

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

Domiciled in Malaysia
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

ASSETS	Note	30 June 2015 RM'000	31 December 2014 RM'000
Cash and cash equivalents	10	1,065,265	1,179,551
Financial investments available-for-sale	11	3,433,982	2,843,810
Financing and advances	12	9,683,136	9,168,014
Derivative financial assets	14	77	4,102
Other assets	15	163,677	75,988
Current tax assets		327	9,678
Statutory deposits with Bank Negara Malaysia		401,300	379,800
Property and equipment		4,680	5,482
Deferred tax assets		1,041	1,966
Total assets		14,753,485	13,668,391
LIABILITIES			
Deposits from customers	16	10,721,049	10,014,608
Deposits and placements of banks and other financial institutions	17	2,672,628	2,521,511
Bills and acceptances payable		19,513	20,644
Subordinated bond	18	200,000	200,000
Derivative financial liabilities	14	314	4,136
Other liabilities	19	213,550	118,693
Zakat		45	35
Total liabilities		13,827,099	12,879,627
EQUITY			
Share capital		185,000	165,000
Reserves		741,386	623,764
Total equity		926,386	788,764
Total liabilities and equity		14,753,485	13,668,391
Commitments and contingencies	27	1,815,752	1,883,257

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 5 to 30 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

	Note	Quarter Ended		Year-To-Date Ended	
		30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Income derived from investment of depositors' funds and others	20	190,456	144,743	385,940	282,549
Income derived from investment of shareholder's funds	21	26,692	23,190	50,083	40,897
Impairment allowance on financing and advances	22	(27,816)	(38,190)	(57,163)	(69,047)
Total distributable income		189,332	129,743	378,860	254,399
Income attributable to depositors	23	(98,218)	(66,383)	(192,962)	(124,330)
Total net income		91,114	63,360	185,898	130,069
Operating expenses	24	(44,977)	(46,697)	(89,254)	(87,203)
Profit before income tax expense and zakat		46,137	16,663	96,644	42,866
Income tax expense	25	(10,436)	(3,087)	(20,582)	(8,530)
Zakat		(10)	(9)	(20)	(18)
Profit for the period		35,691	13,567	76,042	34,318
Other comprehensive (expense)/income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve:					
- Change in fair value		(3,109)	923	5,469	5,096
- Amount transferred to profit or loss		(12)	416	(3,358)	416
Income tax expense/(credit) relating to components of other comprehensive income		777	(335)	(531)	(1,378)
Other comprehensive (expense)/income for the period, net of income tax		(2,344)	1,004	1,580	4,134
Total comprehensive income for the period		33,347	14,571	77,622	38,452
Profit attributable to owner of the Bank		35,691	13,567	76,042	34,318
Total comprehensive income attributable to owner of the Bank		33,347	14,571	77,622	38,452
Basic earnings per ordinary share (sen)		21.23	10.01	45.69	26.61

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 5 to 30 of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	<i>Non-distributable</i>			<i>Distributable</i>	Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000		Retained Earnings RM'000
2015						
At 1 January 2015	165,000	330,000	142,653	(2,342)	153,453	788,764
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	5,469	-	5,469
- Amount transferred to profit or loss	-	-	-	(3,358)	-	(3,358)
Income tax credit relating to components of other comprehensive income	-	-	-	(531)	-	(531)
Total other comprehensive income for the period	-	-	-	1,580	-	1,580
Profit for the period	-	-	-	-	76,042	76,042
Total comprehensive income for the period	-	-	-	1,580	76,042	77,622
<i>Contributions by and distributions to owners of the Bank</i>						
Issue of ordinary shares	20,000	40,000	-	-	-	60,000
At 30 June 2015	185,000	370,000	142,653	(762)	229,495	926,386
2014						
At 1 January 2014	125,000	250,000	107,389	(5,410)	118,188	595,167
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	5,096	-	5,096
- Amount transferred to profit or loss	-	-	-	416	-	416
Income tax credit relating to components of other comprehensive income	-	-	-	(1,378)	-	(1,378)
Total other comprehensive income for the period	-	-	-	4,134	-	4,134
Profit for the period	-	-	-	-	34,318	34,318
Total comprehensive income for the period	-	-	-	4,134	34,318	38,452
<i>Contributions by and distributions to owners of the Bank</i>						
Issue of ordinary shares	40,000	80,000	-	-	-	120,000
At 30 June 2014	165,000	330,000	107,389	(1,276)	152,506	753,619

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 5 to 30 of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	30 June 2015 RM'000	30 June 2014 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	96,644	42,866
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial investments available-for-sale	(3,358)	416
- Property and equipment	1	21
Depreciation of property and equipment	1,029	1,306
Impairment allowance on financing and advances	57,163	69,047
Share-based expenses	125	112
Unrealised loss/(gain) on revaluation of derivatives	201	(6)
Operating profit before changes in working capital	<u>151,805</u>	<u>113,762</u>
<i>(Increase)/Decrease in Operating Assets:</i>		
Financing and advances	(572,285)	(1,376,924)
Derivative financial assets	4,025	(1,748)
Other assets	(87,890)	(21,536)
Statutory deposits with Bank Negara Malaysia	(21,500)	(43,000)
<i>Increase/(Decrease) in Operating Liabilities:</i>		
Deposits from customers	706,441	2,189,679
Deposits and placements of banks and other financial institutions	151,117	(11,311)
Bills and acceptances payable	(1,131)	1,103
Derivative financial liabilities	(3,822)	1,742
Other liabilities	94,732	23,673
Cash generated from operations	<u>421,492</u>	<u>875,440</u>
Income tax and zakat paid	<u>(10,848)</u>	<u>(12,574)</u>
Net cash generated from operating activities	<u>410,644</u>	<u>862,866</u>
Cash flows from investing activities		
Acquisition of financial investments available-for-sale	(3,071,782)	(1,173,760)
Proceeds from disposal of financial investments available-for-sale	2,487,079	1,218,435
Acquisition of property and equipment	(228)	(198)
Proceeds from disposal of property and equipment	1	71
Net cash (used in)/generated from investing activities	<u>(584,930)</u>	<u>44,548</u>
Cash flows from financing activity		
Proceeds from issuance of ordinary shares	60,000	120,000
Net cash generated from financing activity	<u>60,000</u>	<u>120,000</u>
Net (decrease)/increase in cash and cash equivalents	(114,286)	1,027,414
Cash and cash equivalents at 1 January	<u>1,179,551</u>	<u>963,230</u>
Cash and cash equivalents at 30 June	<u>1,065,265</u>	<u>1,990,644</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 5 to 30 of these unaudited condensed interim financial statements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015**

1. GENERAL INFORMATION

The Bank is a licensed Islamic Bank principally engaged in Islamic Banking and related financial services. There were no significant changes in these activities during the financial period.

AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the financial year ended 31 December 2014 was not subject to any qualification.

2. PERFORMANCE REVIEW

The Bank recorded profit after tax of RM76.0 million for the financial period ended 30 June 2015, a 122% or RM41.7 million increase against the corresponding period last year. The increase was attributable to higher total income of 22% and lower impairment allowances of 17% whilst operating overheads were contained at a slower rate of increase of 2%.

Total income improved by RM43.9 million or 22% mainly due to continuous strong growth in net finance income by RM38.7 million or 22% and other operating income by RM5.3 million arising mainly from higher gain on disposal of financial investments available-for-sale and trading gains.

Despite strong financing growth and higher individual impairment allowance (+RM18.7 million), the Bank registered lower impairment allowance largely due to lower collective impairment allowance. In 2014, the collective impairment allowance was impacted by model parameter refinements.

Of the RM0.5 billion or 6% increase in gross financing and advances against December 2014, house financing was the main financing growth driver (+RM0.3 billion), followed by revolving credit (+RM0.1 billion).

Deposits from customers increased by RM0.7 billion or 7% over the same period to RM10.7 billion, of which wadiah demand and savings deposits accounted for RM0.3 billion of the increase.

The Bank remains well capitalised after the effects of Profit Sharing Investment Account ("PSIA") with Common Equity Tier 1 and Tier 1 ratios of 12.996% and total capital ratio of 15.213%.

3. ECONOMIC PERFORMANCE AND PROSPECTS

The growth performance of the global economy remains vulnerable and volatile following increased concerns over developments in Europe and China. In Malaysia, the economy continued to expand at a moderate pace supported by domestic demand and capital spending which have contributed to offsetting the weaker performance of the external sector. The country's inflation rate is expected to be higher following the implementation of the Goods and Service Tax, resulting in the frontloading of consumption activity and increased fuel prices.

With continued domestic growth activities, the Bank will maintain a selective lending profile while focusing on the development of retail financing and innovative wealth products. We will continue to invest in building capacity by expanding our branch network in the country. From the risk management perspective, we will strive to preserve the quality of our assets and monitor our liquidity and capital position closely.

4. BASIS OF PREPARATION

(a) Statement of compliance

The unaudited condensed interim financial statements have been prepared under historical cost convention (except as disclosed in the notes to the financial statements), in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**

4. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The Bank's unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014. The explanatory notes attached in the unaudited interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2014.

The accounting policies applied in the unaudited condensed interim financial statements are consistent with those applied in the audited annual financial statements for the year ended 31 December 2014.

The following accounting standards, amendments and interpretations of the MFRSs have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Bank as they are either not applicable or not yet effective.

Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS12, *Disclosures of Interest in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The Bank plans to apply the abovementioned accounting standards and amendments from the annual period commencing 1 January 2016.

Effective for annual periods commencing on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

The Bank plans to apply the abovementioned accounting standard from the annual period commencing 1 January 2017.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**

4. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

The Bank plans to apply the abovementioned accounting standard from the annual period commencing 1 January 2018.

The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretations 131, *Revenue - Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 9 and MFRS 15 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 9 and MFRS 15.

(b) Use of estimates and judgements

The preparation of the unaudited condensed interim financial statements in conformity with MFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2014.

5. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank in these unaudited condensed interim financial statements are the same as those applied by the Bank in its audited financial statements as at and for the financial year ended 31 December 2014.

6. SEASONAL OR CYCLICAL FACTORS

The business operations of the Bank are not materially affected by any seasonal or cyclical factors.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**7. DEBT AND EQUITY SECURITIES**

The bank issued 20 million ordinary shares of RM1 each at RM3 per ordinary share amounting to RM60 million to its holding company, OCBC Bank (Malaysia) Berhad, on 18 June 2015. There were no other issuances, cancellations, repurchases, resale or repayment of debt and equity securities.

8. DIVIDEND

No dividend was paid in respect of the financial period ended 30 June 2015.

9. SUBSEQUENT EVENTS

There were no material events subsequent to the end of the reporting period that require disclosure or adjustments to the unaudited condensed interim financial statements.

10. CASH AND CASH EQUIVALENTS

	30 June 2015 RM'000	31 December 2014 RM'000
Cash and balances with banks and other financial institutions	28,239	21,149
Deposit placements with Bank Negara Malaysia	1,037,026	1,158,402
	<u>1,065,265</u>	<u>1,179,551</u>
i) By geographical distribution		
Malaysia	1,050,130	1,171,761
Singapore	762	3,538
Other ASEAN	874	910
Rest of the World	13,499	3,342
	<u>1,065,265</u>	<u>1,179,551</u>

The analysis by geography is determined based on where the credit risk resides.

11. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30 June 2015 RM'000	31 December 2014 RM'000
At fair value		
Malaysian Government Investment Issues	1,727,111	1,100,972
Malaysian Government Sukuk	115,239	173,140
Malaysian Government Islamic Treasury Bills	39,174	8,873
Bank Negara Malaysia Monetary Notes	238,298	772,441
Islamic Private Debt Securities	421,993	358,955
Islamic Negotiable Instruments of Deposit	647,997	299,457
Sanadat Mudharabah Cagamas	44,994	4,965
Foreign Government Debt Securities	199,176	125,007
	<u>3,433,982</u>	<u>2,843,810</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**12. FINANCING AND ADVANCES**

(i) By type and Shariah contracts

	Sale based contracts					Lease based contracts			Equity based contracts	Others	Total
	Bai'		Tawarruq	Murabahah	Bai' Dayn	Ijarah		Ijarah	Musharakah Mutanaqisah	Wakalah and Qard	
	Bai' Inah	Bithaman Ajil				Thumma Al-Bai	Ijarah	Bi Al-Tamlík			
30 June 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Term Financing											
- Cash line financing	65,397	46,876	-	-	-	-	86,721	-	-	204	199,198
- House financing	-	18,165	-	-	-	-	-	1,541,726	118,791	-	1,678,682
- Syndicated term financing	-	-	-	-	-	-	-	178,241	-	-	178,241
- Hire purchase receivables	-	-	-	-	-	640,887	-	290,577	-	-	931,464
- Other term financing	1,860,617	222,105	387,805	-	-	-	-	2,174,312	165,821	-	4,810,660
Bills receivable	-	-	-	-	30,671	-	-	-	-	-	30,671
Trust receipts	-	-	-	310	-	-	-	-	-	-	310
Revolving credit	-	-	1,795,489	-	-	-	-	-	-	-	1,795,489
Claims on customers under acceptance credits	-	-	-	175,661	83,671	-	-	-	-	-	259,332
Other financing	-	-	-	32,584	-	-	-	-	-	2	32,586
Gross financing and advances	<u>1,926,014</u>	<u>287,146</u>	<u>2,183,294</u>	<u>208,555</u>	<u>114,342</u>	<u>640,887</u>	<u>86,721</u>	<u>4,184,856</u>	<u>284,612</u>	<u>206</u>	<u>9,916,633</u>
Allowance for financing and advances											
- Individual impairment											(71,044)
- Collective impairment											(162,453)
Net financing and advances											<u>9,683,136</u>

Included in financing and advances are specific business ventures funded by the Restricted Profit Sharing Investment Accounts ("RPSIA"), arrangements between the Bank and its parent bank, OCBC Malaysia. The parent bank, being the RPSIA depositor, is exposed to the risks and rewards of the business venture and will account for all the individual impairment allowance arising thereon whereas the collective impairment allowance is borne by the Bank.

As at 30 June 2015, the gross exposure relating to RPSIA financing was RM1.3 billion (2014: RM1.3 billion) and the collective impairment relating to this RPSIA was RM22.0 million (2014: RM21.8 million).

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**12. FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contracts (continued)

	Sale based contracts					Lease based contracts			Equity based	Others	Total
	Bai'		Tawarruq	Murabahah	Bai' Dayn	Ijarah		Ijarah Muntahiah Bi Al-Tamlik	Musharakah Mutanaqisah	Wakalah and Qard	
	Bai' Inah	Bithaman Ajil				Thumma Al-Bai	Ijarah				
31 December 2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Term Financing											
- Cash line financing	57,616	51,177	-	-	-	-	55,567	-	-	238	164,598
- House financing	-	20,184	-	-	-	-	-	1,233,772	122,476	-	1,376,432
- Syndicated term financing	-	-	-	-	-	-	-	165,709	-	-	165,709
- Hire purchase receivables	-	-	-	-	-	674,585	-	228,946	-	-	903,531
- Other term financing	2,012,286	253,147	294,059	-	-	-	-	2,140,189	160,653	-	4,860,334
Bills receivable	-	-	-	-	13,007	-	-	-	-	-	13,007
Trust receipts	-	-	-	247	-	-	-	-	-	-	247
Revolving credit	9,144	-	1,641,478	-	-	-	-	-	-	-	1,650,622
Claims on customers under acceptance credits	-	-	-	168,122	60,025	-	-	-	-	-	228,147
Other financing	-	-	-	21,594	-	-	-	-	-	1	21,595
Gross financing and advances	<u>2,079,046</u>	<u>324,508</u>	<u>1,935,537</u>	<u>189,963</u>	<u>73,032</u>	<u>674,585</u>	<u>55,567</u>	<u>3,768,616</u>	<u>283,129</u>	<u>239</u>	<u>9,384,222</u>
Allowance for financing and advances											
- Individual impairment											(62,398)
- Collective impairment											(153,810)
Net financing and advances											<u>9,168,014</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****12. FINANCING AND ADVANCES (continued)**

	30 June 2015 RM'000	31 December 2014 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	64,404	42,250
Domestic business enterprises		
- Small and medium enterprises	2,971,444	2,920,762
- Others	2,961,198	2,946,306
Individuals	2,659,518	2,325,249
Foreign entities	1,260,069	1,149,655
	<u>9,916,633</u>	<u>9,384,222</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	22,689	24,820
- Hire purchase receivables	655,088	690,384
- Other fixed rate financing	3,017,968	2,964,577
Variable rate		
- BFR plus	2,188,606	1,863,893
- Cost plus	4,010,916	3,840,548
- Other variable rates	21,366	-
	<u>9,916,633</u>	<u>9,384,222</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	253,342	250,740
Mining and quarrying	206,302	92,844
Manufacturing	1,831,577	1,799,120
Electricity, gas and water	161,840	240,636
Construction	349,773	323,238
Real estate	540,825	611,980
Wholesale & retail trade and restaurants & hotels	1,546,742	1,515,393
Transport, storage and communication	334,629	353,918
Finance, insurance and business services	436,706	378,546
Community, social and personal services	333,812	341,178
Household		
- Purchase of residential properties	1,720,303	1,409,024
- Purchase of non-residential properties	45,461	44,079
- Others	972,712	937,388
Others	1,182,609	1,086,138
	<u>9,916,633</u>	<u>9,384,222</u>
(v) By geographical distribution		
Malaysia	9,006,044	8,550,832
Singapore	13,444	11,875
Rest of the World	897,145	821,515
	<u>9,916,633</u>	<u>9,384,222</u>

The analysis by geography is determined based on where the credit risk resides.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****12. FINANCING AND ADVANCES (continued)**

	30 June 2015 RM'000	31 December 2014 RM'000
(vi) By residual contractual maturity		
Within one year	2,512,895	2,136,309
One year to five years	3,031,597	3,269,819
Over five years	4,372,141	3,978,094
	<u>9,916,633</u>	<u>9,384,222</u>

13. IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	30 June 2015 RM'000	31 December 2014 RM'000
At 1 January	196,682	107,359
Impaired during the period / year	276,841	302,466
Reclassified as unimpaired	(20,946)	(26,032)
Amount recovered	(135,662)	(127,100)
Amount written off	(46,124)	(60,011)
At 30 June / 31 December	<u>270,791</u>	<u>196,682</u>
Individual impairment allowance	(71,044)	(62,398)
Collective impairment allowance	(3,296)	(2,216)
Net impaired financing and advances	<u>196,451</u>	<u>132,068</u>

(i) By sector

Agriculture, hunting, forestry and fishing	684	655
Mining and quarrying	92,893	87
Manufacturing	44,568	53,233
Construction	1,839	1,367
Real estate	36,183	71,270
Wholesale & retail trade and restaurants & hotels	22,772	18,005
Transport, storage and communication	7,941	6,876
Finance, insurance and business services	7,609	6,255
Community, social and personal services	2,188	2,118
Household		
- Purchase of residential properties	16,338	8,472
- Purchase of non-residential properties	1,300	192
- Others	35,812	27,489
Others	664	663
	<u>270,791</u>	<u>196,682</u>

(ii) By geographical distribution

Malaysia	<u>270,791</u>	<u>196,682</u>
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The analysis by geography is determined based on where the credit risk resides.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****13. IMPAIRED FINANCING AND ADVANCES (continued)**

(a) Movements in impaired financing and advances (continued)

	30 June 2015 RM'000	31 December 2014 RM'000
(iii) By period overdue		
Less than 3 months	204,339	136,978
3 months to less than 6 months	45,922	33,128
6 months to less than 9 months	7,938	7,575
Over 9 months	12,592	19,001
	<u>270,791</u>	<u>196,682</u>
(iv) By collateral type		
Property	68,749	90,986
Machinery	2,483	6,932
Secured - others	104,365	8,625
Unsecured - corporate and other guarantees	1,313	9,832
Unsecured - clean	93,881	80,307
	<u>270,791</u>	<u>196,682</u>

(b) Movements in allowance on financing and advances

	30 June 2015 RM'000	31 December 2014 RM'000
Individual impairment allowance		
At 1 January	62,398	44,846
Made during the period / year	76,206	115,007
Amount written back	(21,280)	(37,331)
Amount written off	(46,124)	(60,011)
Financing income earned on impaired financing	(156)	(113)
At 30 June / 31 December	<u>71,044</u>	<u>62,398</u>
Collective impairment allowance		
At 1 January	153,810	60,151
Made during the period / year	8,643	93,659
At 30 June / 31 December	<u>162,453</u>	<u>153,810</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****13. IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance on financing and advances (continued)

(i) By sector	Individual impairment allowance RM'000	Individual impairment charged to profit or loss RM'000	Individual impairment allowance written off RM'000	Collective impairment allowance RM'000
30 June 2015				
Agriculture, hunting, forestry and fishing	259	210	185	4,176
Mining and quarrying	49	-	-	3,403
Manufacturing	4,934	3,322	9,793	30,140
Electricity, gas and water	-	-	-	2,670
Construction	881	1,204	893	5,757
Real estate	5,519	5,259	-	8,832
Wholesale & retail trade and restaurants & hotels	12,137	13,044	10,081	25,321
Transport, storage and communication	3,506	2,405	2,019	5,464
Finance, insurance and business services	3,685	2,881	2,385	7,145
Community, social and personal services	1,698	1,277	1,049	5,480
Household				
- Purchase of residential properties	2,739	2,715	-	28,340
- Purchase of non-residential properties	24	24	-	750
- Others	35,520	43,786	19,719	15,464
Others	93	79	-	19,511
	<u>71,044</u>	<u>76,206</u>	<u>46,124</u>	<u>162,453</u>
31 December 2014				
Agriculture, hunting, forestry and fishing	236	185	103	4,133
Mining and quarrying	87	87	-	1,531
Manufacturing	11,992	9,932	4,456	29,488
Electricity, gas and water	-	-	-	3,971
Construction	698	1,100	1,106	5,322
Real estate	288	-	-	10,093
Wholesale & retail trade and restaurants & hotels	11,550	17,923	11,714	24,813
Transport, storage and communication	3,481	3,788	1,070	5,782
Finance, insurance and business services	3,890	5,016	1,689	6,182
Community, social and personal services	1,662	2,609	1,277	5,602
Household				
- Purchase of residential properties	1,130	1,028	83	23,230
- Purchase of non-residential properties	-	-	-	727
- Others	27,316	73,284	38,513	15,016
Others	68	55	-	17,920
	<u>62,398</u>	<u>115,007</u>	<u>60,011</u>	<u>153,810</u>
(ii) By geographical distribution			30 June 2015 RM'000	31 December 2014 RM'000
Individual impairment allowance				
Malaysia			<u>71,044</u>	<u>62,398</u>
Collective impairment allowance				
Malaysia			147,428	140,059
Singapore			222	196
Rest of the World			<u>14,803</u>	<u>13,555</u>
			<u>162,453</u>	<u>153,810</u>

The analysis by geography is determined based on where the credit risk resides.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****14. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	30 June 2015			31 December 2014		
	Contract or underlying principal amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000	Contract or underlying principal amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
Trading						
Foreign exchange derivatives						
- Forward	40,556	77	130	51,426	32	69
- Swaps	60,384	-	184	219,697	4,070	4,067
	<u>100,940</u>	<u>77</u>	<u>314</u>	<u>271,123</u>	<u>4,102</u>	<u>4,136</u>

15. OTHER ASSETS

	30 June 2015 RM'000	31 December 2014 RM'000
Profit receivable	26,418	18,490
Other receivables, deposits and prepayments	136,815	1,577
Amount due from holding company	444	55,921
	<u>163,677</u>	<u>75,988</u>

The amount due from holding company is unsecured, profit-free and repayable on demand.

