

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

Domiciled in Malaysia
Registered office:
19th Floor, Menara OCBC
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 JUNE 2013**

| CONTENTS | PAGE |
|---|-------------|
| STATEMENTS OF FINANCIAL POSITION | 3 |
| CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 4 |
| STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME | 5 |
| CONSOLIDATED STATEMENT OF CHANGES IN EQUITY | 6 |
| STATEMENT OF CHANGES IN EQUITY | 7 |
| STATEMENTS OF CASH FLOWS | 8 - 9 |
| NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS | 10 - 50 |

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2013**

| | Note | Group | | Bank | |
|--|------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| ASSETS | | | | | |
| Cash and cash equivalents | 13 | 7,054,011 | 11,250,251 | 7,311,217 | 11,851,025 |
| Deposits and placements with banks and other financial institutions | 14 | 1,968,678 | 1,285,868 | 2,833,358 | 1,953,967 |
| Financial assets held-for-trading | 15 | 1,010,364 | 228,230 | 1,010,364 | 228,230 |
| Financial investments available-for-sale | 16 | 9,953,971 | 9,813,105 | 7,864,887 | 7,559,727 |
| Loans, advances and financing | 17 | 51,523,310 | 47,478,794 | 46,235,455 | 43,183,072 |
| Derivative financial assets | 19 | 734,086 | 544,241 | 734,124 | 544,129 |
| Other assets | 20 | 238,854 | 270,151 | 429,629 | 457,688 |
| Statutory deposits with Bank Negara Malaysia | | 1,813,592 | 1,625,592 | 1,570,092 | 1,411,092 |
| Investment in subsidiary companies | | - | - | 346,617 | 346,617 |
| Property, plant and equipment | | 264,407 | 255,428 | 256,167 | 247,403 |
| Prepaid lease payments | | 910 | 928 | 910 | 928 |
| Investment properties | | 12,880 | 13,040 | 12,880 | 13,040 |
| Non-current assets held for sale | | 73 | 2,822 | 73 | 2,822 |
| Deferred tax assets | | 16,364 | 2,566 | 10,437 | - |
| Current tax assets | | - | 443 | - | - |
| Total assets | | 74,591,500 | 72,771,459 | 68,616,210 | 67,799,740 |
| LIABILITIES | | | | | |
| Deposits from customers | 21 | 60,116,458 | 55,479,218 | 54,428,853 | 51,070,280 |
| Deposits and placements of banks and other financial institutions | 22 | 5,536,595 | 8,479,493 | 5,267,893 | 8,078,172 |
| Bills and acceptances payable | | 279,458 | 356,718 | 259,530 | 341,923 |
| Recourse obligation on loans sold to Cagamas Berhad | | 24,688 | 25,662 | 24,688 | 25,662 |
| Subordinated term loan/bonds | 23 | 1,701,724 | 1,705,231 | 1,701,724 | 1,705,231 |
| Derivative financial liabilities | 19 | 598,850 | 503,574 | 598,761 | 503,511 |
| Other liabilities | 24 | 960,516 | 929,718 | 1,152,147 | 918,374 |
| Current tax liabilities and zakat | | 58,677 | 32,868 | 52,331 | 32,843 |
| Deferred tax liabilities | | - | 1,809 | - | 1,809 |
| Total liabilities | | 69,276,966 | 67,514,291 | 63,485,927 | 62,677,805 |
| EQUITY | | | | | |
| Share capital | | 291,500 | 291,500 | 291,500 | 291,500 |
| Reserves | | 5,023,034 | 4,965,668 | 4,838,783 | 4,830,435 |
| Total equity | | 5,314,534 | 5,257,168 | 5,130,283 | 5,121,935 |
| Total liabilities and equity | | 74,591,500 | 72,771,459 | 68,616,210 | 67,799,740 |
| Commitments and contingencies | 34 | 89,873,964 | 93,576,669 | 87,629,321 | 91,607,682 |

