

Company No. 295400-W

**OCBC BANK (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)  
**and its subsidiaries**

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

Domiciled in Malaysia  
Registered office:  
18 Jalan Tun Perak  
50050 Kuala Lumpur

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD  
ENDED 30 SEPTEMBER 2012**

<b>CONTENTS</b>	<b>PAGE</b>
STATEMENTS OF FINANCIAL POSITION	2 - 3
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4 - 5
STATEMENTS OF CHANGES IN EQUITY	6 - 7
STATEMENTS OF CASH FLOWS	8 - 9
EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	10 - 51

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012**

<b>Group</b>		<b>30 September</b>	<b>31 December</b>	<b>1 January</b>
<b>Assets</b>	Note	<b>2012</b>	<b>2011</b>	<b>2011</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents		6,914,422	7,759,574	11,004,041
Deposits and placements with banks and other financial institutions		3,078,483	1,868,584	1,935,632
Financial assets held-for-trading	13	1,101,865	466,302	505,657
Financial investments available-for-sale	14	11,446,745	9,602,189	5,964,308
Loans, advances and financing	15	46,492,413	42,368,410	35,299,340
Derivative financial assets	17	705,883	617,269	499,772
Other assets	18	307,994	244,435	203,813
Statutory deposits with Bank Negara Malaysia		1,602,092	1,400,992	79,342
Property, plant and equipment		244,036	207,905	210,647
Prepaid lease payments		937	964	1,000
Investment properties		13,163	16,439	20,731
Non-current assets held for sale		2,758	-	-
Deferred tax assets		5,844	23,502	7,909
Current tax assets		-	558	54,063
<b>Total assets</b>		<b>71,916,635</b>	<b>64,577,123</b>	<b>55,786,255</b>
<b>Liabilities</b>				
Deposits from customers	19	57,212,723	48,934,661	43,236,933
Deposits and placements of banks and other financial institutions	20	5,223,747	7,411,880	5,013,388
Bills and acceptances payable		406,311	351,990	281,944
Recourse obligation on loans sold to Cagamas Berhad		26,135	65,611	329,988
Subordinated term loan/bonds	21	2,108,845	1,514,672	1,504,132
Derivative financial liabilities	17	633,051	489,637	485,177
Other liabilities	22	1,113,298	878,751	472,329
Current tax liabilities and zakat		132,390	89,498	-
<b>Total Liabilities</b>		<b>66,856,500</b>	<b>59,736,700</b>	<b>51,323,891</b>
<b>Equity</b>				
Share capital		291,500	291,500	291,500
Reserves		4,768,635	4,548,923	4,170,864
<b>Total equity</b>		<b>5,060,135</b>	<b>4,840,423</b>	<b>4,462,364</b>
<b>Total liabilities and equity</b>		<b>71,916,635</b>	<b>64,577,123</b>	<b>55,786,255</b>
<b>Commitments and contingencies</b>	32	<b>93,014,843</b>	<b>77,924,155</b>	<b>64,496,086</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 51 of these unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012 (continued)**

<b>Bank</b>	Note	<b>30 September 2012 RM'000</b>	<b>31 December 2011 RM'000</b>	<b>1 January 2011 RM'000</b>
<b>Assets</b>				
Cash and cash equivalents		7,121,538	7,589,329	10,616,038
Deposits and placements with banks and other financial institutions		3,398,134	2,144,699	2,235,614
Financial assets held-for-trading	13	1,101,865	466,302	505,657
Financial investments available-for-sale	14	9,032,159	7,768,300	4,904,779
Loans, advances and financing	15	42,486,902	39,179,097	32,799,446
Derivative financial assets	17	705,757	616,021	492,132
Other assets	18	504,165	431,709	395,030
Statutory deposits with Bank Negara Malaysia		1,401,592	1,241,592	52,592
Investments in subsidiary companies		346,611	256,611	256,611
Property, plant and equipment		237,369	201,813	202,825
Prepaid lease payments		937	964	1,000
Investment properties		13,163	16,439	20,731
Non-current assets held for sale		2,758	-	-
Deferred tax assets		3,607	20,677	3,119
Current tax assets		-	-	52,703
<b>Total assets</b>		<b>66,356,557</b>	<b>59,933,553</b>	<b>52,538,277</b>
<b>Liabilities</b>				
Deposits from customers	19	52,255,444	44,555,869	40,381,661
Deposits and placements of banks and other financial institutions	20	4,856,550	7,323,838	4,734,425
Bills and acceptances payable		384,981	315,440	270,837
Recourse obligation on loans sold to Cagamas Berhad		26,135	65,611	329,988
Subordinated term loan/bonds	21	2,108,845	1,514,672	1,504,132
Derivative financial liabilities	17	632,939	488,409	477,549
Other liabilities	22	1,024,195	825,305	440,166
Current tax liabilities and zakat		126,540	89,478	-
<b>Total Liabilities</b>		<b>61,415,629</b>	<b>55,178,622</b>	<b>48,138,758</b>
<b>Equity</b>				
Share capital		291,500	291,500	291,500
Reserves		4,649,428	4,463,431	4,108,019
<b>Total equity</b>		<b>4,940,928</b>	<b>4,754,931</b>	<b>4,399,519</b>
<b>Total liabilities and equity</b>		<b>66,356,557</b>	<b>59,933,553</b>	<b>52,538,277</b>
<b>Commitments and contingencies</b>	32	<b>93,014,843</b>	<b>76,075,749</b>	<b>63,390,651</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 51 of these unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

<b>Group</b>	Note	<b>Quarter ended</b>		<b>Year to date ended</b>	
		30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Interest income	23	706,224	635,213	2,052,410	1,779,899
Interest expense	23	(395,122)	(323,805)	(1,130,601)	(870,175)
Net interest income	23	311,102	311,408	921,809	909,724
Income from Islamic banking operations	24	58,921	43,938	161,982	119,883
Net fee and commission income	25	58,845	65,798	212,694	207,518
Net trading income	26	43,398	9,258	166,589	93,067
Other operating income	27	15,268	8,507	50,869	42,526
<b>Operating income</b>		<b>487,534</b>	<b>438,909</b>	<b>1,513,943</b>	<b>1,372,718</b>
Personnel and operating expenses	28	(222,191)	(197,798)	(616,017)	(544,226)
<b>Operating profit before allowance for impairment loss and provision</b>		<b>265,343</b>	<b>241,111</b>	<b>897,926</b>	<b>828,492</b>
Reversal of provision for commitment and contingencies		2,895	-	2,895	-
Impairment allowance on loans, advances and financing	29	(28,022)	(31,188)	(67,016)	(89,078)
Reversal of impairment allowance on investment properties		341	1,703	1,642	1,703
<b>Profit before income tax expense and zakat</b>		<b>240,557</b>	<b>211,626</b>	<b>835,447</b>	<b>741,117</b>
Income tax expense	30	(61,112)	(53,074)	(210,402)	(182,083)
Zakat		(7)	(5)	(19)	(15)
<b>Profit for the period</b>		<b>179,438</b>	<b>158,547</b>	<b>625,026</b>	<b>559,019</b>
<b>Other comprehensive income, net of income tax expense</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value (available-for-sale) reserve					
- Change in fair value		3,703	(11,817)	40,581	(2,050)
- Amount transferred to profit or loss		(9,005)	(3,874)	(38,436)	(14,419)
Income tax expense relating to components of other comprehensive income		1,306	821	(1,241)	627
<b>Other comprehensive (expense)/income for the period, net of income tax expense</b>		<b>(3,996)</b>	<b>(14,870)</b>	<b>904</b>	<b>(15,842)</b>
<b>Total comprehensive income for the period</b>		<b>175,442</b>	<b>143,677</b>	<b>625,930</b>	<b>543,177</b>
<b>Profit attributable to shareholder of the Bank</b>		<b>179,438</b>	<b>158,547</b>	<b>625,026</b>	<b>559,019</b>
<b>Total comprehensive income attributable to shareholder of the Bank</b>		<b>175,442</b>	<b>143,677</b>	<b>625,930</b>	<b>543,177</b>
<b>Basic earnings per ordinary share (sen)</b>		<b>59.2</b>	<b>52.0</b>	<b>211.1</b>	<b>188.2</b>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 51 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012 (continued)**

<b>Bank</b>	Note	<b>Quarter ended</b>		<b>Year to date ended</b>	
		30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
Interest income	23	717,241	640,953	2,073,035	1,798,366
Interest expense	23	(406,143)	(329,551)	(1,151,242)	(888,660)
Net interest income	23	311,098	311,402	921,793	909,706
Net fee and commission income	25	58,845	65,798	212,694	207,518
Net trading income	26	43,398	9,258	166,589	93,067
Other operating income	27	31,707	21,667	94,441	79,882
<b>Operating income</b>		445,048	408,125	1,395,517	1,290,173
Personnel and operating expenses	28	(205,870)	(180,608)	(567,539)	(500,352)
<b>Operating profit before allowance for impairment loss and provision</b>		239,178	227,517	827,978	789,821
Reversal of provision for commitment and contingencies		2,895	-	2,895	-
Impairment allowance on loans, advances and financing	29	(18,046)	(25,310)	(36,530)	(74,087)
Reversal of impairment allowance on investment properties		341	1,703	1,642	1,703
<b>Profit before income tax expense and zakat</b>		224,368	203,910	795,985	717,437
Income tax expense	30	(58,150)	(51,052)	(201,814)	(175,877)
<b>Profit for the period</b>		166,218	152,858	594,171	541,560
<b>Other comprehensive income, net of income tax expense</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value (available-for-sale) reserve					
- Change in fair value		3,241	(12,381)	35,124	(3,346)
- Amount transferred to profit or loss		(7,604)	(2,287)	(37,035)	(10,695)
Income tax expense relating to components of other comprehensive income		1,254	565	(45)	176
<b>Other comprehensive expense for the period, net of income tax expense</b>		(3,109)	(14,103)	(1,956)	(13,865)
<b>Total comprehensive income for the period</b>		163,109	138,755	592,215	527,695
<b>Profit attributable to shareholder of the Bank</b>		166,218	152,858	594,171	541,560
<b>Total comprehensive income attributable to shareholder of the Bank</b>		163,109	138,755	592,215	527,695
<b>Basic earnings per ordinary share (sen)</b>		54.7	50.0	200.4	182.1

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
<b>Group</b>							
Balance at 1 January 2012	291,500	858,500	352,596	56,619	131,078	3,150,130	4,840,423
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	40,581	-	40,581
- Amount transferred to profit or loss	-	-	-	-	(38,436)	-	(38,436)
Income tax expense relating to components of other comprehensive income	-	-	-	-	(1,241)	-	(1,241)
Other comprehensive income for the period	-	-	-	-	904	-	904
Profit for the period	-	-	-	-	-	625,026	625,026
Total comprehensive income for the period	-	-	-	-	904	625,026	625,930
Dividends paid on ordinary shares in respect of:							
- Final 2011	-	-	-	-	-	(323,438)	(323,438)
- Interim 2012	-	-	-	-	-	(64,687)	(64,687)
Dividends to preference shareholders	-	-	-	-	-	(18,093)	(18,093)
Balance at 30 September 2012	<u>291,500</u>	<u>858,500</u>	<u>352,596</u>	<u>56,619</u>	<u>131,982</u>	<u>3,368,938</u>	<u>5,060,135</u>
Balance at 1 January 2011	291,500	858,500	330,660	56,619	125,915	2,799,170	4,462,364
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	(2,050)	-	(2,050)
- Amount transferred to profit or loss	-	-	-	-	(14,419)	-	(14,419)
Income tax expense relating to components of other comprehensive income	-	-	-	-	627	-	627
Other comprehensive expense for the period	-	-	-	-	(15,842)	-	(15,842)
Profit for the period	-	-	-	-	-	559,019	559,019
Total comprehensive (loss)/ income for the period	-	-	-	-	(15,842)	559,019	543,177
Transfer to statutory reserve	-	-	11,922	-	-	(11,922)	-
Dividends paid on ordinary shares in respect of:							
- Final 2010	-	-	-	-	-	(323,437)	(323,437)
- Interim 2011	-	-	-	-	-	(64,688)	(64,688)
Dividends to preference shareholders	-	-	-	-	-	(18,040)	(18,040)
Balance at 30 September 2011	<u>291,500</u>	<u>858,500</u>	<u>342,582</u>	<u>56,619</u>	<u>110,073</u>	<u>2,940,102</u>	<u>4,599,376</u>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**  
**(continued)**

