

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

Domiciled in Malaysia
Registered Office:
19th Floor Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015**

CONTENTS	PAGE
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	5 - 24

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2015**

ASSETS	Note	31 March 2015 RM'000	31 December 2014 RM'000
Cash and cash equivalents		1,821,920	1,179,551
Financial investments available-for-sale	12	3,460,491	2,843,810
Financing and advances	13	9,522,808	9,168,014
Derivative financial assets	15	9,620	4,102
Other assets	16	18,930	75,988
Current tax assets		5,547	9,678
Statutory deposits with Bank Negara Malaysia		402,800	379,800
Property and equipment		4,975	5,482
Deferred tax assets		62	1,966
Total assets		<u>15,247,153</u>	<u>13,668,391</u>
 LIABILITIES			
Deposits from customers	17	11,406,355	10,014,608
Deposits and placements of banks and other financial institutions	18	2,607,326	2,521,511
Bills and acceptances payable		21,854	20,644
Subordinated bond	19	200,000	200,000
Derivative financial liabilities	15	9,685	4,136
Other liabilities	20	168,849	118,693
Zakat		45	35
Total liabilities		<u>14,414,114</u>	<u>12,879,627</u>
 EQUITY			
Share capital		165,000	165,000
Reserves		668,039	623,764
Total equity		<u>833,039</u>	<u>788,764</u>
 Total liabilities and equity		 <u>15,247,153</u>	 <u>13,668,391</u>
 Commitments and contingencies	 28	 <u>2,368,841</u>	 <u>1,883,257</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 24 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 31 MARCH 2015**

	Note	Year-To-Date Ended	
		31 March 2015 RM'000	31 March 2014 RM'000
Income derived from investment of depositors' funds and others	21	195,484	137,806
Income derived from investment of shareholder's funds	22	23,391	17,707
Impairment allowance on financing and advances	23	(29,347)	(30,857)
Total distributable income		189,528	124,656
Income attributable to depositors	24	(94,744)	(57,947)
Total net income		94,784	66,709
Operating expenses	25	(44,277)	(40,506)
Profit before income tax expense and zakat		50,507	26,203
Income tax expense	26	(10,146)	(5,443)
Zakat		(10)	(9)
Profit for the period		40,351	20,751
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss			
Fair value (available-for-sale) reserve:			
- Change in fair value		8,578	4,173
- Amount transferred to profit or loss		(3,346)	-
Income tax expense relating to components of other comprehensive income		(1,308)	(1,043)
Other comprehensive income for the period, net of income tax		3,924	3,130
Total comprehensive income for the period		44,275	23,881
Profit attributable to owner of the Bank		40,351	20,751
Total comprehensive income attributable to owner of the Bank		44,275	23,881
Basic earnings per ordinary share (sen)		24.46	16.60

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 24 of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

	<i>Non-distributable</i>			<i>Distributable</i>		Total Equity
	Share Capital	Share Premium	Statutory Reserve	Fair Value Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	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	-	-	-	8,578	-	8,578
- Amount transferred to profit or loss	-	-	-	(3,346)	-	(3,346)
Income tax expense relating to components of other comprehensive income	-	-	-	(1,308)	-	(1,308)
Total other comprehensive income for the period	-	-	-	3,924	-	3,924
Profit for the period	-	-	-	-	40,351	40,351
Total comprehensive income for the period	-	-	-	3,924	40,351	44,275
At 31 March 2015	165,000	330,000	142,653	1,582	193,804	833,039
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	-	-	-	4,173	-	4,173
- Amount transferred to profit or loss	-	-	-	-	-	-
Income tax expense relating to components of other comprehensive income	-	-	-	(1,043)	-	(1,043)
Total other comprehensive income for the period	-	-	-	3,130	-	3,130
Profit for the period	-	-	-	-	20,751	20,751
Total comprehensive income for the period	-	-	-	3,130	20,751	23,881
At 31 March 2014	125,000	250,000	107,389	(2,280)	138,939	619,048