16. DEPOSITS FROM CUSTOMERS

	30 June 2015 RM'000	31 December 2014 RM'000
(i) By type of deposit		
Non-Mudharabah		
Demand deposits (Wadiah)	3,097,441	2,781,807
Savings deposits (Wadiah)	296,034	305,379
General investment deposits (Commodity Murabahah)	6,832,656	5,647,115
Negotiable instruments of deposit (Bai' Bithaman Ajil)	63,873	67,874
Wakalah short term deposits	-	1,176,935
Tawarruq short term deposits	430,697	-
	<u>10,720,701</u>	<u>9,979,110</u>
Mudharabah		
General investment deposits	348	35,498
	<u>10,721,049</u>	<u>10,014,608</u>
(ii) By type of customer		
Government and statutory bodies	788,070	249,476
Non-bank financial institutions	1,756,957	2,208,538
Business enterprises	5,634,191	4,997,013
Individuals	2,344,832	2,319,206
Foreign entities	77,145	102,211
Others	119,854	138,164
	<u>10,721,049</u>	<u>10,014,608</u>
(iii) By maturity structure		
Within six months	8,960,554	8,735,905
Six months to one year	1,691,318	1,213,265
One year to three years	4,904	2,812
Three years to five years	400	100
Over five years	63,873	62,526
	<u>10,721,049</u>	<u>10,014,608</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****17. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	30 June 2015 RM'000	31 December 2014 RM'000
Non-Mudharabah		
Licensed banks	1,336,444	1,201,475
Mudharabah		
Licensed banks	1,336,184	1,320,036
	<u>2,672,628</u>	<u>2,521,511</u>

Included in the deposits and placements of banks and other financial institutions are the Restricted Profit Sharing Investment Accounts ('RPSIA') placed by its holding company amounting to RM1.3 billion (31 December 2014: RM1.3 billion) at profit rates ranging from 1.66% to 4.20% per annum (2014: 1.56% to 5.67% per annum).

18. SUBORDINATED BOND

On 1 December 2008, the Bank issued RM200 million non-tradeable, non-transferable, redeemable Islamic subordinated bond due in 2021 and non-callable until 2016 under the principle of Mudharabah (profit sharing contract) at a projected constant rate of 5.45% per annum for the period from the issue date up to 23 November 2016 and a step up of 100 basis points commencing from 24 November 2016 and ending on the date of full redemption of the subordinated bond, subject to the availability of profits and the investors' entitlement under the profit sharing ratio. Unless the call option is exercised by the Bank, the subordinated bond shall be redeemed in full by five equal and consecutive annual payments. The call option, subject to prior approval from Bank Negara Malaysia ("BNM") and Monetary Authority of Singapore ("MAS"), is redeemable in whole but not in part on 24 November 2016 and on every Profit Payment Date thereafter. The subordinated bond was fully subscribed by its holding company, OCBC Bank (Malaysia) Berhad.

The unrestricted subordinated bond qualifies as Tier 2 capital subject to gradual phase out as required under BNM's Capital Adequacy Framework for Islamic Banks (Capital Component).

19. OTHER LIABILITIES

	30 June 2015 RM'000	31 December 2014 RM'000
Profit payable	83,755	69,269
Other accruals and charges	53,960	49,243
Amount due to holding company	66,555	-
Shared services fee payable to holding company	9,280	-
Shared services fee payable to related company	-	181
	<u>213,550</u>	<u>118,693</u>

20. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Quarter Ended		Year-To-Date Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Income derived from investment of:				
(i) General investment deposits	102,141	62,455	213,192	120,508
(ii) Other deposits	88,315	82,288	172,748	162,041
	<u>190,456</u>	<u>144,743</u>	<u>385,940</u>	<u>282,549</u>
(i) Income derived from investment of general investment deposits				
Finance income and hibah				
Unimpaired financing and advances	82,635	52,624	171,259	100,949
Impaired financing and advances	51	6	84	16
Financial investments available-for-sale	14,928	6,775	29,114	13,899
Deposits and placements with banks and other financial institutions	4,458	3,100	10,701	5,715
	<u>102,072</u>	<u>62,505</u>	<u>211,158</u>	<u>120,579</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****20. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
(i) Income derived from investment of general investment deposits (continued)				
Other operating income				
Net gain from disposal of financial assets held-for-trading	-	-	-	1
Net gain/(loss) from disposal of financial investments available-for-sale	6	(105)	1,898	(167)
Others	63	55	136	95
	<u>102,141</u>	<u>62,455</u>	<u>213,192</u>	<u>120,508</u>
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Unimpaired financing and advances	71,770	69,333	139,781	135,721
Impaired financing and advances	39	9	61	23
Financial investments available-for-sale	11,414	8,928	20,780	18,716
Deposits and placements with banks and other financial institutions	5,039	4,084	10,775	7,677
	<u>88,262</u>	<u>82,354</u>	<u>171,397</u>	<u>162,137</u>
Other operating income				
Net gain from disposal of financial assets held-for-trading	-	-	-	2
Net gain/(loss) from disposal of financial investments available-for-sale	5	(138)	1,254	(224)
Others	48	72	97	126
	<u>88,315</u>	<u>82,288</u>	<u>172,748</u>	<u>162,041</u>

21. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Finance income and hibah				
Unimpaired financing and advances	11,203	8,056	20,825	15,246
Impaired financing and advances	7	1	11	2
Financial investments available-for-sale	2,023	1,037	3,563	2,097
Deposits and placements with banks and other financial institutions	604	474	1,282	863
	<u>13,837</u>	<u>9,568</u>	<u>25,681</u>	<u>18,208</u>
Other operating income				
Net gain/(loss) from disposal of financial investments available-for-sale	1	(16)	206	(25)
Others	8	8	16	14
Other trading income				
Net trading gain/(loss)				
- Foreign currency	365	53	563	185
- Trading derivatives	3,425	2,956	6,041	5,043
- Revaluation of derivatives	(172)	(11)	(201)	6
Fee and commission income				
Commission	5,330	4,161	9,462	8,300
Service charges and fees	3,898	6,471	8,315	9,166
	<u>26,692</u>	<u>23,190</u>	<u>50,083</u>	<u>40,897</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****22. IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES**

	Quarter Ended		Year-To-Date Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Individual impairment allowance				
- Made during the period	41,824	28,448	76,206	53,491
- Written back	(12,118)	(9,240)	(21,280)	(17,262)
Collective impairment allowance				
- Made during the period	1,706	21,586	8,643	37,875
Impaired financing recovered	(3,596)	(2,604)	(6,406)	(5,057)
	<u>27,816</u>	<u>38,190</u>	<u>57,163</u>	<u>69,047</u>