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 2012 and the accompanying explanatory notes on pages 10 to 50 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013**

| Group | Note | Quarter ended | | Year to date ended | |
|---|------|----------------------|---------------------|---------------------------|---------------------|
| | | 30 June 2013 | 30 June 2012 | 30 June 2013 | 30 June 2012 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 25 | 696,270 | 692,387 | 1,378,801 | 1,342,341 |
| Interest expense | 25 | (388,864) | (393,326) | (752,662) | (739,552) |
| Net interest income | 25 | 307,406 | 299,061 | 626,139 | 602,789 |
| Income from Islamic banking operations | 26 | 88,437 | 56,748 | 171,665 | 110,979 |
| Net fee and commission income | 27 | 76,655 | 83,159 | 137,867 | 153,849 |
| Net trading income | 28 | 70,191 | 83,172 | 105,763 | 123,191 |
| Other operating income | 29 | 25,291 | 11,121 | 32,370 | 35,601 |
| Operating income | | 567,980 | 533,261 | 1,073,804 | 1,026,409 |
| Operating expenses | 30 | (218,317) | (202,166) | (419,082) | (393,826) |
| Operating profit before impairment allowance and provision | | 349,663 | 331,095 | 654,722 | 632,583 |
| Impairment allowance on loans, advances and financing | 31 | (30,115) | (33,687) | (23,244) | (38,994) |
| Write back of impairment allowance on investment properties | | - | - | - | 1,301 |
| Profit before income tax expense and zakat | | 319,548 | 297,408 | 631,478 | 594,890 |
| Income tax expense | 32 | (79,070) | (74,444) | (156,539) | (149,290) |
| Zakat | | (7) | (6) | (15) | (12) |
| Profit for the period | | 240,471 | 222,958 | 474,924 | 445,588 |
| Other comprehensive income, net of income tax expense | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Fair value (available-for-sale) reserve | | | | | |
| - Change in fair value | | (57,766) | (17,079) | (50,741) | 36,878 |
| - Amount transferred to profit or loss | | (23,846) | 8,077 | (31,256) | (29,431) |
| Income tax expense relating to components of other comprehensive income | | 17,566 | 3,231 | 18,385 | (2,547) |
| Other comprehensive (loss)/income for the period, net of tax | | (64,046) | (5,771) | (63,612) | 4,900 |
| Total comprehensive income for the period | | 176,425 | 217,187 | 411,312 | 450,488 |
| Profit attributable to shareholder of the Bank | | 240,471 | 222,958 | 474,924 | 445,588 |
| Total comprehensive income attributable to shareholder of the Bank | | 176,425 | 217,187 | 411,312 | 450,488 |
| Basic earnings per ordinary share (sen) | | 83.6 | 77.6 | 162.1 | 151.9 |

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 2012 and the accompanying explanatory notes on pages 10 to 50 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013**

| Bank | Note | Quarter ended | | Year to date ended | |
|---|------|----------------------|---------------------|---------------------------|---------------------|
| | | 30 June 2013 | 30 June 2012 | 30 June 2013 | 30 June 2012 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 25 | 706,088 | 699,415 | 1,400,082 | 1,355,794 |
| Interest expense | 25 | (391,626) | (395,905) | (758,171) | (745,099) |
| Net interest income | 25 | 314,462 | 303,510 | 641,911 | 610,695 |
| Net fee and commission income | 27 | 76,655 | 83,159 | 137,867 | 153,849 |
| Net trading income | 28 | 70,191 | 83,172 | 105,763 | 123,191 |
| Other operating income | 29 | 42,921 | 24,828 | 66,082 | 62,734 |
| Operating income | | 504,229 | 494,669 | 951,623 | 950,469 |
| Operating expenses | 30 | (207,507) | (186,754) | (394,080) | (361,669) |
| Operating profit before impairment allowance and provision | | 296,722 | 307,915 | 557,543 | 588,800 |
| Impairment allowance on loans, advances and financing | 31 | (15,110) | (18,180) | (454) | (18,484) |
| Write back of impairment allowance on investment properties | | - | - | - | 1,301 |
| Profit before income tax expense and zakat | | 281,612 | 289,735 | 557,089 | 571,617 |
| Income tax expense | 32 | (71,540) | (72,609) | (141,283) | (143,664) |
| Profit for the period | | 210,072 | 217,126 | 415,806 | 427,953 |
| Other comprehensive income, net of income tax expense | | | | | |
| Items that may be reclassified subsequently to profit or loss | | | | | |
| Fair value (available-for-sale) reserve | | | | | |
| - Change in fair value | | (48,978) | (12,626) | (43,367) | 31,883 |
| - Amount transferred to profit or loss | | (22,471) | 8,077 | (25,163) | (29,431) |
| Income tax expense relating to components of other comprehensive income | | 15,025 | 2,118 | 15,018 | (1,299) |
| Other comprehensive (loss)/income for the period, net of tax | | (56,424) | (2,431) | (53,512) | 1,153 |
| Total comprehensive income for the period | | 153,648 | 214,695 | 362,294 | 429,106 |
| Profit attributable to shareholder of the Bank | | 210,072 | 217,126 | 415,806 | 427,953 |
| Total comprehensive income attributable to shareholder of the Bank | | 153,648 | 214,695 | 362,294 | 429,106 |
| Basic earnings per ordinary share (sen) | | 73.1 | 75.5 | 141.5 | 145.7 |

