

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

Domiciled in Malaysia
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013**

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

		30 September 2013	31 December 2012
ASSETS	Note	RM'000	RM'000
Cash and cash equivalents		1,061,672	23,687
Deposits and placements with banks and other financial institutions		65,281	-
Financial investments available-for-sale	12	2,133,113	2,315,277
Financing and advances	13	5,839,819	4,295,722
Derivative financial assets	15	468	5,592
Other assets	16	56,190	94,596
Current tax assets		-	443
Statutory deposits with Bank Negara Malaysia		253,400	214,500
Property, plant and equipment		8,455	8,025
Deferred tax assets		829	1,435
Total assets		<u>9,419,227</u>	<u>6,959,277</u>
 LIABILITIES			
Deposits from customers	17	6,213,837	4,479,842
Deposits and placements of banks and other financial institutions	18	2,311,934	1,693,882
Bills and acceptances payable		13,406	14,795
Subordinated bond	19	200,000	200,000
Derivative financial liabilities	15	426	5,543
Other liabilities	20	95,369	93,439
Current tax liabilities and zakat		3,076	25
Total liabilities		<u>8,838,048</u>	<u>6,487,526</u>
 EQUITY			
Share capital		125,000	115,000
Reserves		456,179	356,751
Total equity		<u>581,179</u>	<u>471,751</u>
 Total liabilities and equity		 <u>9,419,227</u>	 <u>6,959,277</u>
 Commitments and contingencies	 28	 <u>1,480,617</u>	 <u>2,971,121</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 2012 and the accompanying explanatory notes on pages 5 to 22 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 SEPTEMBER 2013**

	Note	Quarter Ended		Year-To-Date Ended	
		30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Income derived from investment of depositors' funds and others	21	121,605	83,467	329,379	249,778
Income derived from investment of shareholder's funds	22	19,098	15,691	53,687	38,453
Impairment allowance on financing and advances	23	(15,104)	(9,976)	(37,894)	(30,486)
Total distributable income		125,599	89,182	345,172	257,745
Income attributable to depositors	24	(53,360)	(40,827)	(139,191)	(126,141)
Total net income		72,239	48,355	205,981	131,604
Operating expenses	25	(32,792)	(33,084)	(92,272)	(92,896)
Profit before income tax expense and zakat		39,447	15,271	113,709	38,708
Income tax expense	26	(8,422)	(2,797)	(23,642)	(8,435)
Zakat		(7)	(7)	(22)	(19)
Profit for the period		31,018	12,467	90,045	30,254
Other comprehensive income, net of income tax expense					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve:					
- Change in fair value		(485)	(290)	(8,063)	5,797
- Amount transferred to profit or loss		-	(18)	(6,093)	(673)
Income tax expense relating to components of other comprehensive income		121	77	3,539	(1,281)
Other comprehensive (expense)/income for the period, net of tax		(364)	(231)	(10,617)	3,843
Total comprehensive income for the period		30,654	12,236	79,428	34,097
Profit attributable to shareholder of the Bank		31,018	12,467	90,045	30,254
Total comprehensive income attributable to shareholder of the Bank		30,654	12,236	79,428	34,097
Basic earnings per ordinary share (sen)		25.43	11.72	76.76	32.65

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 2012 and the accompanying explanatory notes on pages 5 to 22 of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

	<i>Non-distributable</i>			<i>Distributable</i>	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Retained Earnings RM'000	
2013					
Balance at 1 January 2013	115,000	230,000	53,643	64,441	471,751
Fair value (available-for-sale) reserve					
- Change in fair value	-	-	-	(8,063)	(8,063)
- Amount transferred to profit or loss	-	-	-	(6,093)	(6,093)
Income tax expense relating to components of other comprehensive income	-	-	-	3,539	3,539
Other comprehensive expense for the period	-	-	-	(10,617)	(10,617)
Profit for the period	-	-	-	90,045	90,045
Total comprehensive income for the period	-	-	-	90,045	79,428
Issue of ordinary shares	10,000	20,000	-	-	30,000
Balance at 30 September 2013	125,000	250,000	53,643	154,486	581,179
2012					
Balance at 1 January 2012	85,000	170,000	30,596	41,394	331,292
Fair value (available-for-sale) reserve					
- Change in fair value	-	-	-	5,797	5,797
- Amount transferred to profit or loss	-	-	-	(673)	(673)
Income tax expense relating to components of other comprehensive income	-	-	-	(1,281)	(1,281)
Other comprehensive income for the period	-	-	-	3,843	3,843
Profit for the period	-	-	-	30,254	30,254
Total comprehensive income for the period	-	-	-	30,254	34,097
Issue of ordinary shares	30,000	60,000	-	-	90,000
Balance at 30 September 2012	115,000	230,000	30,596	71,648	455,389