	<i>Non-distributable</i>			<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
<b>Bank</b>						
Balance at 1 January 2012	291,500	858,500	322,000	128,533	3,154,398	4,754,931
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	35,124	-	35,124
- Amount transferred to profit or loss	-	-	-	(37,035)	-	(37,035)
Income tax expense relating to components of other comprehensive income	-	-	-	(45)	-	(45)
Other comprehensive expense for the period	-	-	-	(1,956)	-	(1,956)
Profit for the period	-	-	-	-	594,171	594,171
Total comprehensive (expense)/ income for the period	-	-	-	(1,956)	594,171	592,215
Dividends paid on ordinary shares in respect of:						
- Final 2011	-	-	-	-	(323,438)	(323,438)
- Interim 2012	-	-	-	-	(64,687)	(64,687)
Dividends to preference shareholders	-	-	-	-	(18,093)	(18,093)
Balance at 30 September 2012	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>126,577</u>	<u>3,342,351</u>	<u>4,940,928</u>
Balance at 1 January 2011	291,500	858,500	322,000	124,058	2,803,461	4,399,519
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	(3,346)	-	(3,346)
- Amount transferred to profit or loss	-	-	-	(10,695)	-	(10,695)
Income tax expense relating to components of other comprehensive income	-	-	-	176	-	176
Other comprehensive expense for the period	-	-	-	(13,865)	-	(13,865)
Profit for the period	-	-	-	-	541,560	541,560
Total comprehensive (expense)/ income for the period	-	-	-	(13,865)	541,560	527,695
Dividends paid on ordinary shares in respect of:						
- Final 2010	-	-	-	-	(323,437)	(323,437)
- Interim 2011	-	-	-	-	(64,688)	(64,688)
Dividends to preference shareholders	-	-	-	-	(18,040)	(18,040)
Balance at 30 September 2011	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>110,193</u>	<u>2,938,856</u>	<u>4,521,049</u>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

	<b>Group</b>		<b>Bank</b>	
	Year to date ended		Year to date ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Cash flows from operating activities</b>				
Profit before income tax expense and zakat	835,447	741,117	795,985	717,437
Adjustments for:				
Net gains from disposal of:				
- Financial investments available-for-sale	(37,035)	(12,633)	(37,035)	(12,633)
- Property, plant and equipment	(5,476)	(969)	(5,476)	(969)
Dividends on financial investments available-for-sale	(658)	(657)	(658)	(657)
Depreciation of property, plant and equipment	28,780	27,936	27,369	26,004
Depreciation of investment properties	162	660	162	660
Amortisation of prepaid lease payments	27	27	27	27
Reversal of impairment allowance				
on investment properties	(1,642)	(1,703)	(1,642)	(1,703)
Impairment allowance on loans, advances and financing	67,016	89,078	36,530	74,087
Reversal of provision for commitment and contingencies	(2,895)	-	(2,895)	-
Equity compensation benefits	4,579	6,400	4,415	6,243
Unrealised gains/(losses) on revaluation of:				
- Financial assets held-for-trading	3,270	11,263	3,270	11,263
- Trading derivatives	41,785	(40,723)	41,785	(40,723)
- Hedging derivatives	(70)	815	(70)	815
Operating profit before changes in working capital	933,290	820,611	861,767	779,851
<i>(Increase)/Decrease in operating assets and Increase/(Decrease) in operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(1,209,899)	80,965	(1,253,435)	201,645
Financial assets held-for-trading	(638,833)	21,568	(638,833)	21,568
Loans, advances and financing	(4,191,019)	(6,062,075)	(3,344,335)	(5,790,061)
Other assets	(63,559)	(19,505)	(72,456)	(22,132)
Statutory deposits with Bank Negara Malaysia	(201,100)	(918,250)	(160,000)	(804,000)
Derivative financial assets and liabilities	2,108	(9,020)	2,102	(9,067)
Deposits from customers	8,278,062	3,919,735	7,699,575	2,888,311
Deposits and placements of banks and other financial institutions	(2,188,133)	3,502,159	(2,467,288)	3,637,061
Bills and acceptances payable	54,321	74,538	69,541	55,869
Recourse obligation on loans sold to Cagamas Berhad	(39,476)	(22,805)	(39,476)	(22,805)
Other liabilities	168,235	88,608	132,742	98,840
<b>Cash generated from operations</b>	903,997	1,476,529	789,904	1,035,080
Income tax and zakat paid	(150,311)	(131,408)	(147,727)	(127,978)
<b>Net cash generated from operating activities</b>	753,686	1,345,121	642,177	907,102

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012 (continued)**

	<b>Group</b>		<b>Bank</b>	
	Year to date ended		Year to date ended	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Cash flows from investing activities</b>				
Proceeds from disposal of financial investments available-for-sale (net)	12,211,423	5,287,445	8,647,099	3,804,664
Acquisition of financial investments available-for-sale (net)	(14,011,674)	(8,592,082)	(9,870,466)	(6,485,534)
Acquisition of property, plant and equipment	(90,321)	(17,187)	(88,315)	(16,924)
Proceeds from disposal of property, plant and equipment	29,258	1,136	29,238	1,132
Proceeds from disposal of investment properties	-	1,760	-	1,760
Proceeds from disposal of non-current assets held for sale	3,626	-	3,626	-
Dividends received from financial investments available-for-sale	658	657	658	657
Investments in subsidiary companies	-	-	(90,000)	-
<b>Net cash used in investing activities</b>	<b>(1,857,030)</b>	<b>(3,318,271)</b>	<b>(1,368,160)</b>	<b>(2,694,245)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to preference shareholders	(18,093)	(18,040)	(18,093)	(18,040)
Dividends paid to shareholder of the Bank	(323,438)	(323,437)	(323,438)	(323,437)
Proceed from subordinated term loan/bonds (net)	599,723	-	599,723	-
<b>Net cash used in financing activities</b>	<b>258,192</b>	<b>(341,477)</b>	<b>258,192</b>	<b>(341,477)</b>
<b>Net increase in cash and cash equivalents</b>	<b>(845,152)</b>	<b>(2,314,627)</b>	<b>(467,791)</b>	<b>(2,128,620)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>7,759,574</b>	<b>11,004,041</b>	<b>7,589,329</b>	<b>10,616,038</b>
<b>Cash and cash equivalents at end of the period</b>	<b>6,914,422</b>	<b>8,689,414</b>	<b>7,121,538</b>	<b>8,487,418</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 51 of these unaudited condensed interim financial statements.*

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012**

**1 GENERAL INFORMATION**

The principal activities of the Group and of the Bank are banking and other related financial services which also include Islamic Banking ("IB") business. The subsidiaries of the Bank are principally engaged in the businesses of IB, lease financing and the provision of nominee services. There were no significant changes to these activities during the financial period.

The condensed interim financial statements of the Group as at and for the period ended 30 September 2012 comprise the Bank and its subsidiary companies (together referred to as the Group).

**2 REVIEW OF PERFORMANCE OF THE GROUP**

The Bank and its subsidiaries ("Group") recorded a net profit of RM625 million for the first nine months of 2012, registering an increase of RM66 million or 12% against the corresponding period for 2011. The increase in net profit was mainly due to the higher operating profits of RM69 million or 8% to RM898 million and decreased impairment allowances on loans, advances and financing by RM22 million or 25% to RM67 million.

Total operating income for the Group grew by RM141 million or 10%, rising to RM1.5 billion. Net interest income increased by RM12 million. Islamic banking income continued to grow steadily by RM42 million or 35% to RM162 million. Net trading income grew by 79% to RM167 million principally contributed by gains on foreign exchange which grew by RM62 million and gains on financial assets held-for-trading by RM23 million respectively; but this was offset by lower gains on trading derivatives by RM11 million. Operating expenses for the Group rose by RM72 million or 13% to RM616 million from increased investment in headcount and branch expansion to support business reach and expansion.

Individual and collective impairment allowances for the Group declined by RM5 million and RM21 million respectively.

Gross loans outstanding grew by RM4.1 billion to RM47 billion in the first nine months of 2012. Asset quality improved with net impaired loans, advances and financing as a percentage of gross loans, advances and financing reducing from 1.80% in December 2011 to 1.58% in September 2012.

Shareholders' funds strengthened to RM5.1 billion while the Group's and Bank's risk weighted capital ratio as at 30 September 2012 stood at 16.62% and 16.78% respectively.

**3 ECONOMIC PERFORMANCE AND PROSPECTS**

The Malaysian economic outlook remains relatively sanguine, with the government projecting the country's GDP growth to sustain at 4.5% to 5.5% for 2012, mainly attributable to strong domestic demand. Private and public consumption are projected to expand by 4.2% in 2012. The recent 2013 Budget announcement is likely to boost market confidence, cutting the deficit to 4% of GDP in 2013 and further to 3% by 2015. Despite the planned deficit in Budget 2013, inflation is not expected to pose a significant challenge, hovering between 2% and 3% in 2013.

The government continued focus on improving competitiveness and labour productivity, growing the SMEs (under the SME Masterplan), and promoting Malaysia as an Oil and Gas Hub will create more opportunities for the Bank to grow SME businesses and corporate loans in selected industries. The Bank will continue to increase its wealth business and consumer lending with an aim to boost fee-based income as well as its stable retail portfolio. Amid the uncertain and rapid changing global outlook, the Bank will continue to preserve its asset quality and further strengthen its capital.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)**

**4 BASIS OF PREPARATION**

The unaudited condensed interim financial statements of the Group and the Bank for the period ended 30 September 2012 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and IAS 34, *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

The Group's and the Bank's unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. The explanatory notes attached in the unaudited condensed 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 Group and the Bank since the financial year ended 31 December 2011.

Since the previous annual audited financial statements as at 31 December 2011 were issued, the Group and the Bank have adopted the MFRS framework issued by the MASB with effect from 1 January 2012 in preparing the unaudited condensed interim financial statements. The MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the IASB. Whilst all FRS issued under the previous FRS framework were equivalent to the MFRS issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain FRS. An explanation of how the transition to MFRS has affected the reported financial position, financial performance and cash flows of the Group and the Bank is provided in Note 34.

The following MFRS, IC Interpretation and Amendments to MFRS have been adopted by the Group during the current period:

IC Interpretation 19      Extinguishing Financial Liabilities with Equity Instruments  
Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to MFRS 1)  
Disclosures - Transfers of Financial Assets (Amendments to MFRS 7)  
Deferred tax: Recovery of Underlying Assets (Amendments to MFRS 112)

The Group and the Bank have early adopted the Amendments to MFRS 101, Presentation of Financial Statements which is originally effective for annual periods beginning on or after 1 July 2012.

The early adoption of the MFRS, IC Interpretation and Amendments to MFRS above did not have any financial impact on the Group and the Bank as they mainly help to clarify the requirements of or provide further explanations to existing MFRS.

The Group and the Bank have not applied the following MFRS, Amendments to MFRS and IC Interpretations that have been issued by the MASB as they are not yet effective:

Effective for annual periods commencing on or after 1 January 2013

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (as amended by the IASB in June 2011)
MFRS 127	Separate Financial Statements (as amended by the IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (as amended by the IASB in May 2011)
Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)	
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by the IASB in March 2004)

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)**

**4 BASIS OF PREPARATION (continued)**

The Group and the Bank have not applied the following MFRS and Amendments to MFRS and IC Interpretations have been issued by the MASB as they are not yet effective (continued):

Effective for annual periods commencing on or after 1 January 2013 (continued)

Amendments to MFRSs contained in the documents entitled "Annual Improvements 2009 - 2011 Cycle" Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities:

Transition Guidance (Amendments to MFRS 10, MFRS 11 and MFRS 12)

MFRS 127 Consolidated and Separate Financial Statements (IAS 27 Consolidated and Separate Financial Statements revised by IASB in December 2003)

Effective for annual periods commencing on or after 1 January 2014

Offsetting Financial Assets and Financial Liabilities (Amendment to MFRS 132)

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)

The financial effects of the above MFRS and Amendments to MFRS are still being assessed due to the complexity of these new MFRS and Amendments to MFRS, and their proposed changes.