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 2012 and the accompanying explanatory notes on pages 10 to 50 of these unaudited condensed interim financial statements.

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

| | <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 | |
| Group | | | | | | | |
| Balance at 1 January 2013 | 291,500 | 858,500 | 375,643 | 56,619 | 142,702 | 3,532,204 | 5,257,168 |
| Fair value (available-for-sale) reserve | | | | | | | |
| - Change in fair value | - | - | - | - | (50,741) | - | (50,741) |
| - Amount transferred to profit or loss | - | - | - | - | (31,256) | - | (31,256) |
| Income tax expense relating to components of other comprehensive income | - | - | - | - | 18,385 | - | 18,385 |
| Total other comprehensive loss for the period | - | - | - | - | (63,612) | - | (63,612) |
| Profit for the period | - | - | - | - | - | 474,924 | 474,924 |
| Total comprehensive (loss)/ income for the period | - | - | - | - | (63,612) | 474,924 | 411,312 |
| <i>Contributions by and distributions to owner of the Bank</i> | | | | | | | |
| Dividends paid | | | | | | | |
| - Final 2012 ordinary | - | - | - | - | - | (345,000) | (345,000) |
| - Preference | - | - | - | - | - | (8,946) | (8,946) |
| Balance at 30 June 2013 | <u>291,500</u> | <u>858,500</u> | <u>375,643</u> | <u>56,619</u> | <u>79,090</u> | <u>3,653,182</u> | <u>5,314,534</u> |
| 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 | - | - | - | - | 36,878 | - | 36,878 |
| - Amount transferred to profit or loss | - | - | - | - | (29,431) | - | (29,431) |
| Income tax expense relating to components of other comprehensive income | - | - | - | - | (2,547) | - | (2,547) |
| Total other comprehensive income for the period | - | - | - | - | 4,900 | - | 4,900 |
| Profit for the period | - | - | - | - | - | 445,588 | 445,588 |
| Total comprehensive income for the period | - | - | - | - | 4,900 | 445,588 | 450,488 |
| <i>Contributions by and distributions to owner of the Bank</i> | | | | | | | |
| Dividends paid | | | | | | | |
| - Final 2011 ordinary | - | - | - | - | - | (323,438) | (323,438) |
| - Preference | - | - | - | - | - | (8,994) | (8,994) |
| Balance at 30 June 2012 | <u>291,500</u> | <u>858,500</u> | <u>352,596</u> | <u>56,619</u> | <u>135,978</u> | <u>3,263,286</u> | <u>4,958,479</u> |

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 2012 and the accompanying explanatory notes on pages 10 to 50 of these unaudited condensed interim financial statements.