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 24 of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2015

	31 March 2015 RM'000	31 March 2014 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	50,507	26,203
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial investments available-for-sale	(3,346)	157
- Property and equipment	1	21
Depreciation of property and equipment	551	697
Impairment allowance on financing and advances	29,347	30,857
Share-based expenses	54	44
Unrealised gain on revaluation of derivatives	29	(17)
Operating profit before changes in working capital	<u>77,143</u>	<u>57,962</u>
<i>(Increase)/Decrease in Operating Assets:</i>		
Financing and advances	(384,141)	(541,442)
Derivative financial assets	(5,518)	(1,958)
Other assets	57,029	(44,757)
Statutory deposits with Bank Negara Malaysia	(23,000)	(12,500)
<i>Increase/(Decrease) in Operating Liabilities:</i>		
Deposits from customers	1,391,747	925,161
Deposits and placements of banks and other financial institutions	85,815	(279,449)
Bills and acceptances payable	1,210	4,055
Derivative financial liabilities	5,549	1,940
Other liabilities	50,102	5,316
Cash generated from operations	<u>1,255,936</u>	<u>114,328</u>
Income tax and zakat paid	<u>(5,419)</u>	<u>(6,375)</u>
Net cash generated from operating activities	<u>1,250,517</u>	<u>107,953</u>
Cash flows from investing activities		
Acquisition of financial investments available-for-sale	(1,526,982)	(781,209)
Proceeds from disposal of financial investments available-for-sale	918,879	638,760
Acquisition of property and equipment	(45)	(69)
Proceeds from disposal of property and equipment	-	48
Net cash used in investing activities	<u>(608,148)</u>	<u>(142,470)</u>
Net increase/(decrease) in cash and cash equivalents	642,369	(34,517)
Cash and cash equivalents at 1 January	<u>1,179,551</u>	<u>963,230</u>
Cash and cash equivalents at 31 March	<u>1,821,920</u>	<u>928,713</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 24 of these unaudited condensed interim financial statements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 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 to these activities during the financial period.

2. PERFORMANCE REVIEW

The Bank recorded profit after tax of RM40.4 million for the financial period ended 31 March 2015, a 94% or RM19.6 million increase against the corresponding period last year. The increase was supported by higher total income of 27% and lower impairment allowances whilst operating overheads were contained at a slower rate of increase of 9%.

Total income improved by RM26.6 million or 27% mainly due to continuous strong growth in net finance income by RM20.8 million or 23% and other operating income by RM5.8 million arising mainly from higher gain on disposal of financial investments available-for-sale.

Despite strong financing growth and higher individual impairment allowance (+RM8.2 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 during the year.

Of the RM0.4 billion or 4% increase in gross financing and advances against December 2014, house financing was the main financing growth driver (+RM0.2 billion) followed by financing to the finance and business services sector (+RM0.1 billion).

Deposits from customers increased by RM1.4 billion or 14% over the same period to RM11.4 billion, supported mainly by domestic non-bank financial institutions, government and statutory bodies and business enterprises with deposit increases of RM0.5 billion, RM0.4 billion and RM0.3 billion respectively.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 ratios of 11.954% and total capital ratio of 14.591%.

3. ECONOMIC PERFORMANCE AND PROSPECTS

Against the backdrop of commodity prices declining sharply and uncertainties affecting the sentiment on the global economy outlook, Malaysia revised its GDP growth downwards to 4.5 – 5.5% in 2015. The Malaysian economy is expected to remain resilient backed by domestic demand although there remains challenges in maintaining export revenues amidst lower prices. With continued public and private spending, the Bank will focus on growth in the services, manufacturing and construction sectors, which together account for almost 84% of GDP.

Although GST was implemented in April, we anticipate private consumption and household spending will be affected, however, it will be partially offset by Government measures to assist targeted groups. The Bank will continue to provide innovative financial solutions and wealth products to meet its customers' needs. The Bank will also improve its customer reach by building more capabilities and expanding its network.