Except as described below, the accounting policies applied by the Group and the Bank in these unaudited condensed interim financial statements are the same as those applied by the Group and the Bank in its consolidated annual financial statements as at and for the year ended 31 December 2011.

(i) Impairment of loans, advances and financing

With effect from 1 January 2012, the Group and the Bank have ceased to maintain collective impairment allowance of at least 1.5% of total outstanding loans, advances and financing, net of individual impairment allowance in line with the transitional provision pursuant to Bank Negara Malaysia (BNM) Guidelines on Classification and Impairment Provisions for Loans/Financing.

With effect from 1 January 2012, the Group and the Bank have adopted MFRS 139, *Financial Instruments: Recognition and Measurement* on collective impairment allowance. Under MFRS 139, financial assets that have not been individually assessed are grouped together and collectively assessed for impairment allowance. These financial assets are grouped according to their credit risk characteristics for purposes of calculating an estimated collective allowance.

This change in accounting policy has been accounted for retrospectively as disclosed in Note 34.

**5 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditor's report on the financial statements for the financial year ended 31 December 2011 was not qualified.

**6 SEASONAL OR CYCLICAL FACTORS**

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)**

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 30 September 2012.

**8 CHANGES IN ACCOUNTING ESTIMATES**

There were no material changes in estimates of amounts reported that have a material effect on the unaudited condensed interim financial statements for the financial period ended 30 September 2012.

**9 DEBT AND EQUITY SECURITIES**

The Bank has further subscribed to 30 million ordinary shares of RM1 each at RM3 per ordinary share issued by its subsidiary, OCBC Al-Amin Bank, on 23 July 2012.

On 15 August 2012, the Bank has issued redeemable subordinated bonds of RM600 million on 10 years non-callable 5 years bonds at a coupon rate of 4.00% per annum as disclose in Note 21.

There were no other issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 September 2012.

**10 DIVIDEND**

Since the end of the previous financial year, the Bank paid :

- (i) A net cash dividend of 4.51% (on issue price) amounting to RM9.0 million was paid to preference shareholders on 20 March 2012;
- (ii) A final gross dividend of 150.0 sen per ordinary share less tax at 25% amounting to RM323.44 million was paid on 2 May 2012 in respect of the financial year ended 31 December 2011;
- (iii) A net cash dividend of 4.51% (on issue price) amounting to RM9.0 million was paid to preference shareholders on 20 September 2012; and
- (iv) An interim gross dividend of 30.0 sen per ordinary share less tax at 25% amounting to RM64.69 million was paid to the ordinary shareholders on 4 October 2012 in respect of the current financial period 2012.

**11 SUBSEQUENT EVENTS**

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

**12 CHANGES IN THE COMPOSITION OF THE GROUP**

There were no significant changes in the composition of the Group during the financial period ended 30 September 2012.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****13 FINANCIAL ASSETS HELD-FOR-TRADING**

	<b>Group</b>		<b>Bank</b>	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
<u>At fair value</u>	RM'000	RM'000	RM'000	RM'000
Malaysian Government treasury bills	19,866	9,969	19,866	9,969
Malaysian Government securities	240,040	133,346	240,040	133,346
Government investment certificates	312,928	15,687	312,928	15,687
Bank Negara Malaysia monetary notes	339,846	-	339,846	-
Private debt securities	175,358	296,266	175,358	296,266
Quoted shares in Malaysia	13,827	11,034	13,827	11,034
	<u>1,101,865</u>	<u>466,302</u>	<u>1,101,865</u>	<u>466,302</u>

**14 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>Group</b>		<b>Bank</b>	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
<u>At fair value</u>	RM'000	RM'000	RM'000	RM'000
Malaysian Government securities	2,938,090	3,054,048	2,938,090	3,054,048
Government investment certificate	1,717,949	1,760,443	387,929	743,759
Bank Negara Malaysia monetary notes	1,123,657	646,125	1,024,372	546,249
Private debt securities	2,733,195	2,377,853	2,130,187	1,944,761
Negotiable instruments of deposit	2,764,925	1,643,050	2,382,652	1,358,813
Foreign Government debt securities	44,977	-	44,977	-
Quoted shares outside Malaysia	15,228	11,946	15,228	11,946
Unquoted shares in Malaysia	108,546	108,546	108,546	108,546
Debentures	190	190	190	190
	<u>11,446,757</u>	<u>9,602,201</u>	<u>9,032,171</u>	<u>7,768,312</u>
Impairment allowance:				
- Debentures	(12)	(12)	(12)	(12)
	<u>11,446,745</u>	<u>9,602,189</u>	<u>9,032,159</u>	<u>7,768,300</u>

Movements in impairment allowance for financial investments available-for-sale

	<b>Group</b>		<b>Bank</b>	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Balance at 1 January	12	121	12	121
Reversal of impairment allowance	-	(109)	-	(109)
Balance at 30 September/31 December	<u>12</u>	<u>12</u>	<u>12</u>	<u>12</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****15 LOANS, ADVANCES AND FINANCING**

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
<u>At amortised cost</u>				
(i) By type				
Overdrafts	4,036,264	3,840,440	3,114,567	2,973,679
Term loans/financing:				
- Housing loans/financing	14,850,445	12,472,884	14,660,513	12,310,453
- Syndicated term loans/financing	2,771,373	2,893,114	2,590,707	2,691,712
- Hire purchase receivables	636,482	624,920	55	72
- Lease receivables	74	294	74	294
- Other term loans	18,949,258	17,197,367	17,556,433	16,276,746
Credit/charge card receivables	421,660	413,884	421,660	413,884
Bills receivable	453,946	1,446,312	437,624	1,415,809
Trust receipts	32,565	44,481	32,565	44,481
Claims on customers under acceptance credits	2,019,991	1,891,209	1,778,921	1,687,484
Loans to banks and other financial institutions	149,566	179,854	149,566	179,854
Revolving credit	2,853,806	1,965,861	1,950,401	1,371,973
Staff loans	99,767	106,836	99,767	106,836
Other loans	402,524	448,566	388,840	418,956
	<u>47,677,721</u>	<u>43,526,022</u>	<u>43,181,693</u>	<u>39,892,233</u>
Less: Unearned interest and income	(420,685)	(384,207)	(1)	(106)
Gross loans, advances and financing	<u>47,257,036</u>	<u>43,141,815</u>	<u>43,181,692</u>	<u>39,892,127</u>
Allowance for loans, advances and financing:				
- Individual impairment	(265,862)	(318,091)	(235,263)	(289,280)
- Collective impairment	(498,761)	(455,314)	(459,527)	(423,750)
Net loans, advances and financing	<u>46,492,413</u>	<u>42,368,410</u>	<u>42,486,902</u>	<u>39,179,097</u>
(ii) By type of customer				
Domestic non-bank financial institutions	257,743	521,383	257,743	521,383
Domestic business enterprises:				
- Small medium enterprises	8,727,716	7,098,872	7,908,704	6,519,800
- Others	18,236,541	17,245,616	15,882,398	15,392,580
Individuals	19,464,883	16,769,545	18,567,740	15,968,785
Other domestic entities	511	646	511	646
Foreign entities	569,642	1,505,753	564,596	1,488,933
	<u>47,257,036</u>	<u>43,141,815</u>	<u>43,181,692</u>	<u>39,892,127</u>



**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****15 LOANS, ADVANCES AND FINANCING (continued)**

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
(iii) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	492,425	513,431	444,678	475,784
- Hire purchase receivables	579,421	567,861	72	72
- Other fixed rate loans/financing	2,849,377	3,022,988	1,407,820	1,730,365
Variable rate				
- BLR plus	28,554,087	26,546,536	28,318,683	26,373,222
- Cost-plus	14,120,801	11,849,960	12,349,514	10,671,645
- Other variable rates	660,925	641,039	660,925	641,039
	<u>47,257,036</u>	<u>43,141,815</u>	<u>43,181,692</u>	<u>39,892,127</u>
(iv) By sector				
Agriculture, hunting and related activities	2,660,425	2,228,595	2,246,242	1,864,465
Mining and quarrying	754,159	741,082	530,040	446,485
Manufacturing	5,763,392	5,420,134	4,866,280	4,575,040
Electricity, gas and water	840,870	669,365	754,844	569,048
Construction	1,320,102	1,301,651	1,201,685	1,202,375
Real estate	6,843,754	5,956,177	6,075,658	5,705,044
Wholesale & retail trade and restaurants & hotels	5,175,190	4,793,238	4,856,104	4,587,946
Transport, storage and communication	1,776,718	1,660,805	1,619,542	1,479,358
Finance, insurance and business services	1,408,358	1,244,583	1,344,639	1,185,844
Community, social and personal services	777,382	643,832	695,500	597,491
Household, of which:				
- Purchase of residential properties	16,100,561	13,614,391	15,916,544	13,471,507
- Purchase of non-residential properties	1,164,189	1,020,900	1,154,871	1,015,574
- Others	2,384,099	2,232,955	1,675,245	1,577,876
Others	287,837	1,614,107	244,498	1,614,074
	<u>47,257,036</u>	<u>43,141,815</u>	<u>43,181,692</u>	<u>39,892,127</u>
(v) By geographical distribution				
Malaysia	46,689,696	43,016,216	42,988,328	39,780,819
Singapore	164,418	65,943	164,418	65,943
Other ASEAN	7,083	17,920	6,959	3,629
Rest of the world	395,839	41,736	21,987	41,736
	<u>47,257,036</u>	<u>43,141,815</u>	<u>43,181,692</u>	<u>39,892,127</u>
The analysis by geography is determined based on where the credit risk resides.				
(vi) By residual contractual maturity				
Maturity within one year	21,319,884	18,181,143	19,267,106	16,590,319
One year to five years	9,801,564	9,741,422	8,590,078	8,628,264
Over five years	16,135,588	15,219,250	15,324,508	14,673,544
	<u>47,257,036</u>	<u>43,141,815</u>	<u>43,181,692</u>	<u>39,892,127</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****16 IMPAIRED LOANS, ADVANCES AND FINANCING**

## (a) Movements in impaired loans, advances and financing

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Balance at 1 January	1,105,135	1,006,464	1,057,651	961,020
Classified as impaired during the period/year	634,885	678,046	580,435	628,061
Reclassified as performing	(336,885)	(156,162)	(327,581)	(147,809)
Amount recovered	(282,126)	(294,973)	(266,602)	(281,391)
Amount written off	(101,421)	(128,636)	(73,153)	(102,626)
Effect of foreign exchange difference	(1,099)	396	(1,099)	396
Balance at 30 September/31 December	1,018,489	1,105,135	969,651	1,057,651
Individual impairment allowance	(265,862)	(318,091)	(235,263)	(289,280)
Collective impairment allowance	(8,035)	(8,421)	(7,858)	(8,222)
Net impaired loans, advances and financing	744,592	778,623	726,530	760,149

## (i) By sector

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Agriculture, hunting and related activities	8,641	9,677	8,571	9,551
Manufacturing	240,930	293,113	226,906	271,727
Construction	220,605	264,435	216,418	259,967
Real estate	52,526	38,133	52,279	38,133
Wholesale & retail trade and restaurants & hotels	129,693	142,616	123,526	137,661
Transport, storage and communication	26,018	25,004	25,289	24,651
Finance, insurance and business services	24,077	24,984	21,494	23,343
Community, social and personal services	7,467	5,843	6,796	4,810
Household, of which:				
- Purchase of residential properties	213,362	218,112	209,989	216,025
- Purchase of non-residential properties	40,981	18,778	40,981	18,778
- Others	49,127	60,978	32,340	49,543
Others	5,062	3,462	5,062	3,462
	1,018,489	1,105,135	969,651	1,057,651