23. INCOME ATTRIBUTABLE TO DEPOSITORS

	Quarter Ended		Year-To-Date Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Deposits from customers				
- Mudharabah	470	2,048	1,036	5,905
- Non-Mudharabah	84,896	50,449	163,601	92,113
Deposits and placements of banks and other financial institutions				
- Mudharabah	7,469	5,745	16,200	9,514
- Non-Mudharabah	2,666	5,424	6,720	11,393
Subordinated bond	2,717	2,717	5,405	5,405
	<u>98,218</u>	<u>66,383</u>	<u>192,962</u>	<u>124,330</u>

24. OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Personnel expenses				
Salaries, allowances and bonus	6,051	6,579	12,795	13,282
Employees Provident Fund contributions	944	1,079	1,972	2,164
Share-based expenses	71	68	125	112
Others	694	651	1,257	1,116
	<u>7,760</u>	<u>8,377</u>	<u>16,149</u>	<u>16,674</u>
Establishment expenses				
Depreciation of property and equipment	478	609	1,029	1,306
Rental of premises	689	592	1,291	1,183
Repair and maintenance	108	170	256	250
Information technology costs	71	30	98	48
Others	412	698	879	1,217
	<u>1,758</u>	<u>2,099</u>	<u>3,553</u>	<u>4,004</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**24. OPERATING EXPENSES (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Marketing expenses				
Advertising and business promotion	634	1,105	1,321	1,283
Transport and travelling	171	244	348	432
Others	17	17	36	36
	<u>822</u>	<u>1,366</u>	<u>1,705</u>	<u>1,751</u>
General administrative expenses				
Shared service fees to holding company	26,481	27,417	51,736	50,421
Transaction processing fees	6,029	5,808	11,914	11,276
Others	2,127	1,630	4,197	3,077
	<u>34,637</u>	<u>34,855</u>	<u>67,847</u>	<u>64,774</u>
Total operating expenses	<u>44,977</u>	<u>46,697</u>	<u>89,254</u>	<u>87,203</u>

25. INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Malaysian income tax				
- Current period	10,638	3,255	20,188	7,934
Deferred tax				
- Origination and reversal of temporary differences	(202)	(168)	394	596
	<u>10,436</u>	<u>3,087</u>	<u>20,582</u>	<u>8,530</u>

26. CAPITAL COMMITMENTS

	30 June 2015 RM'000	31 December 2014 RM'000
Capital commitments in respect of property and equipment		
- Contracted but not provided for	7,339	3,418
	<u>7,339</u>	<u>3,418</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**27. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. There were no material losses anticipated as a result of these transactions.

The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB Basel II) - Disclosure Requirements (Pillar 3).

	30 June 2015				31 December 2014			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	40,236		40,236	30,839	20,833		20,833	13,599
Transaction-related contingent items	208,385		109,095	92,611	211,647		110,445	82,202
Short-term self-liquidating trade-related contingencies	30,071		6,209	1,904	34,793		9,485	3,461
Forward asset purchases	29,054		29,054	8,727	-		-	-
Foreign exchange related contracts								
- Less than one year	104,693	33	188	159	271,117	4,097	7,416	1,199
Formal standby facilities and credit lines								
- Maturity not exceeding one year	-		-	-	1,283		1,045	670
- Maturity exceeding one year	401,197		378,530	82,381	540,259		456,852	109,822
Other unconditionally cancellable commitments	1,002,116		87,428	39,805	803,325		3,436	1,107
	1,815,752	33	650,740	256,426	1,883,257	4,097	609,512	212,060

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****28. CREDIT EXPOSURE TO CONNECTED PARTIES**

	30 June 2015 RM'000	31 December 2014 RM'000
Aggregate value of outstanding credit exposures with connected parties		
Credit facility and leasing (except guarantee)	8,190	2,066
Commitments and contingencies	<u>29,197</u>	<u>44,240</u>
	<u>37,387</u>	<u>46,306</u>
Percentage of outstanding credit exposures to connected parties		
- As a proportion of total credit exposures	<u>0.33%</u>	<u>0.41%</u>
- Impaired or in default	<u>-</u>	<u>-</u>

29. CREDIT RISK

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank's maximum credit exposure of the financial assets, without taking into account any collateral held or other credit enhancements, equals their carrying amount as reported in the statement of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	30 June 2015 RM'000	31 December 2014 RM'000
Cash and cash equivalents	1,065,265	1,179,551
Financial investments available-for-sale	3,433,982	2,843,810
Financing and advances	9,916,633	9,384,222
Derivative financial assets	77	4,102
Other assets	163,677	75,988
Contingent liabilities and credit commitments	<u>813,636</u>	<u>1,079,932</u>
	<u>15,393,270</u>	<u>14,567,605</u>

(a) Credit quality of financial investments available-for-sale

In view of the following sound credit rating of counterparties, the Bank does not expect any counterparty to fail to meet its obligation.

	30 June 2015 RM'000	31 December 2014 RM'000
(i) By issuer		
Government and Central Bank	2,119,822	2,055,426
Foreign government	199,176	125,007
Public sector	25,006	10,013
Banks	647,997	299,457
Non-bank financial institution	89,824	29,933
Business enterprises	<u>352,157</u>	<u>323,974</u>
	<u>3,433,982</u>	<u>2,843,810</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****29. CREDIT RISK (continued)****(a) Credit quality of financial investments available-for-sale (continued)**

	30 June 2015 RM'000	31 December 2014 RM'000
(ii) By geographical distribution		
Malaysia	3,234,806	2,718,803
Other ASEAN	79,717	60,408
Rest of the world	119,459	64,599
	<u>3,433,982</u>	<u>2,843,810</u>
(iii) By credit rating		
Government and Central Bank (unrated)	396,765	849,863
Government (A)	1,723,057	1,205,563
Foreign government (unrated)	24,330	22,514
Foreign government (AAA to BBB)	174,846	102,493
Investment grade (AAA to BBB)	319,443	251,222
Unrated	795,541	412,155
	<u>3,433,982</u>	<u>2,843,810</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	59,412	36,256
Manufacturing	14,950	14,947
Transport, storage and communication	14,996	-
Finance, insurance and business services	915,349	501,977
Others	2,429,275	2,290,630
	<u>3,433,982</u>	<u>2,843,810</u>
(v) By residual contractual maturity		
Within one year	2,033,271	1,528,597
One year to five years	1,090,943	1,037,328
Over five years	309,768	277,885
	<u>3,433,982</u>	<u>2,843,810</u>

(b) Credit quality of financing and advances

Financing and advances are categorised according to the Bank's customer classification grades as Pass, Special Mention, Substandard, Doubtful and Loss.