Amid the current economic outlook, the Bank will continue to exercise prudent management of asset quality and operating expenses as well as to maintain healthy capital and liquidity position to support business growth.

In recognition of its continuous strong support to the small and medium ("SME") sector, the Bank recently emerged as one of the winners of Credit Guarantee Corporation ("CGC") Top SME Supporter Award accorded to financial institutions for their contribution towards overall SME growth.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**

4. BASIS OF PREPARATION

Statement of compliance

The unaudited condensed interim financial statements for the financial period ended 31 March 2015 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, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the International Accounting Standards ("IAS") 34, Interim Financial Reporting issued by the International Accounting Standards Board ("IASB").

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 by the Bank in these unaudited condensed interim financial statements are consistent with those applied by the Bank in its annual financial statements for the year ended 31 December 2014.

The following are accounting standards, amendments and interpretations of the MFRSs that 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)*

Effective for annual periods commencing on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**

4. BASIS OF PREPARATION (continued)

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 standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016 except for MFRS 141 which is not applicable to the Bank.
- from the annual period beginning on 1 January 2017 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 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 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 15 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 15.

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.

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

5. 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.

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
- 31 MARCH 2015 (continued)**

7. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity, net income or cashflows of the Bank for the financial period ended 31 March 2015.

8. CHANGE IN ACCOUNTING ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the financial period ended 31 March 2015.

9. DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the financial period ended 31 March 2015.

10. DIVIDEND

No dividend was paid in respect of the financial period ended 31 March 2015.

11. SUBSEQUENT EVENTS

There were no other material events subsequent to the date of the statement of financial position that require disclosure or adjustments to the unaudited condensed interim financial statements.

12. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	31 March 2015 RM'000	31 December 2014 RM'000
At fair value		
Malaysian Government Investment Issues	1,176,477	1,100,972
Malaysian Government Debt Securities	114,455	173,140
Malaysian Government Islamic Treasury Bills	586	8,873
Bank Negara Malaysia Monetary Notes	874,081	772,441
Islamic Private Debt Securities	377,621	358,955
Islamic Negotiable Instruments of Deposit	756,284	299,457
Sanadat Mudharabah Cagamas	4,981	4,965
Foreign Government Debt Securities	156,006	125,007
	<u>3,460,491</u>	<u>2,843,810</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**13. FINANCING AND ADVANCES**

(i) By type and Shariah contract

	Sale based contracts					Lease based contracts			Equity based contracts	Others	Total RM'000
	Bai'		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah		Ijarah Muntahiah Bi Al-Tamlik RM'000	Musharakah Mutanaqisah RM'000	Wakalah and Qard RM'000	
	Bai' Inah RM'000	Bithaman Ajil RM'000				Thumma Al- Bai RM'000	Ijarah RM'000				
31 March 2015											
Term Financing											
- Cash line financing	64,035	45,965	-	-	-	-	75,396	-	-	160	185,556
- House financing	-	19,177	-	-	-	-	-	1,407,755	120,501	-	1,547,433
- Syndicated term financing	-	-	-	-	-	-	-	153,815	-	-	153,815
- Hire purchase receivables	-	-	-	-	-	668,492	-	255,845	-	-	924,337
- Other term financing	1,939,990	237,961	353,173	-	-	-	-	2,174,143	166,385	-	4,871,652
Bills receivable	-	-	-	-	19,145	-	-	-	-	-	19,145
Trust receipts	-	-	-	362	-	-	-	-	-	-	362
Revolving credit	-	-	1,766,378	-	-	-	-	-	-	-	1,766,378
Claims on customers under acceptance credits	-	-	-	205,385	68,025	-	-	-	-	-	273,410
Other financing	-	-	-	10,458	-	-	-	-	-	-	10,458
Gross financing and advances	<u>2,004,025</u>	<u>303,103</u>	<u>2,119,551</u>	<u>216,205</u>	<u>87,170</u>	<u>668,492</u>	<u>75,396</u>	<u>3,991,558</u>	<u>286,886</u>	<u>160</u>	<u>9,752,546</u>
Allowance for financing and advances											
- Individual impairment											(68,991)
- Collective impairment											(160,747)
Net financing and advances											<u>9,522,808</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**13. FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contract (continued)