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****16 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

(ii) By geographical distribution

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Malaysia	1,018,489	1,105,135	969,651	1,057,651

(b) Movements in allowance on loans, advances and financing

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
<u>Individual impairment allowance</u>				
Balance at 1 January	318,091	389,872	289,280	358,784
Allowance made during the period	134,426	180,375	92,126	142,795
Amount written back	(82,645)	(118,136)	(69,365)	(104,335)
Amount written off	(101,227)	(128,636)	(73,995)	(102,626)
Discount unwind	(2,451)	(6,013)	(2,451)	(5,967)
Effect of foreign exchange difference	(332)	629	(332)	629
Balance at 30 September/31 December	265,862	318,091	235,263	289,280
<u>Collective impairment allowance</u>				
Balance at 1 January	455,314	379,506	423,750	354,750
Allowance made during the period	43,447	75,808	35,777	69,000
Balance at 30 September/31 December	498,761	455,314	459,527	423,750

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

<b>Group</b>	<b>30 September 2012</b>			<b>31 December 2011</b>		
	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
<b>Trading:</b>						
Foreign exchange derivatives						
- Forwards	7,146,162	19,221	56,765	4,843,690	52,688	13,519
- Swaps	22,201,250	300,954	195,804	19,851,860	239,522	179,658
- Options	1,794,176	7,791	9,526	1,935,305	22,126	5,957
- Others	39,469	11,296	11,296	39,469	6,725	6,725
Interest rate derivatives						
- Swaps	35,771,412	156,216	157,787	30,257,100	185,580	167,195
- Options	2,174,843	334	14,047	2,181,473	1,438	17,873
- Swaptions	1,950,000	2,540	4,567	450,000	4,560	2,562
- Futures	819,987	-	1,669	-	-	-
- Others	64,781	3,183	-	304,781	4,496	5,313
Equity and other derivatives						
- Swaps	113,240	1,884	1,884	71,340	512	512
- Exchange traded futures	4,842	-	72	11,009	1	100
- Options	1,038,131	46,853	18,671	1,195,090	67,934	67,004
- Commodity futures	62,054	2,796	2,872	45,621	2,502	2,502
- Warrants	4,028,294	68,812	69,627	42,542	2,487	2,913
- Credit linked notes	3,072,800	73,617	70,824	455,000	10,734	5,492
	<b>80,281,441</b>	<b>695,497</b>	<b>615,410</b>	<b>61,684,280</b>	<b>601,305</b>	<b>477,325</b>
<b>Hedging:</b>						
Interest rate derivatives						
- Swaps	1,632,537	10,386	17,641	1,325,928	15,964	12,312
	<b>81,913,978</b>	<b>705,883</b>	<b>633,051</b>	<b>63,010,208</b>	<b>617,269</b>	<b>489,637</b>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	30 September 2012			31 December 2011		
	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
<b>Bank</b>						
<b>Trading:</b>						
Foreign exchange derivatives						
- Forwards	7,457,544	22,649	54,900	4,334,877	40,670	13,518
- Swaps	21,888,387	297,505	197,660	19,851,801	251,522	179,658
- Options	1,782,644	7,686	9,422	1,846,942	20,896	4,730
- Others	39,469	11,296	11,296	39,469	6,725	6,725
Interest rate derivatives						
- Swaps	35,771,412	156,216	157,787	30,257,100	185,580	167,195
- Options	2,174,843	334	14,047	2,181,473	1,438	17,873
- Swaptions	1,950,000	2,540	4,567	450,000	4,560	2,562
- Futures	819,987	-	1,669	-	-	-
- Others	64,781	3,183	-	304,781	4,496	5,313
Equity and other derivatives						
- Swaps	113,240	1,884	1,884	71,340	512	512
- Exchange traded futures	4,842	-	72	11,009	1	100
- Options	1,038,131	46,853	18,671	1,195,090	67,934	67,004
- Commodity futures	62,054	2,796	2,872	45,621	2,502	2,502
- Warrants	4,028,294	68,812	69,627	42,542	2,487	2,913
- Credit linked notes	3,072,800	73,617	70,824	455,000	10,734	5,492
	80,268,428	695,371	615,298	61,087,045	600,057	476,097
<b>Hedging:</b>						
Interest rate derivatives						
- Swaps	1,632,537	10,386	17,641	1,325,928	15,964	12,312
	81,900,965	705,757	632,939	62,412,973	616,021	488,409

**18 OTHER ASSETS**

	Group		Bank	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
	Interest receivable	119,392	114,827	108,573
Unquoted Islamic Subordinated Bonds of subsidiary	-	-	200,000	200,000
Other receivables, deposits and prepayments	188,602	129,608	195,592	128,939
	307,994	244,435	504,165	431,709

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****19 DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
(i) By type of deposits				
Demand deposits	8,675,048	7,145,686	6,991,945	5,806,142
Savings deposits	3,661,892	3,146,779	3,318,793	2,818,034
Fixed deposits	37,858,580	32,694,716	35,222,835	30,329,200
Negotiable instruments of deposit	50,632	51,875	36,349	38,282
Short-term money market deposits	3,678,406	4,542,632	3,443,678	4,258,466
Structured investments	3,281,467	1,345,744	3,235,146	1,298,516
Others	6,698	7,229	6,698	7,229
	<b>57,212,723</b>	<b>48,934,661</b>	<b>52,255,444</b>	<b>44,555,869</b>
(ii) By type of customers				
Government and statutory bodies	232,328	791,048	7,180	6,716
Business enterprises	23,585,218	22,629,361	20,732,973	19,920,293
Individuals	26,068,457	20,518,986	24,652,367	19,965,945
Foreign entities	1,182,086	1,194,313	1,164,149	1,182,729
Others	6,144,634	3,800,953	5,698,775	3,480,186
	<b>57,212,723</b>	<b>48,934,661</b>	<b>52,255,444</b>	<b>44,555,869</b>
(iii) By maturity structure				
Maturity within six months	48,470,814	39,683,557	43,793,080	36,043,782
Six months to one year	5,688,146	7,880,910	5,451,054	7,184,118
One year to three years	1,659,430	823,399	1,617,068	781,340
Three years to five years	1,394,333	546,795	1,394,242	546,629
	<b>57,212,723</b>	<b>48,934,661</b>	<b>52,255,444</b>	<b>44,555,869</b>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Licensed banks	4,782,643	6,967,557	4,458,076	6,879,515
Other financial institutions	441,104	444,323	398,474	444,323
	<u>5,223,747</u>	<u>7,411,880</u>	<u>4,856,550</u>	<u>7,323,838</u>

**21 SUBORDINATED TERM LOAN / BONDS**

	<b>Group and Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000
RM200 million redeemable Islamic subordinated bonds 2006/2021	200,000	200,000
RM400 million redeemable subordinated bonds 2007/2017	400,944	405,003
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
RM500 million redeemable subordinated bonds 2010/2020	507,884	509,669
RM600 million redeemable subordinated bonds 2012/2022	600,017	-
	<u>2,108,845</u>	<u>1,514,672</u>

On 15 August 2012, the Bank issued RM600 million redeemable 10 years non-callable 5 years subordinated bonds at a coupon rate of 4.00% per annum payable semi-annually up to (but excluding) the date of early redemption or the maturity date of the subordinated bonds, whichever is earlier. The Bank may, at its option and subject to the prior approval of BNM, exercise its call option and may redeem, in whole but not in part, of the subordinated bonds on the 5th anniversary date from the issue date and on every coupon payment date thereafter at 100% of the principal amount outstanding together with accrued but unpaid coupon payment. Unless the call option is exercised by the Bank, the subordinated bonds would essentially have a final maturity of 10 years.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****22 OTHER LIABILITIES**

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Accruals for personnel costs	62,117	65,724	62,093	65,685
Equity compensation benefits	11,259	13,413	11,259	13,413
Obligations under finance lease	-	-	-	384
Provision for commitments and contingencies	4,809	7,704	4,809	7,704
Interest payable	475,284	259,230	431,201	242,023
Other accruals and charges	265,975	238,738	220,979	202,154
Dividends payable to holding company	64,687	-	64,687	-
Liabilities arising from structured investment	229,167	293,942	229,167	293,942
	<b>1,113,298</b>	<b>878,751</b>	<b>1,024,195</b>	<b>825,305</b>

**23 NET INTEREST INCOME**

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Group</b>				
<b>Interest income</b>				
Loans, advances and financing				
- Other than recoveries from impaired loans, advances and financing	527,821	477,412	1,517,258	1,346,064
- Recoveries from impaired loans, advances and financing	9,787	10,336	37,473	32,010
- Discount unwind from impaired loans, advances and financing	914	1,306	2,451	4,120
Money at call and deposit placements with banks and other financial institutions	75,637	77,742	240,673	233,564
Financial assets held-for-trading	8,518	5,844	19,536	12,132
Financial investments available-for-sale	78,592	58,902	220,815	146,340
Others	4,955	3,671	14,204	5,669
	<b>706,224</b>	<b>635,213</b>	<b>2,052,410</b>	<b>1,779,899</b>
<b>Interest expense</b>				
Deposits from customers	357,224	286,196	1,020,497	761,434
Deposits and placements of banks and other financial institutions	12,568	15,452	41,659	43,476
Recourse obligation on loans sold to Cagamas Berhad	277	3,192	981	9,716
Subordinated term loan/bonds	20,452	17,502	54,888	51,023
Others	4,601	1,463	12,576	4,526
	<b>395,122</b>	<b>323,805</b>	<b>1,130,601</b>	<b>870,175</b>
<b>Net interest income</b>	<b>311,102</b>	<b>311,408</b>	<b>921,809</b>	<b>909,724</b>



**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****23 NET INTEREST INCOME (continued)**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Bank</b>				
<b>Interest income</b>				
Loans, advances and financing				
- Other than recoveries from impaired loans, advances and financing	527,821	477,412	1,517,259	1,346,064
- Recoveries from impaired loans, advances and financing	9,787	10,336	37,473	32,010
- Interest earned from impaired loans, advances and financing	914	1,306	2,451	4,120
Money at call and deposit placements with banks and other financial institutions	82,377	80,300	253,137	242,588
Financial assets held-for-trading	8,518	5,844	19,536	12,132
Financial investments available-for-sale	78,592	58,902	220,815	146,340
Unquoted Islamic Subordinated Bonds of subsidiary	4,277	3,182	8,160	9,443
Others	4,955	3,671	14,204	5,669
	<u>717,241</u>	<u>640,953</u>	<u>2,073,035</u>	<u>1,798,366</u>
<b>Interest expense</b>				
Deposits from customers	357,224	286,196	1,020,497	761,434
Deposits and placements of banks and other financial institutions	23,585	21,192	62,283	61,943
Recourse obligation on loans sold to Cagamas Berhad	277	3,192	981	9,716
Subordinated term loan/bonds	20,452	17,502	54,888	51,023
Others	4,605	1,469	12,593	4,544
	<u>406,143</u>	<u>329,551</u>	<u>1,151,242</u>	<u>888,660</u>
<b>Net interest income</b>	<u>311,098</u>	<u>311,402</u>	<u>921,793</u>	<u>909,706</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****24 INCOME FROM ISLAMIC BANKING OPERATIONS**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
<b>Group</b>	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	83,467	61,234	249,778	166,255
Income derived from investment of shareholder's funds	15,309	9,574	37,373	28,037
Income attributable to depositors	(39,855)	(26,870)	(125,169)	(74,409)
	<u>58,921</u>	<u>43,938</u>	<u>161,982</u>	<u>119,883</u>

**25 NET FEE AND COMMISSION INCOME**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
<b>Group and Bank</b>	RM'000	RM'000	RM'000	RM'000
Commission	25,816	25,676	66,878	72,611
Service charges and fees	26,786	30,336	122,928	108,777
Guarantee fees	6,993	7,164	19,057	17,807
Other fee (expense)/income	(750)	2,622	3,831	8,323
	<u>58,845</u>	<u>65,798</u>	<u>212,694</u>	<u>207,518</u>