Financing and advances classified as Pass and Special Mention are neither past due nor impaired whereas Substandard, Doubtful and Loss are impaired financing and advances.

Past due but not impaired financing and advances are financing where the customer has failed to make a principal or profit payment when contractually due, and includes financing which are due one or more days after the contractual due date but less than three (3) months.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****29. CREDIT RISK (continued)****(b) Credit quality of financing and advances (continued)**

	30 June 2015 RM'000	31 December 2014 RM'000
Neither past due nor impaired	9,509,835	9,067,514
Past due financing	311,364	188,493
- Unimpaired	136,007	120,026
- Impaired	175,357	68,467
Impaired but not past due	95,434	128,215
Gross financing and advances	9,916,633	9,384,222
Neither past due nor impaired		
(i) By the Bank's internal grading system		
Pass	9,218,082	8,805,457
Special mention	291,753	262,057
	9,509,835	9,067,514
Past due but not impaired		
(i) By period overdue		
Less than 2 months	110,593	93,996
2 months to less than 3 months	25,414	26,030
	136,007	120,026
(ii) By geographical distribution		
Malaysia	136,007	120,026
(iii) By sector		
Agriculture, hunting, forestry and fishing	490	1,428
Mining and quarrying	2,221	1,749
Manufacturing	18,542	19,059
Electricity, gas and water	164	222
Construction	3,231	3,528
Wholesale & retail trade and restaurants & hotels	28,006	21,400
Transport, storage and communication	4,875	4,544
Finance, insurance and business services	6,520	4,218
Community, social and personal services	3,472	6,494
Household		
- Purchase of residential properties	24,549	19,396
- Others	43,937	37,988
	136,007	120,026

Impaired

The analysis of impaired financing and advances are detailed in Note 13.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****29. CREDIT RISK (continued)****Collateral**

(i) The main types of collateral obtained by the Bank are as follows:

- For personal house financing, mortgages over residential properties;
- For commercial property financing, charges over properties being financed; and
- For other financing, charges over business assets such as premises, inventories, trade receivables or deposits.

As at 31 December 2014 and 30 June 2015, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

(ii) Quantification of the extent to which collateral and other credit enhancements mitigate credit risk and that best represents the maximum exposure to credit risk for impaired financing.

	30 June 2015 RM'000	31 December 2014 RM'000
Fair value of collateral held against the covered portion of financing and advances	521,954	126,551
Covered portion of financing and advances	175,597	106,543
Uncovered portion of financing and advances	95,194	90,139
	<u>270,791</u>	<u>196,682</u>

(c) Credit quality of derivative assets

(i) By counterparty

Banks	13	4,080
Business enterprises	64	22
	<u>77</u>	<u>4,102</u>

(ii) By geographical distribution

Malaysia	77	32
Rest of the World	-	4,070
	<u>77</u>	<u>4,102</u>

The analysis by geography is determined based on where the credit risk resides.

(iii) By sector

Manufacturing	54	13
Wholesale & retail trade and restaurants & hotels	9	4
Finance, insurance and business services	14	4,085
	<u>77</u>	<u>4,102</u>

(iv) By residual contractual maturity

Within one year	<u>77</u>	<u>4,102</u>
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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****29. CREDIT RISK (continued)****(d) Credit quality of contingent liabilities and credit commitments**

	30 June 2015 RM'000	31 December 2014 RM'000
(i) By counterparty		
Banks	113,695	286,261
Other financial institutions	2,767	2,150
Business enterprises	378,503	417,899
Individuals	318,671	373,622
	<u>813,636</u>	<u>1,079,932</u>
(ii) By geographical distribution		
Malaysia	811,099	967,730
Singapore	2,537	409
Other ASEAN	-	111,793
	<u>813,636</u>	<u>1,079,932</u>
The analysis by geography is determined based on where the credit risk resides.		
(iii) By sector		
Agriculture, hunting, forestry and fishing	3,011	2,344
Mining and quarrying	-	2,307
Manufacturing	87,446	94,754
Construction	129,600	126,080
Real estate	2,120	1,800
Wholesale & retail trade and restaurants & hotels	30,897	43,299
Transport, storage and communication	25,087	22,449
Finance, insurance and business services	101,330	298,416
Community, social and personal services	5,902	5,861
Household	318,671	373,622
Others	109,572	109,000
	<u>813,636</u>	<u>1,079,932</u>
(iv) By residual contractual maturity		
Within one year	199,236	407,367
One year to five years	184,540	161,487
Over five years	429,860	511,078
	<u>813,636</u>	<u>1,079,932</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**

30. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. The fair value of a financial instrument is determined as 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. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Bank's financial instruments, including financing and advances to customers, such market prices do not exist as there is currently no ready market wherein exchanges between willing parties occur.

The Bank uses various methodologies to estimate the fair values of such instruments. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimated future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Bank's financial instruments, including financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Bank could realise in a sales transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Bank as a going concern.

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of MFRS 132 which require fair value information to be disclosed. These include property and equipment.

For financial assets and liabilities not carried at fair value on the financial statements, the Bank has determined that their fair values were not materially different from the carrying amounts at the reporting date.

A) Fair value measurement

(i) Financial assets and financial liabilities

(a) Short term financial instruments

The carrying amounts approximate the fair values of cash and cash equivalents, deposits and placements with banks and other financial institutions with maturity less than one year, profit and other short-term receivables due to their short tenor or frequent re-pricing.

(b) Deposits and placements with/of banks and other financial institutions

For deposits and placements with maturity of one year or more, the fair value is estimated based on discounted cash flows using prevailing money market rates for deposits and placements with similar remaining periods to maturity.