	Sale based contracts					Lease based contracts			Equity based	Others	Total
	Bai'		Tawarruq	Murabahah	Bai' Dayn	Ijarah		Ijarah 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
- 31 MARCH 2015 (continued)**13. FINANCING AND ADVANCES (continued)**

	31 March 2015 RM'000	31 December 2014 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	141,084	42,250
Domestic business enterprises		
- Small and medium enterprises	2,972,173	2,920,762
- Others	2,952,075	2,946,306
Individuals	2,517,998	2,325,249
Foreign entities	1,169,216	1,149,655
	<u>9,752,546</u>	<u>9,384,222</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	21,466	24,820
- Hire purchase receivables	683,102	690,384
- Other fixed rate financing	3,052,830	2,964,577
Variable rate		
- BFR plus	2,023,348	1,863,893
- Cost plus	3,962,424	3,840,548
- Other variable rates	9,376	-
	<u>9,752,546</u>	<u>9,384,222</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	261,093	250,740
Mining and quarrying	118,295	92,844
Manufacturing	1,855,505	1,799,120
Electricity, gas and water	205,842	240,636
Construction	334,666	323,238
Real estate	542,695	611,980
Wholesale & retail trade and restaurants & hotels	1,535,575	1,515,393
Transport, storage and communication	354,414	353,918
Finance, insurance and business services	485,663	378,546
Community, social and personal services	369,919	341,178
Household		
- Purchase of residential properties	1,586,407	1,409,024
- Purchase of non-residential properties	45,311	44,079
- Others	959,471	937,388
Others	1,097,690	1,086,138
	<u>9,752,546</u>	<u>9,384,222</u>
(v) By geographical distribution		
Malaysia	8,915,357	8,550,832
Singapore	12,259	11,875
Rest of the world	824,930	821,515
	<u>9,752,546</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
- 31 MARCH 2015 (continued)****13. FINANCING AND ADVANCES (continued)**

	31 March 2015 RM'000	31 December 2014 RM'000
(vi) By residual contractual maturity		
Within one year	2,471,538	2,136,309
One year to five years	3,087,361	3,269,819
Over five years	4,193,647	3,978,094
	<u>9,752,546</u>	<u>9,384,222</u>

14. IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	31 March 2015 RM'000	31 December 2014 RM'000
At 1 January	196,682	107,359
Impaired during the period / year	77,627	302,466
Reclassified as unimpaired	(8,769)	(26,032)
Amount recovered	(99,130)	(127,100)
Amount written off	(18,569)	(60,011)
At 31 March / 31 December	<u>147,841</u>	<u>196,682</u>
Individual impairment allowance	(68,991)	(62,398)
Collective impairment allowance	(1,309)	(2,216)
Net impaired financing and advances	<u>77,541</u>	<u>132,068</u>

(i) By sector

Agriculture, hunting, forestry and fishing	753	655
Mining and quarrying	79	87
Manufacturing	61,586	53,233
Construction	1,918	1,367
Real estate	1,261	71,270
Wholesale & retail trade and restaurants & hotels	20,442	18,005
Transport, storage and communication	8,240	6,876
Finance, insurance and business services	6,561	6,255
Community, social and personal services	1,905	2,118
Household		
- Purchase of residential properties	10,829	8,472
- Purchase of non-residential properties	236	192
- Others	33,369	27,489
Others	662	663
	<u>147,841</u>	<u>196,682</u>

(ii) By geographical distribution

Malaysia	<u>147,841</u>	<u>196,682</u>
----------	----------------	----------------

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)****14. IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance for impaired financing and advances