**26 NET TRADING INCOME**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
<b>Group and Bank</b>	RM'000	RM'000	RM'000	RM'000
Gains/(Losses) on foreign exchange	26,924	(50,077)	61,457	(759)
Realised gains/(losses) on financial assets held-for-trading	15,873	(579)	32,881	18,366
Realised gains/(losses) on trading derivatives	13,601	(79,339)	117,306	46,000
Unrealised losses on financial assets held-for-trading	(4,192)	(1,055)	(3,270)	(11,263)
Unrealised (losses)/gains on trading derivatives	(8,808)	140,308	(41,785)	40,723
	<u>43,398</u>	<u>9,258</u>	<u>166,589</u>	<u>93,067</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****27 OTHER OPERATING INCOME**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Group</b>				
(Losses)/Gains on hedging derivatives	(55)	(212)	70	(815)
Gross dividends from financial investments available-for-sale				
- Malaysia	-	1	605	607
- Outside Malaysia	3	16	53	50
Gross dividends from financial assets held-for-trading				
- Malaysia	117	3,072	412	21,614
Rental of premises	1,362	1,575	4,742	4,823
Rental of safe deposit box	904	815	2,838	2,432
Realised gains on financial investments available-for-sale	7,604	2,297	37,035	12,633
Gains on disposal of property, plant and equipment	5,562	971	5,476	969
Others	(229)	(28)	(362)	213
	<u>15,268</u>	<u>8,507</u>	<u>50,869</u>	<u>42,526</u>
<b>Bank</b>				
(Losses)/gains on hedging derivatives	(55)	(212)	70	(815)
Gross dividends from financial investments available-for-sale				
- Malaysia	-	1	605	607
- Outside Malaysia	3	16	53	50
Gross dividends from financial assets held-for-trading				
- Malaysia	117	3,072	412	21,614
Rental of premises	1,410	1,626	4,823	4,919
Rental of safe deposit box	904	815	2,838	2,432
Realised gains on financial investments available-for-sale	7,604	2,297	37,035	12,633
Gains on disposal of property, plant and equipment	5,562	971	5,476	969
Shared services income received from subsidiary	16,391	13,109	43,491	37,260
Others	(229)	(28)	(362)	213
	<u>31,707</u>	<u>21,667</u>	<u>94,441</u>	<u>79,882</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****28 PERSONNEL AND OPERATING EXPENSES**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b><u>Group</u></b>				
Personnel expenses (i)	108,649	98,830	316,544	282,356
Establishment expenses (ii)	30,565	27,599	79,934	68,820
Marketing expenses (iii)	12,602	9,601	27,830	22,097
Administration and general expenses (iv)	70,375	61,768	191,709	170,953
	<u>222,191</u>	<u>197,798</u>	<u>616,017</u>	<u>544,226</u>
<b><u>Bank</u></b>				
Personnel expenses (i)	100,433	88,384	288,842	256,337
Establishment expenses (ii)	28,166	25,897	74,581	64,606
Marketing expenses (iii)	11,344	8,913	25,659	20,722
Administration and general expenses (iv)	65,927	57,414	178,457	158,687
	<u>205,870</u>	<u>180,608</u>	<u>567,539</u>	<u>500,352</u>

**(i) Personnel expenses**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b><u>Group</u></b>				
Wages, salaries and bonus	84,822	76,387	248,910	218,846
Defined contribution plan (EPF)	13,436	11,909	39,001	34,231
Equity compensation benefits	1,363	2,084	4,579	6,400
Other personnel costs	9,028	8,450	24,054	22,879
	<u>108,649</u>	<u>98,830</u>	<u>316,544</u>	<u>282,356</u>
<b><u>Bank</u></b>				
Wages, salaries and bonus	78,695	68,247	227,687	198,423
Defined contribution plan (EPF)	12,398	10,708	35,235	31,135
Equity compensation benefits	1,309	2,040	4,415	6,243
Other personnel costs	8,031	7,389	21,505	20,536
	<u>100,433</u>	<u>88,384</u>	<u>288,842</u>	<u>256,337</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****28 PERSONNEL AND OPERATING EXPENSES (continued)****(ii) Establishment expenses**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b><u>Group</u></b>				
Rental of premises	3,288	3,040	9,631	9,011
Rental of equipment	258	427	849	1,394
Depreciation of property, plant and equipment	10,587	8,886	28,780	27,936
Depreciation of investment properties	60	135	162	660
Amortisation of prepaid lease payments	9	9	27	27
Repair and maintenance	1,491	1,039	3,631	3,551
Others	14,872	14,063	36,854	26,241
	<u>30,565</u>	<u>27,599</u>	<u>79,934</u>	<u>68,820</u>
<b><u>Bank</u></b>				
Rental of premises	2,828	2,588	8,363	7,817
Rental of equipment	258	427	849	1,394
Depreciation of property, plant and equipment	10,154	8,261	27,369	26,004
Depreciation of investment properties	60	135	162	660
Amortisation of prepaid lease payments	9	9	27	27
Repair and maintenance	1,394	963	3,354	3,354
Others	13,463	13,514	34,457	25,350
	<u>28,166</u>	<u>25,897</u>	<u>74,581</u>	<u>64,606</u>

**(iii) Marketing expenses**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b><u>Group</u></b>				
Transport and travelling	1,602	1,578	4,334	4,460
Advertisement and business promotion	10,589	7,565	22,417	16,451
Others	411	458	1,079	1,186
	<u>12,602</u>	<u>9,601</u>	<u>27,830</u>	<u>22,097</u>
<b><u>Bank</u></b>				
Transport and travelling	1,446	1,447	3,914	4,112
Advertisement and business promotion	9,500	7,037	20,705	15,474
Others	398	429	1,040	1,136
	<u>11,344</u>	<u>8,913</u>	<u>25,659</u>	<u>20,722</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****28 PERSONNEL AND OPERATING EXPENSES (continued)****(iv) Administration and general expenses**

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Group</b>				
Printing and stationery	3,048	2,182	6,251	5,477
Postage and courier	2,094	1,768	5,351	4,864
Telephone, telex and fax	3,414	2,484	8,734	6,951
Legal and consultancy fees	2,454	2,538	4,821	6,237
Transaction processing fees*	50,389	43,267	138,956	115,443
Other administrative and general expenses	8,976	9,529	27,596	31,981
	<b>70,375</b>	<b>61,768</b>	<b>191,709</b>	<b>170,953</b>
<b>Bank</b>				
Printing and stationery	2,801	2,004	5,722	5,020
Postage and courier	1,929	1,642	4,961	4,548
Telephone, telex and fax	3,210	2,336	8,126	6,552
Legal and consultancy fees	2,334	2,401	4,461	5,874
Transaction processing fees*	46,447	39,461	127,541	105,053
Other administrative and general expenses	9,206	9,570	27,646	31,640
	<b>65,927</b>	<b>57,414</b>	<b>178,457</b>	<b>158,687</b>

\* Transaction processing fees were incurred for transactions processed by e2 Power Sdn. Bhd., a related company.

**29 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING**

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	30 September 2012 RM'000	30 September 2011 RM'000	30 September 2012 RM'000	30 September 2011 RM'000
<b>Group</b>				
Allowance on loans, advances and financing:				
(i) Individual impairment				
- Made during the period	36,030	38,767	134,426	133,352
- Written back	(23,650)	(24,546)	(82,645)	(76,664)
(ii) Collective impairment				
- Made during the period	24,387	28,889	43,447	64,351
Impaired loans, advances and financing				
- Recovered during the period	(8,751)	(11,941)	(28,332)	(31,995)
Others	6	19	120	34
	<b>28,022</b>	<b>31,188</b>	<b>67,016</b>	<b>89,078</b>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****29 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING (continued)**

	Quarter ended		Year to date ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>				
Allowance on loans, advances and financing:				
(i) Individual impairment				
- Made during the period	23,640	30,220	92,126	104,913
- Written back	(20,403)	(21,262)	(69,365)	(65,633)
(ii) Collective impairment				
- Made during the period	21,171	26,620	35,777	61,822
Impaired loans, advances and financing				
- Recovered during the period	(6,368)	(10,287)	(22,128)	(27,034)
Others	6	19	120	19
	<u>18,046</u>	<u>25,310</u>	<u>36,530</u>	<u>74,087</u>

**30 INCOME TAX EXPENSE**

	Quarter ended		Year to date ended	
	30 September 2012	30 September 2011	30 September 2012	30 September 2011
	RM'000	RM'000	RM'000	RM'000
<b>Group</b>				
Malaysian income tax:				
- Current period	64,201	66,031	211,241	200,391
- Overprovision in prior years	(17,499)	-	(17,499)	-
Deferred tax:				
- Origination and reversal of temporary differences	(4,462)	(12,957)	(2,212)	(18,308)
- Underprovision in prior years	18,872	-	18,872	-
	<u>61,112</u>	<u>53,074</u>	<u>210,402</u>	<u>182,083</u>
<b>Bank</b>				
Malaysian income tax:				
- Current period	60,141	62,803	200,816	193,229
- Overprovision in prior years	(16,027)	-	(16,027)	-
Deferred tax:				
- Origination and reversal of temporary differences	(3,146)	(11,751)	(157)	(17,352)
- Underprovision in prior years	17,182	-	17,182	-
	<u>58,150</u>	<u>51,052</u>	<u>201,814</u>	<u>175,877</u>

**31 CAPITAL COMMITMENTS**

	Group		Bank	
	30 September 2012	31 December 2011	30 September 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Capital expenditure in respect of property, plant and equipment:				
- Authorised and contracted for	19,033	24,106	17,588	23,015
- Authorised but not contracted for	80,734	164,799	68,805	153,559
	<u>99,767</u>	<u>188,905</u>	<u>86,393</u>	<u>176,574</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 SEPTEMBER 2012 (continued)****32 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for commitments and contingencies already made in the unaudited condensed interim financial statements (Note 22), no material losses are anticipated as a result of these transactions.

	30 September 2012			31 December 2011		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<b>Group</b>						
Direct credit substitutes	766,046	766,046	589,507	805,801	805,801	766,688
Transaction-related contingent items	1,403,774	701,887	619,436	1,633,406	816,703	793,910
Short-term self-liquidating trade-related contingencies	451,226	90,245	69,429	442,553	88,511	60,075
Commitments with certain drawdowns	-	-	-	45,000	45,000	41,831
Obligations under underwriting agreement	-	-	-	5,000	2,500	2,500
Foreign exchange related contracts:						
- Less than one year	25,109,294	431,999	90,131	22,077,986	442,706	135,860
- One year to less than five years	3,894,076	458,326	277,902	2,873,262	313,613	174,182
- Five years and above	1,442,051	343,873	272,720	1,437,339	323,649	271,847
Interest rate contracts:						
- Less than one year	13,267,503	60,537	24,832	12,543,838	75,568	29,862
- One year to less than five years	24,435,823	678,556	392,279	18,074,636	505,009	245,661
- Five years and above	2,694,919	228,082	194,931	1,862,870	151,572	115,492
Equity and commodity related contracts	1,531,329	171,514	139,927	458,949	199,608	153,690
Formal standby facilities and credit lines:						
- Maturity not exceeding one year	169,383	23,516	8,940	22,885	22,885	8,413
- Maturity exceeding one year	3,884,915	3,591,710	622,037	2,922,095	2,920,671	482,119
Other unconditionally cancellable commitments	13,964,504	1,902,542	357,390	12,718,535	1,800,676	375,119
<b>Total</b>	<b>93,014,843</b>	<b>9,448,833</b>	<b>3,659,461</b>	<b>77,924,155</b>	<b>8,514,472</b>	<b>3,657,249</b>

\* 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 (Basel II) - Internal Ratings Approach.