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 2012 and the accompanying explanatory notes on pages 5 to 22 of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

	30 September 2013 RM'000	30 September 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense and zakat	113,709	38,708
<i>Adjustments for:</i>		
Net (gains)/losses from disposal of:		
- Financial investments available-for-sale	(6,093)	(673)
- Property, plant and equipment	48	16
Depreciation of property, plant and equipment	2,660	1,411
Impairment allowance on financing and advances	37,894	30,486
Unrealised loss on revaluation of derivatives	7	868
Operating profit before changes in working capital	<u>148,225</u>	<u>70,816</u>
<i>(Increase)/Decrease in Operating Assets:</i>		
Deposits and placements with banks and other financial institutions	(65,281)	-
Financing and advances	(1,581,991)	(846,684)
Derivative financial assets	5,124	7,801
Other assets	38,399	27,156
Statutory deposits with Bank Negara Malaysia	(38,900)	(41,100)
<i>Increase/(Decrease) in Operating Liabilities:</i>		
Deposits from customers	1,733,995	580,420
Deposits and placements of banks and other financial institutions	618,052	486,283
Bills and acceptances payable	(1,389)	(15,220)
Derivative financial liabilities	(5,117)	(7,795)
Other liabilities	1,939	16,182
CASH GENERATED FROM OPERATIONS	<u>853,056</u>	<u>277,859</u>
Income tax and zakat paid	(16,025)	(2,583)
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>837,031</u>	<u>275,276</u>
CASHFLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial investments available-for-sale	2,307,608	(4,718,251)
Acquisition of financial investments available-for-sale	(2,133,507)	4,141,208
Proceeds from disposal of property, plant and equipment	1,029	4
Acquisition of property, plant and equipment	(4,176)	(2,006)
NET CASH USED IN INVESTING ACTIVITIES	<u>170,954</u>	<u>(579,045)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of shares	<u>30,000</u>	<u>90,000</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,037,985	(213,769)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>23,687</u>	<u>412,739</u>
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	<u>1,061,672</u>	<u>198,970</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 2012 and the accompanying explanatory notes on pages 5 to 22 of these unaudited condensed interim financial statements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013**

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 RM90.0 million for the financial period ended 30 September 2013, an increase of RM59.8 million or 198% against the corresponding period last year. The increase was mainly due to higher net income of RM74.4 million or 57% and lower operating expenses of RM0.6m offset by higher tax of RM15.2 million.

Net income was higher mainly due to better net finance income of RM68.1 million, other operating income of RM13.7 million offset by higher impairment allowance of RM7.4 million.

Gross financing and advances increased by RM1.6 billion to RM5.9 billion as at 30 September 2013 while deposits from customers increased by RM1.7 billion to RM6.2 billion.

Strengthened by a capital injection of RM30 million on 30 July 2013, the Bank remains well capitalised with common equity Tier 1 and Tier 1 ratios of 9.842% and risk-weighted capital ratio of 13.838%.

3. ECONOMIC PERFORMANCE AND PROSPECTS

The 2014 National Budget focused on reinforcing the theme of fiscal responsibility and prudence amid the increased market scrutiny. Malaysia's GDP growth of 4.2% in the first half of this year cemented the view that the economic outlook is looking favourable for the rest of the year. Following the improvement of exports and the acceleration in the growth of the services sector which has kept the momentum going, the positive outlook should translate into a higher GDP forecast for the year 2014. Inflation is expected to remain at a fair level, although the introduction of Goods and Services Tax ("GST") may see a temporary spike in inflation rates despite many essential items being exempted from GST.

In line with the Government's aim to strengthen economic resilience as shared in the National Budget, the Bank will continue to cautiously ride on the momentum of the implementation of the Economic Transformation Programme, mainly on its corporate and SME portfolios, which form the largest contributor to its revenue base. The Bank targets to grow its market position in residential property financing, building on cross selling of wealth management services in retail banking, with plans to expand and create more branches to cater to customer needs. While investing in building capabilities and improving systems, the Bank will manage its expenses and the quality of its assets.

4. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial period ended 30 September 2013 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB").

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 2012. 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 2012.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)**

4. BASIS OF PREPARATION (continued)

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 2012, except for the adoption of the following MFRS and Amendments to MFRS that have been adopted during the current period:

- MFRS 3 Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
- MFRS 10 Consolidated Financial Statements
- MFRS 11 Joint Arrangements
- MFRS 12 Disclosure of Interest in Other Entities
- MFRS 13 Fair Value Measurement
- MFRS 119 Employee Benefits (IAS 19 as amended by IASB in June 2011)
- MFRS 127 Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in December 2003)
- MFRS 128 Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
- Amendments to MFRS 7, Financial Instruments: Disclosure - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134 contained in the documents entitled "Annual Improvements 2009 - 2011 Cycle"
- Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance

IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine is not applicable to the Bank as it is not relevant to the business of the Bank. The adoption of the MFRS, IC Interpretation and Amendments to MFRS above did not have any impact on the unaudited financial statements as they mainly help to clarify the requirements of or provide further explanations to existing MFRS.

The Bank has not applied the following MFRS, Issues Committee ("IC") Interpretation and Amendments to MFRS that have been issued by the MASB as they are not yet effective:

Effective for annual periods commencing on or after 1 January 2014

- Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
- Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
- Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
- Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 136, Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 Levies

Effective for annual periods commencing on or after 1 January 2015

- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)
- Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Date of MFRS 9 and Transition Disclosures

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)**

4. BASIS OF PREPARATION (continued)

The initial application of the above MFRS, IC Interpretation and Amendments to MFRS is not expected to have any material impact to the financial statements upon their first time adoption except for those discussed 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. 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 2012 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.

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 30 September 2013.

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 30 September 2013.

9. DEBT AND EQUITY SECURITIES

The Bank issued 10 million ordinary shares of RM1 each at RM3 per ordinary share to its holding company, OCBC Bank (Malaysia) Berhad, on 30 July 2013. There were no other issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the financial period ended 30 September 2013.

10. DIVIDEND

No dividend was paid in respect of the financial period ended 30 September 2013.

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)**12. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	30 September 2013 RM'000	31 December 2012 RM'000
At fair value		
Malaysian Government Investment Issues	1,254,858	1,559,531
Malaysian Government Debt Securities	23,283	112,078
Foreign Government Debt Securities	49,793	49,643
Bank Negara Malaysia Monetary Notes	-	49,824
Islamic Private Debt Securities	366,921	375,311
Islamic Negotiable Instruments of Deposit	363,275	163,893
Sanadat Mudharabah Cagamas	74,983	4,997
	<u>2,133,113</u>	<u>2,315,277</u>

13. FINANCING AND ADVANCES

	30 September 2013 RM'000	31 December 2012 RM'000
At amortised cost		
Term financing:		
- House financing	509,930	220,494
- Syndicated term financing	40,006	40,006
- Hire purchase receivables	770,408	653,077
- Other term financing	3,901,202	2,744,560
Bills receivable	45,643	51,823
Trust receipts	572	-
Revolving credit	1,132,332	915,648
Claims on customers under acceptance credits	226,932	226,072
Other financing	26,777	8,011
Less : Unearned income	(720,942)	(490,445)
Gross financing and advances	<u>5,932,860</u>	<u>4,369,246</u>
Allowance for financing and advances		
- Individual impairment	(39,411)	(32,333)
- Collective impairment	(53,630)	(41,191)
Net financing and advances	<u>5,839,819</u>	<u>4,295,722</u>
 (i) By concept		
Ijarah Thumma Al Bai	602,225	581,420
Bai' Bithaman Ajil	1,247,155	1,139,760
Bai' Inah	693,543	679,481
Murabahah	1,320,543	621,637
Ijarah Muntahiah Bi Al-Tamlik	1,690,361	976,952
Musharakah	282,663	259,301
Other principles	96,370	110,695
	<u>5,932,860</u>	<u>4,369,246</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)**13. FINANCING AND ADVANCES (continued)**