	31 March 2015 RM'000	31 December 2014 RM'000
Individual impairment allowance		
At 1 January	62,398	44,846
Made during the period / year	34,382	115,007
Amount written back	(9,162)	(37,331)
Amount written off	(18,569)	(60,011)
Financing income earned on impaired financing	(58)	(113)
At 31 March / 31 December	<u>68,991</u>	<u>62,398</u>
Collective impairment allowance		
At 1 January	153,810	60,151
Made during the period / year	6,937	93,659
At 31 March / 31 December	<u>160,747</u>	<u>153,810</u>

15. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	<u>31 March 2015</u>			<u>31 December 2014</u>		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	36,979	25	95	51,426	32	69
- Swaps	507,246	9,595	9,590	219,697	4,070	4,067
	<u>544,225</u>	<u>9,620</u>	<u>9,685</u>	<u>271,123</u>	<u>4,102</u>	<u>4,136</u>

16. OTHER ASSETS

	31 March 2015 RM'000	31 December 2014 RM'000
Profit receivable	14,662	18,490
Other receivables, deposits and prepayments	4,260	1,577
Amount due from holding company	8	55,921
	<u>18,930</u>	<u>75,988</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**17. DEPOSITS FROM CUSTOMERS**

	31 March 2015 RM'000	31 December 2014 RM'000
(i) By type of deposit		
Non-Mudharabah		
Demand deposits (Wadiah)	2,885,888	2,781,807
Savings deposits (Wadiah)	302,120	305,379
General investment deposits (Commodity Murabahah)	7,667,482	5,647,115
Negotiable instruments of deposit (Bai'Inah)	65,486	67,874
Wakala short term deposits	474,254	1,176,935
Tawarruq short term deposits	6,169	-
	<u>11,401,399</u>	<u>9,979,110</u>
Mudharabah		
General investment deposits	4,956	35,498
	<u>11,406,355</u>	<u>10,014,608</u>
(ii) By type of customer		
Government and statutory bodies	622,814	249,476
Business enterprises	5,345,642	4,997,013
Individuals	2,511,804	2,319,206
Foreign entities	83,853	102,211
Others	2,842,242	2,346,702
	<u>11,406,355</u>	<u>10,014,608</u>
(iii) By maturity structure		
Within six months	9,675,545	8,735,905
Six months to one year	1,664,972	1,213,265
One year to three years	2,246	2,812
Three years to five years	400	100
Over five years	63,192	62,526
	<u>11,406,355</u>	<u>10,014,608</u>

18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2015 RM'000	31 December 2014 RM'000
Non-Mudharabah		
Licensed banks	1,332,080	1,201,475
Mudharabah		
Licensed banks	1,275,246	1,320,036
	<u>2,607,326</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 RM1,275 million (31 December 2014 : RM1,320 million) at profit rates ranging from 1.56% to 5.68% (2014: 1.56% to 5.67%) per annum.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**19. 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% 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 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 restricted subordinated bond qualifies as Tier 2 capital subject to gradual phase out as required under Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Component).

20. OTHER LIABILITIES

	31 March 2015 RM'000	31 December 2014 RM'000
Profit payable	76,867	69,269
Other accruals and charges	49,491	49,243
Shared service fees payable to holding company	42,491	-
Shared service fees payable to related company	-	181
	<u>168,849</u>	<u>118,693</u>

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

	31 March 2015 RM'000	31 March 2014 RM'000
Income derived from investment of:		
(i) General investment deposits	111,051	58,053
(ii) Other deposits	84,433	79,753
	<u>195,484</u>	<u>137,806</u>
 (i) Income derived from investment of general investment deposits		
Finance income and hibah		
Unimpaired financing and advances	88,624	48,325
Impaired financing and advances	33	10
Financial investments available-for-sale	14,186	7,124
Deposits and placements with banks and other financial institutions	6,243	2,615
	<u>109,086</u>	<u>58,074</u>
Other operating income		
Net gain from sale of financial assets held-for-trading	-	1
Net gain/(loss) from sale of financial investments available-for-sale	1,892	(62)
Others	73	40
	<u>111,051</u>	<u>58,053</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)****21. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	31 March 2015 RM'000	31 March 2014 RM'000
(ii) Income derived from investment of other deposits		
Finance income and hibah		
Unimpaired financing and advances	68,011	66,388
Impaired financing and advances	22	14
Financial investments available-for-sale	9,366	9,788
Deposits and placements with banks and other financial institutions	5,736	3,593
	<u>83,135</u>	<u>79,783</u>
Other operating income		
Net gain from sale of financial assets held-for-trading	-	2
Net gain/(loss) from sale of financial investments available-for-sale	1,249	(86)
Others	49	54
	<u>84,433</u>	<u>79,753</u>

22. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	31 March 2015 RM'000	31 March 2014 RM'000
Finance income and hibah		
Unimpaired financing and advances	9,622	7,190
Impaired financing and advances	4	1
Financial investments available-for-sale	1,540	1,060
Deposits and placements with banks and other financial institutions	678	389
	<u>11,844</u>	<u>8,640</u>
Other operating income		
Net gain/(loss) from sale of financial investments available-for-sale	205	(9)
Others	8	6
Other trading income		
Net trading gain/(loss)		
- Foreign currency	198	132
- Trading derivatives	2,616	2,087
- Revaluation of derivatives	(29)	17
Fee and commission income		
Commission	4,132	4,139
Service charges and fees	4,417	2,695
	<u>23,391</u>	<u>17,707</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**23. IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES**

	31 March 2015 RM'000	31 March 2014 RM'000
Individual impairment allowance		
- Made during the period	34,382	25,043
- Written back	(9,162)	(8,022)
Collective impairment allowance		
- Made during the period	6,937	16,289
Impaired financing recovered	(2,810)	(2,453)
	<u>29,347</u>	<u>30,857</u>

24. INCOME ATTRIBUTABLE TO DEPOSITORS

	31 March 2015 RM'000	31 March 2014 RM'000
Deposits from customers		
- Mudharabah	566	3,857
- Non-Mudharabah	78,705	41,664
Deposits and placements of banks and other financial institutions		
- Mudharabah	8,731	3,769
- Non-Mudharabah	4,054	5,969
Subordinated bond	2,688	2,688
	<u>94,744</u>	<u>57,947</u>

25. OPERATING EXPENSES

	31 March 2015 RM'000	31 March 2014 RM'000
Personnel expenses		
Wages, salaries and bonus	6,744	6,703
Employees Provident Fund contributions	1,028	1,085
Share-based expenses	54	44
Others	563	465
	<u>8,389</u>	<u>8,297</u>
Establishment expenses		
Depreciation of property and equipment	551	697
Rental of premises	602	591
Repair and maintenance	148	80
Information technology costs	27	18
Others	467	519
	<u>1,795</u>	<u>1,905</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**25. OPERATING EXPENSES (continued)**

	31 March 2015 RM'000	31 March 2014 RM'000
Marketing expenses		
Advertising and business promotion	687	178
Transport and travelling	177	188
Others	19	19
	<u>883</u>	<u>385</u>
General administrative expenses		
Shared service fees to holding company	25,255	23,004
Transaction processing fees	5,885	5,468
Others	2,070	1,447
	<u>33,210</u>	<u>29,919</u>
Operating expenses	<u>44,277</u>	<u>40,506</u>

26. INCOME TAX EXPENSE

	31 March 2015 RM'000	31 March 2014 RM'000
Malaysian income tax		
- Current period	9,550	4,679
Deferred tax		
- Origination and reversal of temporary differences	596	764
	<u>10,146</u>	<u>5,443</u>

27. CAPITAL COMMITMENTS

	31 March 2015 RM'000	31 December 2014 RM'000
Capital expenditure in respect of property and equipment		
- Authorised but not contracted for	8,275	3,418
- Contracted but not provided for	4,502	-
	<u>12,777</u>	<u>3,418</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**28. COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their 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).