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

| | <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 | |
| Bank | | | | | | |
| Balance at 1 January 2013 | 291,500 | 858,500 | 322,000 | 137,027 | 3,512,908 | 5,121,935 |
| Fair value (available-for-sale) reserve | | | | | | |
| - Change in fair value | - | - | - | (43,367) | - | (43,367) |
| - Amount transferred to profit or loss | - | - | - | (25,163) | - | (25,163) |
| Income tax expense relating to components of other comprehensive income | - | - | - | 15,018 | - | 15,018 |
| Total other comprehensive loss for the period | - | - | - | (53,512) | - | (53,512) |
| Profit for the period | - | - | - | - | 415,806 | 415,806 |
| Total comprehensive (loss)/ income for the period | - | - | - | (53,512) | 415,806 | 362,294 |
| <i>Contributions by and distributions to the owner of the Bank</i> | | | | | | |
| Dividends paid | | | | | | |
| - Final 2012 ordinary | - | - | - | - | (345,000) | (345,000) |
| - Preference | - | - | - | - | (8,946) | (8,946) |
| Balance at 30 June 2013 | <u>291,500</u> | <u>858,500</u> | <u>322,000</u> | <u>83,515</u> | <u>3,574,768</u> | <u>5,130,283</u> |
| 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 | - | - | - | 31,883 | - | 31,883 |
| - Amount transferred to profit or loss | - | - | - | (29,431) | - | (29,431) |
| Income tax expense relating to components of other comprehensive income | - | - | - | (1,299) | - | (1,299) |
| Total other comprehensive income for the period | - | - | - | 1,153 | - | 1,153 |
| Profit for the period | - | - | - | - | 427,953 | 427,953 |
| Total comprehensive income for the period | - | - | - | 1,153 | 427,953 | 429,106 |
| <i>Contributions by and distributions to owner of the Bank</i> | | | | | | |
| Dividends paid | | | | | | |
| - Final 2011 ordinary | - | - | - | - | (323,438) | (323,438) |
| - Preference | - | - | - | - | (8,994) | (8,994) |
| Balance at 30 June 2012 | <u>291,500</u> | <u>858,500</u> | <u>322,000</u> | <u>129,686</u> | <u>3,249,919</u> | <u>4,851,605</u> |

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 2012 and the accompanying explanatory notes on pages 10 to 50 of these unaudited condensed interim financial statements.

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

| | Group | | Bank | |
|--|---------------------------|------------------|---------------------------|------------------|
| | Year to date ended | | Year to date ended | |
| | 30 June | 30 June | 30 June | 30 June |
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from operating activities | | | | |
| Profit before income tax expense and zakat | 631,478 | 594,890 | 557,089 | 571,617 |
| <i>Adjustments for:</i> | | | | |
| Net gain/(loss) from disposal of: | | | | |
| - Financial investments available-for-sale | (31,256) | (29,431) | (25,163) | (29,431) |
| - Property, plant and equipment | (983) | 86 | (983) | 86 |
| Dividends on financial investments available-for-sale | (410) | (655) | (410) | (655) |
| Depreciation of property, plant and equipment | 25,851 | 18,193 | 24,048 | 17,215 |
| Depreciation of investment properties | 86 | 102 | 86 | 102 |
| Amortisation of prepaid lease payments | 18 | 18 | 18 | 18 |
| Write back of impairment allowance on investment properties | - | (1,301) | - | (1,301) |
| Impairment allowance on loans, advances and financing | 23,244 | 38,994 | 454 | 18,484 |
| Share-based expenses | 1,436 | 3,216 | 1,394 | 3,106 |
| Unrealised (gain)/loss on: | | | | |
| - Financial assets held-for-trading | (744) | (922) | (744) | (922) |
| - Trading derivatives | (95,758) | 33,102 | (95,758) | 33,102 |
| - Hedging derivatives | 180 | (125) | 180 | (125) |
| Operating profit before changes in working capital | 553,142 | 656,167 | 460,211 | 611,296 |
| <i>(Increase)/Decrease in operating assets and Increase/(Decrease) in operating liabilities:</i> | | | | |
| Deposits and placements with banks and other financial institutions | (682,810) | (628,332) | (879,391) | (606,030) |
| Financial assets held-for-trading | (781,390) | (588,605) | (781,390) | (588,605) |
| Loans, advances and financing | (4,067,760) | (1,877,343) | (3,052,837) | (1,368,925) |
| Other assets | 31,297 | (36,652) | 28,059 | (36,421) |
| Statutory deposits with Bank Negara Malaysia | (188,000) | (117,100) | (159,000) | (86,000) |
| Derivative financial assets and liabilities | 6,229 | 2,913 | 6,053 | 2,899 |
| Deposits from customers | 4,637,240 | 6,335,291 | 3,358,573 | 5,634,394 |
| Deposits and placements of banks and other financial institutions | (2,942,898) | 377,326 | (2,810,279) | 154,619 |
| Bills and acceptances payable | (77,260) | (30,833) | (82,393) | (13,113) |
| Recourse obligation on loans sold to Cagamas Berhad | (974) | (38,993) | (974) | (38,993) |
| Other liabilities | 29,329 | 115,404 | 232,348 | 132,540 |
| Cash (used in)/generated from operations | (3,483,855) | 4,169,243 | (3,681,020) | 3,797,661 |
| Income tax and zakat paid | (127,523) | (99,381) | (119,023) | (97,781) |
| Net cash (used in)/generated from operating activities | (3,611,378) | 4,069,862 | (3,800,043) | 3,699,880 |