	30 September 2013 RM'000	31 December 2012 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions		
- Others	105,545	-
Domestic business enterprises		
- Small and medium enterprises	2,047,198	1,102,112
- Others	2,535,450	2,296,061
Individuals	1,178,304	935,176
Foreign entities	66,363	35,897
	<u>5,932,860</u>	<u>4,369,246</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	35,151	29,695
- Hire purchase receivables	602,225	581,420
- Other fixed rate financing	2,166,760	1,576,156
Variable rate		
- BFR plus	738,509	313,986
- Cost plus	2,390,215	1,867,989
	<u>5,932,860</u>	<u>4,369,246</u>
(iv) By sector		
Agriculture	223,829	291,934
Mining and quarrying	190,773	205,707
Manufacturing	1,259,430	983,050
Electricity, gas and water	58,310	71,723
Construction	216,801	128,037
Real Estate	1,012,286	890,045
Wholesale & retail trade and restaurants & hotels	910,741	421,720
Transport, storage and communication	210,538	148,964
Finance, insurance and business services	345,569	117,086
Community, social and personal services	227,110	110,647
Household		
- Purchase of residential properties	508,452	217,189
- Purchase of non-residential properties	27,867	12,577
- Others	676,246	711,234
Others	64,908	59,333
	<u>5,932,860</u>	<u>4,369,246</u>
(v) By geographical distribution		
Malaysia	5,501,082	3,959,786
Singapore	2,808	1,451
Other ASEAN	32,314	30,184
Rest of the world	396,656	377,825
	<u>5,932,860</u>	<u>4,369,246</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)****13. FINANCING AND ADVANCES (continued)**

	30 September 2013 RM'000	31 December 2012 RM'000
(vi) By residual contractual maturity		
Maturity within one year	1,640,535	1,338,966
One to five years	2,394,908	1,572,074
Over five years	1,897,417	1,458,206
	<u>5,932,860</u>	<u>4,369,246</u>

14. IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	30 September 2013 RM'000	31 December 2012 RM'000
Balance at 1 January	54,938	47,484
Impaired during the period / year	117,124	76,755
Reclassified as unimpaired	(12,328)	(13,021)
Amount recovered	(34,943)	(19,807)
Amount written off	(24,871)	(36,473)
Balance at 30 September / 31 December	<u>99,920</u>	<u>54,938</u>
Individual impairment allowance	(39,411)	(32,333)
Collective impairment allowance	(551)	(215)
Net impaired financing and advances	<u>59,958</u>	<u>22,390</u>

(i) By sector

Agriculture	527	597
Manufacturing	54,302	16,470
Construction	2,418	3,158
Wholesale & retail trade and restaurants & hotels	12,422	9,520
Transport, storage and communication	1,608	1,265
Finance, insurance and business services	2,702	2,457
Community, social and personal services	768	672
Household		
- Purchase of residential properties	1,621	2,507
- Others	23,552	18,050
Others	-	242
	<u>99,920</u>	<u>54,938</u>

(ii) By geographical distribution

Malaysia	<u>99,920</u>	<u>54,938</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 SEPTEMBER 2013 (continued)****14. IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance on financing and advances

	30 September 2013 RM'000	31 December 2012 RM'000
Individual impairment allowance		
Balance at 1 January	32,333	28,811
Made during the period / year	53,037	59,244
Amount written back	(20,968)	(20,294)
Amount written off	(24,872)	(35,428)
Financing income earned on impaired financing	(119)	-
Balance at 30 September / 31 December	<u>39,411</u>	<u>32,333</u>
Collective impairment allowance		
Balance at 1 January	41,191	31,564
Made during the period/year	12,439	9,627
Balance at 30 September / 31 December	<u>53,630</u>	<u>41,191</u>
As % of gross financing and advances less individual impairment allowance	<u>0.91%</u>	<u>0.95%</u>

15. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	<u>30 September 2013</u>			<u>31 December 2012</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	9,571	77	105	611,834	3,741	3,693
- Swaps	68,821	391	321	1,354,131	1,851	1,850
	<u>78,392</u>	<u>468</u>	<u>426</u>	<u>1,965,965</u>	<u>5,592</u>	<u>5,543</u>

16. OTHER ASSETS

	30 September 2013 RM'000	31 December 2012 RM'000
Profit receivable	13,786	20,056
Other receivables, deposits and prepayments	2,328	1,968
Shared service fees receivable from holding company	254	139
Amount due from holding company	39,822	72,433
	<u>56,190</u>	<u>94,596</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)****17. DEPOSITS FROM CUSTOMERS**