**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 SEPTEMBER 2012 (continued)****32 COMMITMENTS AND CONTINGENCIES (continued)**

	30 September 2012			31 December 2011		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
<b>Bank</b>						
Direct credit substitutes	766,046	766,046	589,507	805,801	805,801	766,688
Transaction-related contingent items	1,403,774	701,887	619,425	1,533,234	766,617	755,250
Short-term self-liquidating trade-related contingencies	451,226	90,245	69,429	413,308	82,662	56,812
Commitments with certain drawdowns	-	-	-	15,000	15,000	13,944
Obligations under underwriting agreement	-	-	-	5,000	2,500	2,500
Foreign exchange related contracts:						
- Less than one year	25,103,493	431,369	89,768	21,071,907	419,171	127,568
- One year to less than five years	3,899,876	458,848	278,424	2,869,456	310,692	171,260
- Five years and above	1,442,051	343,873	272,720	1,437,339	323,649	271,847
Interest rate contracts:						
- Less than one year	13,267,503	60,537	24,832	12,543,838	75,568	29,862
- One year to less than five years	24,435,823	678,556	392,279	18,074,636	505,009	245,661
- Five years and above	2,694,919	228,082	194,931	1,862,870	151,572	115,492
Equity and commodity related contracts	1,531,329	171,514	139,926	458,949	199,608	153,690
Formal standby facilities and credit lines:						
- Maturity not exceeding one year	169,384	23,516	8,940	20,991	20,991	7,429
- Maturity exceeding one year	3,884,915	3,591,710	622,037	2,894,996	2,893,573	474,759
Other unconditionally cancellable commitments	13,964,504	1,902,542	357,390	12,068,424	1,786,982	368,250
<b>Total</b>	<b>93,014,843</b>	<b>9,448,725</b>	<b>3,659,608</b>	<b>76,075,749</b>	<b>8,359,395</b>	<b>3,561,012</b>

\* 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 (Basel II) - Internal Ratings Approach.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****33 CAPITAL ADEQUACY**

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
<u>Tier 1 capital</u>				
Paid-up share capital	287,500	287,500	287,500	287,500
Paid-up non-cumulative, non-convertible perpetual preference shares	4,000	4,000	4,000	4,000
Share premium	858,500	858,500	858,500	858,500
Retained earnings	3,171,713	3,150,130	3,176,138	3,154,398
Other reserves	352,596	352,596	322,000	322,000
Innovative Tier 1 Capital	400,000	400,000	400,000	400,000
Capital reserves	56,619	56,619	-	-
	<u>5,130,928</u>	<u>5,109,345</u>	<u>5,048,138</u>	<u>5,026,398</u>
Less: Deferred tax assets	(32,197)	(35,189)	(28,903)	(31,892)
Eligible Tier-1 capital	<u>5,098,731</u>	<u>5,074,156</u>	<u>5,019,235</u>	<u>4,994,506</u>
<u>Tier 2 capital</u>				
Collective impairment allowance under Standardised Approach	20,621	23,294	11,638	14,476
Subordinated debt capital	1,698,579	1,060,569	1,498,579	898,708
Total Tier 2 capital	<u>1,719,200</u>	<u>1,083,863</u>	<u>1,510,217</u>	<u>913,184</u>
Less:				
Investments in subsidiary companies	-	-	(346,617)	(256,617)
Excess of Expected Loss over Eligible Provisions under the IRB approach	(38,074)	(248,071)	(28,838)	(238,803)
Eligible Tier 2 capital	<u>1,681,126</u>	<u>835,792</u>	<u>1,134,762</u>	<u>417,764</u>
Capital base	<u>6,779,857</u>	<u>5,909,948</u>	<u>6,153,997</u>	<u>5,412,270</u>
<u>Before payment of dividend</u>				
Core capital ratio	12.50%	13.62%	13.69%	14.71%
Risk-weighted capital ratio	<u>16.62%</u>	<u>15.86%</u>	<u>16.78%</u>	<u>15.94%</u>
<u>After payment of dividend</u>				
Core capital ratio	12.50%	12.73%	13.69%	13.73%
Risk-weighted capital ratio	<u>16.62%</u>	<u>14.97%</u>	<u>16.78%</u>	<u>14.96%</u>

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

	<b>Group</b>		<b>Bank</b>	
	30 September 2012 RM'000	31 December 2011 RM'000	30 September 2012 RM'000	31 December 2011 RM'000
Credit risk RWA	35,896,357	32,762,323	32,074,156	29,650,155
Market risk RWA	1,350,268	1,279,477	1,337,791	1,272,885
Operational risk RWA	3,543,295	3,211,131	3,255,024	3,033,959
Total RWA	<u>40,789,920</u>	<u>37,252,931</u>	<u>36,666,971</u>	<u>33,956,999</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)**

**33 CAPITAL ADEQUACY (continued)**

The core capital ratio is the ratio of eligible Tier 1 capital over Total RWA, while the risk-weighted capital ratio is the ratio of capital base over Total RWA. The Total RWA of the Group is derived from the consolidated balances of the Bank and its subsidiaries. There are no banking subsidiaries that are not included in the consolidation for regulatory purposes and for those consolidated, there are no differences in the basis of consolidation for accounting and regulatory purposes.

The capital ratios are computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (RWCAF) which is based on the Basel Committee on Banking Supervision's "International Convergence of Capital Measurement and Capital Standards", commonly known as Basel II. The Group and the Bank have adopted the Internal Ratings-Based Approach for Credit Risk for the major credit portfolios whilst the other credit portfolios are on Standardised Approach. For market risk and operational risk, the Group and Bank have adopted the Standardised Approach and the Basic Indicator Approach, respectively.

The capital adequacy ratios of the banking subsidiary company of the Group are as follows:

	<b>OCBC Al-Amin Bank Berhad</b>	
	30 September 2012 RM'000	31 December 2011 RM'000
Core capital ratio	9.75%	9.27%
Risk-weighted capital ratio	<u>14.39%</u>	<u>13.61%</u>

The comparative capital adequacy ratios and components of the capital base have been restated as disclosed in Note 34 for the effects of the change in accounting policy on collective impairment allowance for loans, advances and financing.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS**

In preparing its opening MFRS statements of financial position, the Group and the Bank have adjusted amounts reported previously in financial statements prepared in accordance with the FRS. An explanation of the impact of the transition from the previous FRS to the new MFRS on the Group's and the Bank's financial position, financial performance and cash flows are set out in the following tables and the accompanying notes.

## (i) Statements of Financial Position

	Note	1 January 2011			30 September 2011			31 December 2011		
		FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
<b>Group</b>										
<b>Assets</b>										
Cash and cash equivalents		11,004,041	-	11,004,041	8,689,414	-	8,689,414	7,759,574	-	7,759,574
Deposits and placements with banks and other financial institutions		1,935,632	-	1,935,632	1,854,667	-	1,854,667	1,868,584	-	1,868,584
Financial assets held-for-trading		505,657	-	505,657	472,826	-	472,826	466,302	-	466,302
Financial investments available-for-sale		5,964,308	-	5,964,308	9,286,822	-	9,286,822	9,602,189	-	9,602,189
Loans, advances and financing	34 (iv) (a)	35,143,119	156,221	35,299,340	41,090,082	182,255	41,272,337	42,181,029	187,381	42,368,410
Derivative financial assets		499,772	-	499,772	1,166,429	-	1,166,429	617,269	-	617,269
Other assets		203,813	-	203,813	223,319	-	223,319	244,435	-	244,435
Statutory deposits with Bank										
Negara Malaysia		79,342	-	79,342	997,592	-	997,592	1,400,992	-	1,400,992
Property, plant and equipment		210,647	-	210,647	203,427	-	203,427	207,905	-	207,905
Prepaid lease payments		1,000	-	1,000	751	-	751	964	-	964
Investment properties		20,731	-	20,731	16,536	-	16,536	16,439	-	16,439
Non-current assets held for sale		-	-	-	4	-	4	-	-	-
Deferred tax assets	34 (iv) (b)	137,896	(129,987)	7,909	163,545	(136,495)	27,050	31,292	(7,790)	23,502
Current tax assets		-	54,063	54,063	-	-	-	3,858	(3,300)	558
<b>Total assets</b>		<b>55,705,958</b>	<b>80,297</b>	<b>55,786,255</b>	<b>64,165,414</b>	<b>45,760</b>	<b>64,211,174</b>	<b>64,400,832</b>	<b>176,291</b>	<b>64,577,123</b>

## EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)

## 34 TRANSITION TO MFRS (continued)

(i) Statements of Financial Position (continued)

	Note	1 January 2011			30 September 2011			31 December 2011		
		FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>										
<b>Liabilities</b>										
Deposits from customers		43,236,933	-	43,236,933	47,156,668	-	47,156,668	48,934,661	-	48,934,661
Deposits and placements of banks and other financial institutions		5,013,388	-	5,013,388	8,515,547	-	8,515,547	7,411,880	-	7,411,880
Bills and acceptances payable		281,944	-	281,944	356,482	-	356,482	351,990	-	351,990
Recourse obligation on loans sold to Cagamas Berhad		329,988	-	329,988	307,183	-	307,183	65,611	-	65,611
Subordinated term loan/bonds		1,504,132	-	1,504,132	1,512,148	-	1,512,148	1,514,672	-	1,514,672
Derivative financial liabilities		485,177	-	485,177	1,116,827	-	1,116,827	489,637	-	489,637
Other liabilities		472,329	-	472,329	632,008	-	632,008	878,751	-	878,751
Current tax liabilities and zakat		30,022	(30,022)	-	99,020	(84,085)	14,935	53,742	35,756	89,498
<b>Total liabilities</b>		<b>51,353,913</b>	<b>(30,022)</b>	<b>51,323,891</b>	<b>59,695,883</b>	<b>(84,085)</b>	<b>59,611,798</b>	<b>59,700,944</b>	<b>35,756</b>	<b>59,736,700</b>
<b>Equity</b>										
Share capital		291,500	-	291,500	291,500	-	291,500	291,500	-	291,500
Share premium		858,500	-	858,500	858,500	-	858,500	858,500	-	858,500
Statutory reserve		330,660	-	330,660	342,582	-	342,582	352,596	-	352,596
Capital reserve		56,619	-	56,619	56,619	-	56,619	56,619	-	56,619
Fair value reserve		125,915	-	125,915	110,073	-	110,073	131,078	-	131,078
Retained earnings	34 (iv) (c)	2,688,851	110,319	2,799,170	2,810,257	129,845	2,940,102	3,009,595	140,535	3,150,130
<b>Total equity</b>		<b>4,352,045</b>	<b>110,319</b>	<b>4,462,364</b>	<b>4,469,531</b>	<b>129,845</b>	<b>4,599,376</b>	<b>4,699,888</b>	<b>140,535</b>	<b>4,840,423</b>
<b>Total liabilities and equity</b>		<b>55,705,958</b>	<b>80,297</b>	<b>55,786,255</b>	<b>64,165,414</b>	<b>45,760</b>	<b>64,211,174</b>	<b>64,400,832</b>	<b>176,291</b>	<b>64,577,123</b>

## EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)

## 34 TRANSITION TO MFRS (continued)

## (i) Statements of Financial Position (continued)

	Note	1 January 2011			30 September 2011			31 December 2011		
		FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>										
<b>Assets</b>										
Cash and cash equivalents		10,616,038	-	10,616,038	8,487,418	-	8,487,418	7,589,329	-	7,589,329
Deposits and placements with banks and other financial institutions		2,235,614	-	2,235,614	2,033,969	-	2,033,969	2,144,699	-	2,144,699
Financial assets held-for-trading		505,657	-	505,657	472,826	-	472,826	466,302	-	466,302
Financial investments available-for-sale		4,904,779	-	4,904,779	7,606,383	-	7,606,383	7,768,300	-	7,768,300
Loans, advances and financing	34 (iv) (a)	32,656,423	143,023	32,799,446	38,347,644	167,776	38,515,420	39,008,465	170,632	39,179,097
Derivative financial assets		492,132	-	492,132	1,164,599	-	1,164,599	616,021	-	616,021
Other assets		395,030	-	395,030	416,943	-	416,943	431,709	-	431,709
Statutory deposits with Bank Negara Malaysia		52,592	-	52,592	856,592	-	856,592	1,241,592	-	1,241,592
Investments in subsidiary companies		256,611	-	256,611	256,611	-	256,611	256,611	-	256,611
Property, plant and equipment		202,825	-	202,825	197,278	-	197,278	201,813	-	201,813
Prepaid lease payments		1,000	-	1,000	751	-	751	964	-	964
Investment properties		20,731	-	20,731	16,536	-	16,536	16,439	-	16,439
Non-current assets held for sale		-	-	-	4	-	4	-	-	-
Deferred tax assets	34 (iv) (b)	127,725	(124,606)	3,119	151,439	(130,794)	20,645	27,579	(6,902)	20,677
Current tax assets		-	52,703	52,703	-	-	-	-	-	-
<b>Total assets</b>		<b>52,467,157</b>	<b>71,120</b>	<b>52,538,277</b>	<b>60,008,993</b>	<b>36,982</b>	<b>60,045,975</b>	<b>59,769,823</b>	<b>163,730</b>	<b>59,933,553</b>

## EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)

## 34 TRANSITION TO MFRS (continued)

## (i) Statements of Financial Position (continued)

	Note	1 January 2011			30 September 2011			31 December 2011		
		FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank Liabilities</b>										
Deposits from customers		40,381,661	-	40,381,661	43,269,972	-	43,269,972	44,555,869	-	44,555,869
Deposits and placements of banks and other financial institutions		4,734,425	-	4,734,425	8,371,486	-	8,371,486	7,323,838	-	7,323,838
Bills and acceptances payable		270,837	-	270,837	326,706	-	326,706	315,440	-	315,440
Recourse obligation on loans sold to Cagamas Berhad		329,988	-	329,988	307,183	-	307,183	65,611	-	65,611
Subordinated term loan/bonds		1,504,132	-	1,504,132	1,512,148	-	1,512,148	1,514,672	-	1,514,672
Derivative financial liabilities		477,549	-	477,549	1,114,962	-	1,114,962	488,409	-	488,409
Other liabilities		440,166	-	440,166	609,921	-	609,921	825,305	-	825,305
Current tax liabilities and zakat		28,124	(28,124)	-	93,375	(80,827)	12,548	53,722	35,756	89,478
<b>Total liabilities</b>		<b>48,166,882</b>	<b>(28,124)</b>	<b>48,138,758</b>	<b>55,605,753</b>	<b>(80,827)</b>	<b>55,524,926</b>	<b>55,142,866</b>	<b>35,756</b>	<b>55,178,622</b>
<b>Equity</b>										
Share capital		291,500	-	291,500	291,500	-	291,500	291,500	-	291,500
Share premium		858,500	-	858,500	858,500	-	858,500	858,500	-	858,500
Statutory reserve		322,000	-	322,000	322,000	-	322,000	322,000	-	322,000
Fair value reserve		124,058	-	124,058	110,193	-	110,193	128,533	-	128,533
Retained earnings	34 (iv) (c)	2,704,217	99,244	2,803,461	2,821,047	117,809	2,938,856	3,026,424	127,974	3,154,398
<b>Total equity</b>		<b>4,300,275</b>	<b>99,244</b>	<b>4,399,519</b>	<b>4,403,240</b>	<b>117,809</b>	<b>4,521,049</b>	<b>4,626,957</b>	<b>127,974</b>	<b>4,754,931</b>
<b>Total liabilities and equity</b>		<b>52,467,157</b>	<b>71,120</b>	<b>52,538,277</b>	<b>60,008,993</b>	<b>36,982</b>	<b>60,045,975</b>	<b>59,769,823</b>	<b>163,730</b>	<b>59,933,553</b>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

## (ii) Statements of Profit or Loss and Other Comprehensive Income

	Note	Quarter ended 30 September 2011			Year to date ended 30 September 2011			Year to date ended 31 December 2011		
		FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>										
Interest income		635,213	-	635,213	1,779,899	-	1,779,899	2,446,088	-	2,446,088
Interest expense		(329,545)	-	(329,545)	(888,642)	-	(888,642)	(1,232,882)	-	(1,232,882)
Net interest income		305,668	-	305,668	891,257	-	891,257	1,213,206	-	1,213,206
Income from Islamic banking operations		49,678	-	49,678	138,350	-	138,350	188,056	-	188,056
Net fee and commission income		67,301	(1,503)	65,798	210,826	(3,308)	207,518	272,034	-	272,034
Net trading income		9,046	212	9,258	92,252	815	93,067	146,858	-	146,858
Other operating income		7,848	659	8,507	40,745	1,781	42,526	56,270	-	56,270
<b>Operating income</b>		439,541	(632)	438,909	1,373,430	(712)	1,372,718	1,876,424	-	1,876,424
Personnel and operating expenses		(198,430)	632	(197,798)	(544,938)	712	(544,226)	(746,218)	-	(746,218)
<b>Operating profit before allowance for impairment loss and provision</b>		241,111	-	241,111	828,492	-	828,492	1,130,206	-	1,130,206
Impairment allowance on loans, advances and financing	34 (iv) (d)	(43,096)	11,908	(31,188)	(115,112)	26,034	(89,078)	(129,068)	31,160	(97,908)
Impairment allowance on investment properties		1,703	-	1,703	1,703	-	1,703	(2,205)	-	(2,205)
Reversal of impairment allowance on property, plant and equipment		-	-	-	-	-	-	3,836	-	3,836
<b>Profit before income tax expense and zakat</b>		199,718	11,908	211,626	715,083	26,034	741,117	1,002,769	31,160	1,033,929
Income tax expense	34 (iv) (e)	(50,097)	(2,977)	(53,074)	(175,575)	(6,508)	(182,083)	(253,904)	(944)	(254,848)
Zakat		(5)	-	(5)	(15)	-	(15)	(20)	-	(20)
<b>Profit for the period</b>		149,616	8,931	158,547	539,493	19,526	559,019	748,845	30,216	779,061



## EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)

## 34 TRANSITION TO MFRS (continued)

(ii) Statements of Profit or Loss and Other Comprehensive Income (continued)

	Quarter ended 30 September 2011			Year to date ended 30 September 2011			Year to date ended 31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>									
<b>Other comprehensive income, net of tax</b>									
<b>Items that may be reclassified subsequently to profit or loss</b>									
Fair value (available-for-sale) reserve									
- Change in fair value	(11,817)	-	(11,817)	(2,050)	-	(2,050)	27,467	-	27,467
- Amount transferred to profit or loss	(3,874)	-	(3,874)	(14,419)	-	(14,419)	(17,721)	-	(17,721)
Income tax expense relating to components of other comprehensive income	821	-	821	627	-	627	(4,583)	-	(4,583)
<b>Other comprehensive income/ (expense) for the period, net of tax</b>	<b>(14,870)</b>	<b>-</b>	<b>(14,870)</b>	<b>(15,842)</b>	<b>-</b>	<b>(15,842)</b>	<b>5,163</b>	<b>-</b>	<b>5,163</b>
<b>Total comprehensive income for the period</b>	<b>134,746</b>	<b>8,931</b>	<b>143,677</b>	<b>523,651</b>	<b>19,526</b>	<b>543,177</b>	<b>754,008</b>	<b>30,216</b>	<b>784,224</b>
<b>Profit attributable to shareholder of the Bank</b>	<b>149,616</b>	<b>8,931</b>	<b>158,547</b>	<b>539,493</b>	<b>19,526</b>	<b>559,019</b>	<b>748,845</b>	<b>30,216</b>	<b>779,061</b>
<b>Total comprehensive income attributable to shareholder of the Bank</b>	<b>134,746</b>	<b>8,931</b>	<b>143,677</b>	<b>523,651</b>	<b>19,526</b>	<b>543,177</b>	<b>754,008</b>	<b>30,216</b>	<b>784,224</b>
<b>Basic earnings per ordinary share (sen)</b>	<b>48.9</b>	<b>3.1</b>	<b>52.0</b>	<b>181.4</b>	<b>6.8</b>	<b>188.2</b>	<b>254.2</b>	<b>10.5</b>	<b>264.7</b>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(ii) Statements of Profit or Loss and Other Comprehensive Income (continued)

	Note	Quarter ended 30 September 2011			Year to date ended 30 September 2011			Year to date ended 31 December 2011		
		FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
<b>Bank</b>										
Interest income		640,953	-	640,953	1,798,366	-	1,798,366	2,469,750	-	2,469,750
Interest expense		(329,551)	-	(329,551)	(888,660)	-	(888,660)	(1,232,907)	-	(1,232,907)
Net interest income		311,402	-	311,402	909,706	-	909,706	1,236,843	-	1,236,843
Net fee and commission income		80,410	(14,612)	65,798	248,086	(40,568)	207,518	272,034	-	272,034
Net trading income		9,046	212	9,258	92,252	815	93,067	146,858	-	146,858
Other operating income		7,899	13,768	21,667	40,841	39,041	79,882	107,669	-	107,669
<b>Operating income</b>		408,757	(632)	408,125	1,290,885	(712)	1,290,173	1,763,404	-	1,763,404
Personnel and operating expenses		(181,240)	632	(180,608)	(501,064)	712	(500,352)	(685,184)	-	(685,184)
<b>Operating profit before allowance for impairment loss and provision</b>		227,517	-	227,517	789,821	-	789,821	1,078,220	-	1,078,220
Impairment allowance on loans, advances and financing	34 (iv) (d)	(36,014)	10,704	(25,310)	(98,840)	24,753	(74,087)	(101,477)	27,609	(73,868)
Impairment allowance on investment properties		1,703	-	1,703	1,703	-	1,703	(2,205)	-	(2,205)
Reversal of impairment allowance on property, plant and equipment		-	-	-	-	-	-	3,836	-	3,836
<b>Profit before income tax expense and zakat</b>		193,206	10,704	203,910	692,684	24,753	717,437	978,374	27,609	1,005,983
Income tax expense	34 (iv) (e)	(48,376)	(2,676)	(51,052)	(169,689)	(6,188)	(175,877)	(250,002)	1,121	(248,881)
<b>Profit for the period</b>		144,830	8,028	152,858	522,995	18,565	541,560	728,372	28,730	757,102

## EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)

## 34 TRANSITION TO MFRS (continued)

(ii) Statements of Profit or Loss and Other Comprehensive Income (continued)

	Quarter ended 30 September 2011			Year to date ended 30 September 2011			Year to date ended 31 December 2011		
	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
<b>Bank</b>									
<i>Other comprehensive income, net of tax</i>									
<b>Items that may be reclassified subsequently to profit or loss</b>									
Fair value (available-for-sale) reserve									
- Change in fair value	(12,381)		(12,381)	(3,346)	-	(3,346)	25,717	-	25,717
- Amount transferred to profit or loss	(2,287)		(2,287)	(10,695)	-	(10,695)	(17,097)	-	(17,097)
Income tax expense relating to components of other comprehensive income/(expense)	565		565	176	-	176	(4,145)	-	(4,145)
<b>Other comprehensive income for the period, net of tax</b>	(14,103)	-	(14,103)	(13,865)	-	(13,865)	4,475	-	4,475
<b>Total comprehensive income for the period</b>	130,727	8,028	138,755	509,130	18,565	527,695	732,847	28,730	761,577
<b>Profit attributable to shareholder of the Bank</b>	144,830	8,028	152,858	522,995	18,565	541,560	728,372	28,730	757,102
<b>Total comprehensive income attributable to shareholder of the Bank</b>	130,727	8,028	138,755	509,130	18,565	527,695	732,847	28,730	761,577
<b>Basic earnings per ordinary share (sen)</b>	47.2	2.8	50.0	175.6	6.5	182.1	247.1	10.0	257.1

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(iii) There are no material differences between the statements of cash flows presented under MFRS and the statements of cash flows presented under FRS.