(c) Financial assets held-for-trading and financial investments available-for-sale

The fair value of financial assets that are actively traded is determined by quoted bid prices. For non-actively traded financial investments, independent broker quotations are obtained or valuation techniques are used to fair value the financial investments. The fair value of unquoted equity instruments classified under available-for-sale portfolio is estimated using internal valuation techniques.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**

30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A) Fair value measurement (continued)

(i) Financial assets and financial liabilities (continued)

(d) Financing and advances

Financing and advances are carried at amortised cost on the statement of financial position, net of individual and collective impairment allowances. The fair values of financing and advances with maturity of less than one year are estimated to approximate their carrying amounts. For financing and advances with maturity of one year or more, the fair values are estimated based on discounted cash flows using market rates of financing and advances of similar credit risks and maturity.

(e) Deposits from customers

For deposits with maturity of less than one year, the carrying amount is a reasonable estimate of the fair value. For deposits with maturity of one year or more, the fair value is estimated using discounted cash flows based on market rates for similar products and maturity.

(f) Bills and acceptances payable

Bills and acceptances payable are substantially with maturity of less than one year. The carrying amount of bills and acceptances payable is a reasonable estimate of the fair value.

(g) Subordinated bond

Fair value for the subordinated bond is determined using quoted market prices where available, or by reference to quoted market prices of similar instruments.

(ii) Off-statement of financial position financial instruments

The fair value of off-statement of financial position financial instruments is the estimated amount the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statement of financial position financial instruments are disclosed in Note 14 of the unaudited condensed interim financial statements.

B) Fair value hierarchy

The Bank measures the fair values of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

- Level 1 fair value is derived from quoted prices (unadjusted) for identical assets or liabilities.
- Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable market data for the financial assets and liabilities, either directly or indirectly.
- Level 3 fair value is estimated using inputs that are not based on observable market data for the financial assets and liabilities.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
30 June 2015			
Financial assets			
Available-for-sale	2,157,478	1,276,504	3,433,982
Derivative financial assets	25	52	77
	<u>2,157,503</u>	<u>1,276,556</u>	<u>3,434,059</u>
Financial liabilities			
Derivative financial liabilities	69	245	314
	<u>69</u>	<u>245</u>	<u>314</u>
31 December 2014			
Financial assets			
Available-for-sale	2,265,695	578,115	2,843,810
Derivative financial assets	11	4,091	4,102
	<u>2,265,706</u>	<u>582,206</u>	<u>2,847,912</u>
Financial liabilities			
Derivative financial liabilities	53	4,083	4,136
	<u>53</u>	<u>4,083</u>	<u>4,136</u>

There was no transfer between Level 1 and Level 2 fair values. The Bank also did not hold any Level 3 financial assets and liabilities measured at fair value nor was there any transfer to Level 3 in the fair value hierarchy.

Valuation control framework

The OCBC Malaysia Group (hereafter referred to as the "Group") has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions and this is applied to the Bank as well.

The Market Risk Management ("MRM") function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Group's Treasury Financial Control – Valuation Control function within the Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation related policies are reviewed annually by the Group's MRM and Finance Division. Any material change to the framework requires the approval of the Group's Chief Executive Officer and concurrence from the Group's Board Risk Management Committee. Group Internal Audit provides independent assurance on the respective divisions' compliance with the policy.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)**30. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****C) Fair values of financial instruments not carried at fair value**

The table below is a comparison of the carrying amounts and fair values of the financial instruments of the Bank which are not measured at fair value in the financial statements. The table does not include those short term/on demand financial assets and financial liabilities where the carrying amounts reasonably approximate their fair values. It also does not include non-financial assets and liabilities.

	30 June 2015		31 December 2014	
	Carrying Amount	Fair Value (Level 3)	Carrying Amount	Fair Value (Level 3)
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financing and advances	9,683,136	9,888,093	9,168,014	9,365,309

The fair values of variable rate financing and advances are carried approximately to their carrying values. For fixed rate financing and advances, the fair values are valued based on expected future discounted cash flows using market rates of financing and advances of similar credit risks and maturity. For impaired financing and advances, the fair values are carried at amortised cost net of individual and collective impairment allowance.

31. CAPITAL ADEQUACY

The capital ratios are computed in accordance with Bank Negara Malaysia's ("BNM") Capital Adequacy Framework for Islamic Banks (Capital Components). Recognition of the Bank's Tier 2 capital instruments is subject to a gradual phase-out as required by BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

	30 June 2015	31 December 2014
	RM'000	RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up share capital	185,000	165,000
Share premium	370,000	330,000
Retained earnings	229,495	153,453
Other reserves	141,891	140,311
CET1 capital	926,386	788,764
Regulatory adjustment for CET1 capital	(31,538)	(4,232)
Eligible CET1 / Tier 1 capital	894,848	784,532
Tier 2 capital		
Collective impairment allowance under the Standardised Approach*	12,621	11,503
Surplus eligible provisions over expected losses	-	5,764
Subordinated bond	140,000	160,000
Eligible Tier 2 capital	152,621	177,267
Capital base	1,047,469	961,799

* Excludes collective impairment allowance on impaired financing and advances

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2015 (continued)****31. CAPITAL ADEQUACY (continued)**

	30 June 2015 RM'000	31 December 2014 RM'000
Before the effects of PSIA		
CET1 / Tier 1 capital ratio	12.067%	11.532%
Total capital ratio	<u>14.125%</u>	<u>14.138%</u>
After the effects of PSIA		
CET1 / Tier 1 capital ratio	12.996%	12.609%
Total capital ratio	<u>15.213%</u>	<u>15.458%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts ("RPSIA") which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 June 2015, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM530 million (31 December 2014: RM581 million).

Breakdown of risk-weighted assets ("RWA") in the various categories of risk-weights:

	30 June 2015 RM'000	31 December 2014 RM'000
Total RWA for credit risk	6,186,421	5,603,120
Total RWA for market risk	3,329	8,333
Total RWA for operational risk	<u>695,779</u>	<u>610,401</u>
	<u>6,885,529</u>	<u>6,221,854</u>