	30 September 2013 RM'000	31 December 2012 RM'000
(i) By type of deposit		
Non-Mudharabah Fund		
Demand deposits (Wadiah)	2,012,883	1,753,980
Savings deposits (Wadiah)	325,171	325,877
General investment deposits (Commodity Murabahah)	1,500,876	7,123
Negotiable instruments of deposit (Bai'Inah)	91,646	71,001
Structured investments (Wakalah)	41,126	41,126
Wakala short term deposits	1,159,031	153,646
	<u>5,130,733</u>	<u>2,352,753</u>
Mudharabah Fund		
General investment deposits	1,083,104	2,127,089
	<u>6,213,837</u>	<u>4,479,842</u>
(ii) By type of customer		
Government and statutory bodies	9,416	14,332
Business enterprises	3,313,453	2,556,394
Individuals	928,847	1,290,437
Foreign entities	29,894	20,852
Others	1,932,227	597,827
	<u>6,213,837</u>	<u>4,479,842</u>
(iii) By maturity structure		
Maturity within six months	5,739,865	3,968,677
Six months to one year	400,594	411,246
One year to three years	14,120	42,469
Three years to five years	9	76
Over five years	59,249	57,374
	<u>6,213,837</u>	<u>4,479,842</u>

18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2013 RM'000	31 December 2012 RM'000
Non-Mudharabah Fund		
Licensed banks	1,871,985	1,122,783
Mudharabah Fund		
Licensed banks	439,949	571,099
	<u>2,311,934</u>	<u>1,693,882</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 RM420 million (31 December 2012 : RM318 million) at profit rates ranging from 1.69% to 4.35% (2012: 1.92% to 4.31%) per annum.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (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 for the purpose of determining the capital adequacy ratio of the Bank up to a maximum of 50% of total Tier 1 capital.

20. OTHER LIABILITIES

	30 September 2013 RM'000	31 December 2012 RM'000
Profit payable	38,950	42,120
Other accruals and charges	45,716	45,178
Shared service fees payable to holding company	10,703	6,141
	<u>95,369</u>	<u>93,439</u>

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

	Quarter Ended		Year-To-Date Ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Income derived from investment of:				
(i) General investment deposits	36,856	35,945	104,201	115,359
(ii) Other funds	84,749	47,522	225,178	134,419
	<u>121,605</u>	<u>83,467</u>	<u>329,379</u>	<u>249,778</u>
(i) Income derived from investment of general investment deposits				
Finance income and hibah				
Financing and advances	29,175	26,615	81,516	82,535
Financing income earned on impaired financing	9	-	35	-
Financial investments available-for-sale	5,106	8,764	16,384	26,160
Deposits and placements with banks and other financial institutions	2,548	568	4,353	6,318
	<u>36,838</u>	<u>35,947</u>	<u>102,288</u>	<u>115,013</u>
Other operating income				
Net gain from sale of financial investments available-for-sale	-	7	1,846	304
Others	18	(9)	67	42
	<u>36,856</u>	<u>35,945</u>	<u>104,201</u>	<u>115,359</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)**21. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
(ii) Income derived from investment of other funds				
Finance income and hibah				
Financing and advances	67,087	35,186	176,229	96,378
Financing income earned on impaired financing	21	-	76	-
Financial investments available-for-sale	11,741	11,588	35,258	30,623
Deposits and placements with banks and other financial institutions	5,858	750	9,622	7,042
	<u>84,707</u>	<u>47,524</u>	<u>221,185</u>	<u>134,043</u>
Other operating income				
Net gain from sale of financial investments available-for-sale	-	10	3,850	333
Others	42	(12)	143	43
	<u>84,749</u>	<u>47,522</u>	<u>225,178</u>	<u>134,419</u>

22. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 September	30 September	30 September	30 September
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances	6,562	4,598	17,803	11,215
Financing income earned on impaired financing	2	-	8	-
Financial investments available-for-sale	1,149	1,515	3,571	3,573
Deposits and placements with banks and other financial institutions	573	98	961	778
	<u>8,286</u>	<u>6,211</u>	<u>22,343</u>	<u>15,566</u>
Other operating income				
Net gain from sale of financial investments available-for-sale	-	1	397	36
Others	4	(2)	14	4
Other trading income				
Net gain/(loss) on instruments held-for-trading				
- Foreign currency	261	(199)	245	1,884
- Trading derivatives	2,016	1,801	6,396	4,594
- Revaluation of derivatives	162	9	(7)	(868)
Fee and commission income				
Commission	5,684	3,018	13,591	9,301
Service charges and fees	2,685	4,852	10,708	7,936
	<u>19,098</u>	<u>15,691</u>	<u>53,687</u>	<u>38,453</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)****23. IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES**

	Quarter Ended		Year-To-Date Ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Individual impairment allowance				
- Made during the period	19,754	12,390	53,037	42,300
- Written back	(7,460)	(3,247)	(20,968)	(13,280)
Collective impairment allowance				
- Made during the period	5,069	3,216	12,439	7,670
Impaired financing recovered	(2,259)	(2,383)	(6,614)	(6,204)
	<u>15,104</u>	<u>9,976</u>	<u>37,894</u>	<u>30,486</u>

24. INCOME ATTRIBUTABLE TO DEPOSITORS

	Quarter Ended		Year-To-Date Ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Deposits from customers				
- Mudharabah Fund	9,619	25,391	41,659	80,247
- Non-Mudharabah Fund	28,284	8,016	59,810	23,725
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	2,674	2,571	9,073	10,521
- Non-Mudharabah Fund	10,035	2,109	20,496	3,488
Subordinated bond	2,748	2,740	8,153	8,160
	<u>53,360</u>	<u>40,827</u>	<u>139,191</u>	<u>126,141</u>

25. OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Establishment expenses				
Rental of premises	689	470	2,095	1,303
Depreciation of property, plant and equipment	857	433	2,660	1,411
Repair and maintenance	96	97	300	277
Information technology costs	8	(18)	(3)	21
Others	499	840	1,371	1,399
	<u>2,149</u>	<u>1,822</u>	<u>6,423</u>	<u>4,411</u>
Marketing expenses				
Transport and travelling	109	156	411	420
Advertising and business promotion	783	1,089	921	1,712
Others	40	13	78	39
	<u>932</u>	<u>1,258</u>	<u>1,410</u>	<u>2,171</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**- 30 SEPTEMBER 2013 (continued)****25. OPERATING EXPENSES (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
General administrative expenses				
Shared service fees to holding company	16,385	16,391	50,076	43,491
Transaction processing fees	5,439	4,310	14,281	12,376
Others	1,084	1,088	3,340	2,905
	<u>22,908</u>	<u>21,789</u>	<u>67,697</u>	<u>58,772</u>
Personnel expenses				
Wages, salaries and bonus	5,381	6,128	13,382	21,108
Employees Provident Fund contributions	858	1,038	2,065	3,748
Share-based expenses	30	54	72	164
Other personnel costs	534	995	1,223	2,522
	<u>6,803</u>	<u>8,215</u>	<u>16,742</u>	<u>27,542</u>
Operating expenses	<u>32,792</u>	<u>33,084</u>	<u>92,272</u>	<u>92,896</u>

26. INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 September 2013 RM'000	30 September 2012 RM'000	30 September 2013 RM'000	30 September 2012 RM'000
Malaysian income tax				
- Current period	7,695	4,060	22,908	10,425
- Overprovision in prior year	(3,411)	(1,472)	(3,411)	(1,472)
Deferred tax				
- Origination and reversal of temporary differences	1,634	(1,481)	1,641	(2,208)
- Underprovision in prior year	2,504	1,690	2,504	1,690
	<u>8,422</u>	<u>2,797</u>	<u>23,642</u>	<u>8,435</u>

27. CAPITAL COMMITMENTS

	30 September 2013 RM'000	31 December 2012 RM'000
Capital expenditure in respect of property, plant and equipment		
- Authorised and contracted for	725	2,875
- Authorised but not contracted for	8,992	10,834
	<u>9,717</u>	<u>13,709</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (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 are 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 September 2013				31 December 2012			
	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	44,489		44,489	48,180	12,424		12,424	22,502
Transaction-related contingent items	155,966		77,983	68,320	77,841		38,921	39,932
Short-term self-liquidating trade-related contingencies	61,477		12,295	6,489	43,590		8,718	5,957
Forward asset purchases	24,209		24,209	4,842	-		-	-
Foreign exchange related contracts								
- Less than one year	78,772	459	1,624	188	1,966,377	5,515	13,998	3,239
Formal standby facilities and credit lines								
- Maturity not exceeding one year	3,019		3,019	2,002	3,550		3,292	1,600
- Maturity exceeding one year	325,088		271,472	75,194	155,688		120,684	37,355
Other unconditionally cancellable commitments	787,597		3,929	2,523	711,651		3,732	1,713
	1,480,617	459	439,020	207,738	2,971,121	5,515	201,769	112,298