(iv) Explanatory Notes

(a) Loans, advances and financing

	1 January 2011			30 September 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>									
Gross loans, advances and financing	36,068,718	-	36,068,718	42,098,302	-	42,098,302	43,141,815	-	43,141,815
Allowance for loans, advances and financing:									
- Individual impairment	(389,872)	-	(389,872)	(382,108)	-	(382,108)	(318,091)	-	(318,091)
- Collective impairment	(535,727)	156,221	(379,506)	(626,112)	182,255	(443,857)	(642,695)	187,381	(455,314)
Net loans, advances and financing	<u>35,143,119</u>	<u>156,221</u>	<u>35,299,340</u>	<u>41,090,082</u>	<u>182,255</u>	<u>41,272,337</u>	<u>42,181,029</u>	<u>187,381</u>	<u>42,368,410</u>
<b>Bank</b>									
Gross loans, advances and financing	33,512,980	-	33,512,980	39,280,611	-	39,280,611	39,892,127	-	39,892,127
Allowance for loans, advances and financing:									
- Individual impairment	(358,784)	-	(358,784)	(348,619)	-	(348,619)	(289,280)	-	(289,280)
- Collective impairment	(497,773)	143,023	(354,750)	(584,348)	167,776	(416,572)	(594,382)	170,632	(423,750)
Net loans, advances and financing	<u>32,656,423</u>	<u>143,023</u>	<u>32,799,446</u>	<u>38,347,644</u>	<u>167,776</u>	<u>38,515,420</u>	<u>39,008,465</u>	<u>170,632</u>	<u>39,179,097</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(a) Loans, advances and financing (continued)

Movements in allowance for loans, advances and financing

Collective impairment allowance**Group**

Balance at 1 January  
 Allowance made during the period  
 Balance at 30 September/31 December

	30 September 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance at 1 January	535,727	(156,221)	379,506	535,727	(156,221)	379,506
Allowance made during the period	90,385	(26,034)	64,351	106,968	(31,160)	75,808
Balance at 30 September/31 December	626,112	(182,255)	443,857	642,695	(187,381)	455,314
<b><u>Bank</u></b>						
Balance at 1 January	497,773	(143,023)	354,750	497,773	(143,023)	354,750
Allowance made during the period	86,575	(24,753)	61,822	96,609	(27,609)	69,000
Balance at 30 September/31 December	584,348	(167,776)	416,572	594,382	(170,632)	423,750

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(b) Deferred tax assets

	1 January 2011			30 September 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>									
Impairment allowance on financial investments available-for-sale	190	-	190	165	-	165	165	-	165
Temporary differences arising from leasing business	4,317	-	4,317	4,908	-	4,908	5,015	-	5,015
Excess of capital allowance over depreciation	(14,886)	(324) #	(15,210)	(11,914)	(324) #	(12,238)	(13,015)	-	(13,015)
Collective impairment allowance on loans, advances and financing	133,773	(133,769) #	4	156,373	(140,277) ^	16,096	26,753	(7,790)	18,963
Changes in fair value of financial instruments	(7,103)	-	(7,103)	(6,477)	-	(6,477)	(11,686)	-	(11,686)
Other temporary differences	21,605	4,106 #	25,711	20,490	4,106 #	24,596	24,060	-	24,060
	<u>137,896</u>	<u>(129,987)</u>	<u>7,909</u>	<u>163,545</u>	<u>(136,495)</u>	<u>27,050</u>	<u>31,292</u>	<u>(7,790)</u>	<u>23,502</u>

# Underprovision of deferred tax in respect of prior year being accounted retrospectively in 2011 in preparing the Group's opening MFRS statements of financial position.

^ Included is the underprovision of deferred tax in respect of prior year being accounted retrospectively in 2011 in preparing the Group's opening MFRS statements of financial position of RM133,769.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(b) Deferred tax assets (continued)

	1 January 2011			30 September 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>									
Impairment allowance on financial investments available-for-sale	190	-	190	165	-	165	165	-	165
Temporary differences arising from leasing business	4,322	-	4,322	4,908	-	4,908	4,967	-	4,967
Excess of capital allowance over depreciation	(13,878)	(322) #	(14,200)	(11,038)	(322) #	(11,360)	(12,145)	-	(12,145)
Collective impairment allowance on loans, advances and financing	124,284	(124,284) #	-	145,928	(130,472) ^	15,456	24,152	(6,902)	17,250
Changes in fair value of financial instruments	(7,070)	-	(7,070)	(6,894)	-	(6,894)	(11,215)	-	(11,215)
Other temporary differences	19,877	-	19,877	18,370	-	18,370	21,655	-	21,655
	<b>127,725</b>	<b>(124,606)</b>	<b>3,119</b>	<b>151,439</b>	<b>(130,794)</b>	<b>20,645</b>	<b>27,579</b>	<b>(6,902)</b>	<b>20,677</b>

# Underprovision of deferred tax in respect of prior year being accounted retrospectively in 2011 in preparing the Bank's opening MFRS statements of financial position.

^ Included is the underprovision of deferred tax in respect of prior year being accounted retrospectively in 2011 in preparing the Bank's opening MFRS statements of financial position of RM124,284.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(c) Effect of transition to MFRS on retained earnings

	Group			Bank		
	1 January 2011 RM'000	30 September 2011 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	30 September 2011 RM'000	31 December 2011 RM'000
Collective impairment allowance on loans, advances and financing	156,221	182,255	187,381	143,023	167,776	170,632
Tax effect of collective impairment allowance on loans, advances and financing	(39,056)	(45,564)	(46,846)	(35,756)	(41,944)	(42,658)
Adjustment for underprovision of deferred tax in prior year #	(129,987)	(129,987)	-	(124,606)	(124,606)	-
Adjustment for overprovision of current tax in prior year #	123,141	123,141	-	116,583	116,583	-
	<u>110,319</u>	<u>129,845</u>	<u>140,535</u>	<u>99,244</u>	<u>117,809</u>	<u>127,974</u>

# Underprovision of deferred tax and overprovision of current tax in respect of prior year being accounted retrospectively in 2011 in preparing the Group's and the Bank's opening MFRS statements of financial position.



**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(d) Impairment allowance on loans, advances and financing

<b>Group</b>	<b>Note</b>	<b>Quarter ended 30 September 2011</b>			<b>Year to date ended 30 September 2011</b>			<b>Year to date ended 31 December 2011</b>		
		<b>FRS RM'000</b>	<b>Effect of transition to MFRS RM'000</b>	<b>MFRS RM'000</b>	<b>FRS RM'000</b>	<b>Effect of transition to MFRS RM'000</b>	<b>MFRS RM'000</b>	<b>FRS RM'000</b>	<b>Effect of transition to MFRS RM'000</b>	<b>MFRS RM'000</b>
Allowance on loans, advances and financing:										
(i) Individual impairment										
- Made during the period		38,767	-	38,767	133,352	-	133,352	180,375	-	180,375
- Written back		(24,546)	-	(24,546)	(76,664)	-	(76,664)	(118,136)	-	(118,136)
(ii) Collective impairment										
- Made during the period	34(iv)(a)	40,797	(11,908)	28,889	90,385	(26,034)	64,351	106,968	(31,160)	75,808
Impaired loans, advances and financing										
- Recovered during the period		(11,941)	-	(11,941)	(31,995)	-	(31,995)	(40,203)	-	(40,203)
Others		19	-	19	34	-	34	64	-	64
		<b>43,096</b>	<b>(11,908)</b>	<b>31,188</b>	<b>115,112</b>	<b>(26,034)</b>	<b>89,078</b>	<b>129,068</b>	<b>(31,160)</b>	<b>97,908</b>
<b>Bank</b>										
Allowance on loans, advances and financing:										
(i) Individual impairment										
- Made during the period		30,220	-	30,220	104,913	-	104,913	142,795	-	142,795
- Written back		(21,262)	-	(21,262)	(65,633)	-	(65,633)	(104,335)	-	(104,335)
(ii) Collective impairment										
- Made during the period	34 (iv)(a)	37,324	(10,704)	26,620	86,575	(24,753)	61,822	96,609	(27,609)	69,000
Impaired loans, advances and financing										
- Recovered during the period		(10,287)	-	(10,287)	(27,034)	-	(27,034)	(33,641)	-	(33,641)
Others		19	-	19	19	-	19	49	-	49
		<b>36,014</b>	<b>(10,704)</b>	<b>25,310</b>	<b>98,840</b>	<b>(24,753)</b>	<b>74,087</b>	<b>101,477</b>	<b>(27,609)</b>	<b>73,868</b>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(e) Income tax expense

	Quarter ended 30 September 2011			Year to date ended 30 September 2011			Year to date ended 31 December 2011		
	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
<b>Group</b>									
Malaysian income tax	66,031	-	66,031	200,391	-	200,391	151,676	123,141	274,817
- Current period	66,031	-	66,031	200,391	-	200,391	274,817	-	274,817
- Overprovision in prior years	-	-	-	-	-	-	(123,141)	123,141	-
Deferred tax	(15,934)	2,977	(12,957)	(24,816)	6,508	(18,308)	102,228	(122,197)	(19,969)
- Origination and reversal of temporary differences	(15,934)	2,977	(12,957)	(24,816)	6,508	(18,308)	(27,759)	7,790	(19,969)
- Underprovision in prior years	-	-	-	-	-	-	129,987	(129,987)	-
	<b>50,097</b>	<b>2,977</b>	<b>53,074</b>	<b>175,575</b>	<b>6,508</b>	<b>182,083</b>	<b>253,904</b>	<b>944</b>	<b>254,848</b>
<b>Bank</b>									
Malaysian income tax	62,803	-	62,803	193,229	-	193,229	154,001	116,583	270,584
- Current period	62,803	-	62,803	193,229	-	193,229	270,584	-	270,584
- Overprovision in prior years	-	-	-	-	-	-	(116,583)	116,583	-
Deferred tax	(14,427)	2,676	(11,751)	(23,540)	6,188	(17,352)	96,001	(117,704)	(21,703)
- Origination and reversal of temporary differences	(14,427)	2,676	(11,751)	(23,540)	6,188	(17,352)	(28,605)	6,902	(21,703)
- Underprovision in prior years	-	-	-	-	-	-	124,606	(124,606)	-
	<b>48,376</b>	<b>2,676</b>	<b>51,052</b>	<b>169,689</b>	<b>6,188</b>	<b>175,877</b>	<b>250,002</b>	<b>(1,121)</b>	<b>248,881</b>

# Underprovision of deferred tax in respect of prior year being accounted retrospectively in 2011 in preparing the Group's and the Bank's opening MFRS statements of financial position.

The effect of transition to MFRS does not change the average effective tax rate of the Group and of the Bank which remains at 25.3% and 25.6% respectively.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(f) Capital Adequacy

	<b>Group</b>		<b>Bank</b>	
	<b>31 December 2011</b>		<b>31 December 2011</b>	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
<u>Tier 1 capital</u>				
Retained profits	3,009,595	3,150,130	3,026,424	3,154,398
Deferred tax assets	(42,979)	(35,189)	(38,794)	(31,892)
<u>Tier 2 capital</u>				
Collective impairment assessment under				
Standardised Approach	32,898	23,294	20,314	14,476
Subordinated debt capital	1,053,844	1,060,569	-	-
Excess of total EL over total EP under the IRB approach	(70,456)	(248,071)	(74,091)	(238,803)
<u>Before deducting proposed dividends</u>				
Core capital ratio	13.22%	13.62%	14.31%	14.71%
Risk-weighted capital ratio	15.95%	15.86%	16.04%	15.94%
<u>After deducting proposed dividends</u>				
Core capital ratio	12.33%	12.73%	13.33%	13.73%
Risk-weighted capital ratio	15.06%	14.97%	15.06%	14.96%

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 SEPTEMBER 2012 (continued)****34 TRANSITION TO MFRS (continued)**

(iv) Explanatory Notes (continued)

(g) Statements of Profit or Loss and Other Comprehensive Income

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 September 2011</b>		<b>30 September 2011</b>	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
<b><u>Group</u></b>				
Net fee and commission income	67,301	65,798	210,826	207,518
Net trading income	9,046	9,258	92,252	93,067
Other operating income	7,848	8,507	40,745	42,526
Personnel and operating expenses	(198,430)	(197,798)	(544,938)	(544,226)
<b><u>Bank</u></b>				
Net fee and commission income	80,410	65,798	248,086	207,518
Net trading income	9,046	9,258	92,252	93,067
Other operating income	7,899	21,667	40,841	79,882
Personnel and operating expenses	(181,240)	(180,608)	(501,064)	(500,352)