a stable outlook.
- On 6 August 2014, Moody's affirmed CIMB Bank's baseline credit assessment and adjusted baseline credit assessment at baa1. Moody's also assigned A3 for CIMB Bank's USD1.0 billion Multi-Currency Euro Medium Term Notes Programme and USD350 million 5-year Senior Unsecured Notes with a positive outlook on the programme and notes.
- On 11 August 2014, CIMB Strategic Assets Sdn Bhd, a wholly-owned subsidiary of CIMB Group, entered into a 50:50 joint venture agreement with MC Emerging Capital Partners BV, a wholly owned subsidiary of Mitsubishi Corporation, to set up CIMB-MC Capital Ltd (Cayman Islands), an investment holding company dedicated to establishing and managing a private equity fund.

B3. PROSPECTS FOR THE CURRENT FINANCIAL PERIOD

CIMB Niaga is a large component of the Group's portfolio and the operating environment in Indonesia is expected to remain challenging as last year's sharp turn in Indonesia's terms of trade, interest rates and currency impacts borrowers and liquidity in the system.

CIMB Malaysia should have a steady second half, while CIMB Singapore continues to grow strongly. With the improving economic outlook for Thailand, we are also optimistic on the outlook for CIMB Thai. Given our strong market shares in treasury markets and investment banking we remain primed to benefit when market volumes and volatility improve.

B4. TAXATION

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Major components of tax expense:				
Current tax expense	199,892	314,630	550,982	676,998
Deferred tax expense	115,493	24,871	113,807	(22,606)
Under/(Over) accrual in prior years	1,697	(24,139)	1,140	(22,910)
	317,082	315,362	665,929	631,482

Reconciliation

Profit before taxation	1,281,153	1,386,423	2,712,222	3,104,917
Tax at statutory income tax rate of 25% (2013: 25%)	320,289	346,605	678,056	776,229
Effect of different tax rates in other countries and change in tax rates	2,853	(1,846)	5,545	(1,964)
Due to income not subject to income tax and expenses not deductible for tax purposes	(7,757)	(5,258)	(18,812)	(119,873)
Under/(Over) accrual in prior years	1,697	(24,139)	1,140	(22,910)
	317,082	315,362	665,929	631,482

B5. PARTICULARS OF PURCHASE AND SALE OF UNQUOTED INVESTMENTS AND/OR PROPERTIES

There were no material gains or losses on disposal of investments or properties during the period under review other than in the ordinary course of business.

B6. REALISED AND UNREALISED PROFITS

	Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Total retained earnings of the Group and subsidiaries		
- Realised	12,491,794	12,070,506
- Unrealised	(477,354)	182,063
	12,014,440	12,252,569
Total share of retained earnings from associates		
- Realised	642,517	627,592
- Unrealised	2,507	1,290
Total share of retained earnings from joint ventures		
- Realised	97,966	101,803
- Unrealised	1	1
	12,757,431	12,983,255
Consolidation adjustments	78,349	(767,897)
Total group retained earnings as per consolidated financial statements	12,835,780	12,215,358

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

The marked-to-market gains and losses on derivative contracts and financial investments at fair value through profit or loss that remain outstanding in the financial statements of the Group as at 30 June 2014 and 31 December 2013 are deemed unrealised and should be read together as it reflects the nature of the transactions and financial position of the Group. In addition, the unrealised retained profits of the Group as disclosed above excludes the translation gains and losses on monetary items denominated in a currency other than the functional currency, as these gains and losses are incurred in the ordinary course of business of the Group, and are hence deemed as realised.

B7. BORROWINGS AND DEBT SECURITIES

	The Group	
	30 June 2014	31 December 2013
	RM'000	RM'000
Bonds and debentures*		
Unsecured		
One year or less (short term)	54,746	2,116,464
More than one year (medium/long term)	7,441,149	5,373,801
	7,495,895	7,490,265

* Included in bonds and debentures for the current period are IDR denominated bonds equivalent to IDR5,398,000 million, IDR denominated notes equivalent to IDR600,000 million, HKD denominated bonds equivalent to HKD3,438 million, USD denominated bonds equivalent to USD415 million, THB denominated debentures equivalent to THB25,716 million and SGD denominated bonds equivalent to SGD20 million.

Other borrowing **

Unsecured		
One year or less (short term)	1,656,965	1,631,620
More than one year (medium/long term)	5,396,172	6,141,107
	7,053,137	7,772,727

** RM300 million 3-month Commercial Papers and RM400 million 6-months Commercial Papers had matured and fully settled on 28 February 2014 and 28 May 2014 respectively.

Subordinated obligations***

Unsecured		
One year or less (short term)	147,275	-
More than one year (medium/long term)	11,935,759	12,066,700
	12,083,034	12,083,034

*** Included in subordinated notes for current period are IDR denominated Subordinated Notes of IDR2,980,000 million and THB denominated Subordinated Notes of THB6,544,000,000

B8. MATERIAL LITIGATION

At the date of this report, there are no pending material litigation not in the ordinary course of business which would have materially affected the Group's financial position.

B9. COMPUTATION OF EARNINGS PER SHARE (EPS)**a) Basic EPS**

The Group's basic EPS is calculated by dividing the net profit attributable to equity holders of the Parent by the weighted average number of ordinary shares in issue during the financial period.

	The Group			
	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period after non-controlling interests	949,938	1,054,267	2,016,220	2,440,445
Weighted average number of ordinary shares in issue				
- proforma ('000)	8,202,253	7,539,398	8,208,833	7,486,379
Basic earnings per share (expressed in sen per share)	11.4	14.0	24.6	32.6

b) Diluted EPS

The Group has no dilution in its earnings per ordinary share in the current period and the preceding year corresponding period as there are no dilutive potential ordinary shares.