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (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 the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

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, plant 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 SEPTEMBER 2013 (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 Bank deems the fair value of financing and advances to approximate the carrying amount as substantially the financing and advances are subject to frequent re-pricing.

(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

The subordinated bond is carried at face value.

(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 values of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- 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
- 30 SEPTEMBER 2013 (continued)****29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
30 September 2013			
Financial assets			
Available-for-sale	1,465,430	667,683	2,133,113
Derivative financial assets	-	468	468
	1,465,430	668,151	2,133,581
Financial liabilities			
Derivative financial liabilities	7	419	426
31 December 2012			
Financial assets			
Available-for-sale	1,721,252	594,025	2,315,277
Derivative financial assets	10	5,582	5,592
	1,721,262	599,607	2,320,869
Financial liabilities			
Derivative financial liabilities	12	5,531	5,543

The Bank did not hold any Level 3 financial assets and liabilities nor was there any transfer to Level 3 in the fair value hierarchy.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)****30. CAPITAL ADEQUACY**

With effect from 1 January 2013, the capital ratios are computed in accordance with Bank Negara Malaysia'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 Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components).

Comparative figures are computed in accordance with Bank Negara Malaysia's Guidelines on Capital Adequacy Framework for Islamic Bank (CAFIB-Basel II) and have not been restated.

	Basel III 30 September 2013 RM'000
<u>Common Equity Tier 1 (CET1) capital</u>	
Paid-up share capital	125,000
Share premium	250,000
Retained earnings	64,441
Other reserves	53,643
Unrealised loss on financial investments available-for-sale	(1,951)
CET1 capital	491,133
Regulatory adjustment for CET1	(28,094)
Eligible CET1 / Tier 1 capital	<u>463,039</u>
<u>Tier 2 capital</u>	
Collective impairment allowance under the Standardised Approach*	8,030
Subordinated bond	180,000
Eligible Tier 2 capital	<u>188,030</u>
Capital base	<u>651,069</u>
* Excluding collective impairment allowance on impaired financing and advances	
<u>Before the effects of PSIA</u>	
CET1 / Tier 1 capital ratio	9.531%
Risk-weighted capital ratio	<u>13.402%</u>
<u>After the effects of PSIA</u>	
CET1 / Tier 1 capital ratio	9.842%
Risk-weighted capital ratio	<u>13.838%</u>

In accordance with Bank Negara Malaysia'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 30 September 2013, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM153 million (31 December 2012: RM171 million).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2013 (continued)****30. CAPITAL ADEQUACY (continued)**

	Basel II 31 December 2012 RM'000
<u>Tier 1 capital</u>	
Paid-up share capital	115,000
Share premium	230,000
Retained earnings	64,441
Other reserves	53,643
	<u>463,084</u>
Deferred tax adjustment	(4,324)
Eligible Tier 1 capital	<u>458,760</u>
 <u>Tier 2 capital</u>	
Collective impairment allowance under Standardised Approach*	7,302
Subordinated bond	200,000
Excess of Expected Loss over Eligible Provisions under the Internal Ratings Based approach	<u>(14,884)</u>
Eligible Tier 2 capital	<u>192,418</u>
 Capital base	<u>651,178</u>
 * Excluding the collective impairment allowance on impaired financing and advances	
 <u>Before the effects of PSIA</u>	
Tier 1 capital ratio	10.324%
Risk-weighted capital ratio	<u>14.654%</u>
 <u>After the effects of PSIA</u>	
Tier 1 capital ratio	10.736%
Risk-weighted capital ratio	<u>15.240%</u>

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

	30 September 2013 RM'000	31 December 2012 RM'000
Credit risk	4,292,940	3,946,171
Market risk	3,036	8,764
Operational risk	408,920	318,011
	<u>4,704,896</u>	<u>4,272,946</u>