	31 March 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	49,314		49,314	36,993	20,833		20,833	13,599
Transaction-related contingent items	210,728		110,567	90,552	211,647		110,445	82,202
Short-term self-liquidating trade-related contingencies	29,718		10,954	4,512	34,793		9,485	3,461
Forward asset purchases	209,329		209,329	13,861	-		-	-
Foreign exchange related contracts								
- Less than one year	544,199	9,620	17,386	2,430	271,117	4,097	7,416	1,199
Formal standby facilities and credit lines								
- Maturity not exceeding one year	5,644		1,218	568	1,283		1,045	670
- Maturity exceeding one year	438,725		410,652	105,119	540,259		456,852	109,822
Other unconditionally cancellable commitments	881,184		79,288	34,024	803,325		3,436	1,107
	2,368,841	9,620	888,708	288,059	1,883,257	4,097	609,512	212,060

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)**

29. 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 requires 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
- 31 MARCH 2015 (continued)**

29. 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 & 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 15 of the unaudited condensed interim financial statements.

B) Fair value hierarchy

The Bank measures the fair value 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 - quoted prices (unadjusted) for identical assets or liabilities;
- Level 2 - inputs other than quoted prices included within Level 1 that are observable market data either directly (i.e. as prices) or indirectly (i.e. derived from observable market data); and
- Level 3 - inputs for the valuation are not based on observable market data.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 31 MARCH 2015 (continued)****29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
31 March 2015			
Financial assets			
Available-for-sale	2,652,197	808,294	3,460,491
Derivative financial assets	21	9,599	9,620
	<u>2,652,218</u>	<u>817,893</u>	<u>3,470,111</u>
Financial liabilities			
Derivative financial liabilities	27	9,658	9,685
	<u>27</u>	<u>9,658</u>	<u>9,685</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 were no transfers between Level 1 and Level 2 fair values during the period. The Bank also did not hold any Level 3 financial assets and liabilities measured at fair value nor was there any transfer to or from Level 3 in the fair value hierarchy.

Valuation control framework

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
- 31 MARCH 2015 (continued)**29. 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 assets and liabilities 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.

	31 March 2015		31 December 2014	
	Carrying Amount RM'000	Fair Value (Level 3) RM'000	Carrying Amount RM'000	Fair Value (Level 3) RM'000
Financial assets				
Financing and advances	9,522,808	9,771,268	9,168,014	9,365,309

The following is the method and assumption used to estimate the fair value of the above category of financial instruments:

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.

30. CAPITAL ADEQUACY

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

	31 March 2015 RM'000	31 December 2014 RM'000
Common Equity Tier 1 (CET1) capital		
Paid-up share capital	165,000	165,000
Share premium	330,000	330,000
Retained earnings	153,453	153,453
Other reserves	144,235	140,311
CET1 capital	792,688	788,764
Regulatory adjustment for CET1 capital	(2,152)	(4,232)
Eligible CET1 / Tier 1 capital	790,536	784,532
Tier 2 capital		
Collective impairment allowance under the Standardised Approach*	11,939	11,503
Surplus eligible provisions over expected losses	22,453	5,764
Subordinated bond	140,000	160,000
Eligible Tier 2 capital	174,392	177,267
Capital base	964,928	961,799

* Excludes collective impairment allowance on impaired financing and advances

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

	31 March 2015	31 December 2014
Before the effects of PSIA		
CET1 / Tier 1 capital ratio	11.029%	11.532%
Total capital ratio	<u>13.462%</u>	<u>14.138%</u>
After the effects of PSIA		
CET1 / Tier 1 capital ratio	11.954%	12.609%
Total capital ratio	<u>14.591%</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 risk weighted capital ratio (RWCR) calculation. As at 31 March 2015, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM554 million (31 December 2014: RM581 million).

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

	31 March 2015 RM'000	31 December 2014 RM'000
Credit risk RWA	5,954,967	5,603,120
Market risk RWA	3,988	8,333
Operational risk RWA	<u>654,354</u>	<u>610,401</u>
	<u>6,613,309</u>	<u>6,221,854</u>