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013 (CONTINUED)

| | Group | | Bank | |
|--|---------------------------|--------------------|---------------------------|-------------------|
| | Year to date ended | | Year to date ended | |
| | 30 June | 30 June | 30 June | 30 June |
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash flows from investing activities | | | | |
| Proceeds from disposal of financial investments available-for-sale | 4,741,324 | 8,024,701 | 3,278,361 | 5,803,216 |
| Acquisition of financial investments available-for-sale | (4,941,626) | (9,662,842) | (3,635,584) | (6,593,429) |
| Acquisition of property, plant and equipment | (35,870) | (62,277) | (34,232) | (61,456) |
| Proceeds from disposal of investment properties | 4,080 | 3,522 | 4,080 | - |
| Proceeds from disposal of property, plant and equipment | 766 | 23,392 | 1,146 | 26,760 |
| Dividends received from financial investments available-for-sale | 410 | 655 | 410 | 655 |
| Net cash used in investing activities | (230,916) | (1,672,849) | (385,819) | (824,254) |
| Cash flows from financing activities | | | | |
| Dividends paid to preference shareholders | (8,946) | (8,994) | (8,946) | (8,994) |
| Dividends paid to shareholder of the Bank | (345,000) | (323,438) | (345,000) | (323,438) |
| Net cash used in financing activities | (353,946) | (332,432) | (353,946) | (332,432) |
| Net (decrease)/increase in cash and cash equivalents | (4,196,240) | 2,064,581 | (4,539,808) | 2,543,194 |
| Cash and cash equivalents at 1 January | 11,250,251 | 7,763,234 | 11,851,025 | 7,592,989 |
| Cash and cash equivalents at 30 June | 7,054,011 | 9,827,815 | 7,311,217 | 10,136,183 |

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 2012 and the accompanying explanatory notes on pages 10 to 50 of these unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013

1 GENERAL INFORMATION

The principal activities of the Bank are banking and related financial services. The subsidiaries of the Bank are principally engaged in the businesses of Islamic Banking and nominee services. There were no significant changes in the nature of these activities during the financial period.

The unaudited condensed interim financial statements of the Group as at and for the six months ended 30 June 2013 comprise the Bank and its subsidiary companies, (together referred to as the "Group").

2 REVIEW OF PERFORMANCE

The Bank and its subsidiary companies ("the Group") recorded a net profit of RM475 million for the first six months of 2013, registering an increase of RM29 million or 7% compared to the corresponding period for 2012. The increase in net profit was mainly due to higher operating profit of RM22 million or 3% to RM655 million and lower allowances on loans, advances and financing by RM16 million.

Compared to the corresponding period in 2012, total income rose by RM47 million or 5% to RM1,074 million mainly from higher net interest income (+RM23 million or 4%) and increased income from Islamic banking operations (+RM61 million or 55%). Operating expenses increased by RM25 million or 6% to RM419 million as a result of investments in infrastructure such as technology and branch expansion to support business growth.

Loan recoveries increased by RM28 million but was offset by higher collective impairment allowance during the quarter (+RM11 million) in tandem with loan growth.

Total assets increased by RM1.8 billion to RM74.6 billion compared against 31 December 2012, mainly attributed to continued expansion of gross loans, advances and financing increased by RM4.1 billion to RM52.3 billion and higher deposits and placements with banks and other financial institutions (+RM0.7 billion) and financial assets held-for-trading (+RM0.8 billion) offset by lower cash and cash equivalents (-RM4.2 billion).

Group shareholders' funds strengthened to RM5.3 billion while the Group's and Bank's risk-weighted capital ratios as at 30 June 2013 remained strong at 16.376% and 16.590% respectively.

3 ECONOMIC PERFORMANCE AND PROSPECTS

The major global economies have been facing intense challenges. They have been constrained by ongoing fiscal consolidation and weak labour market conditions. Coupled with this has been the uncertainty from the slowing of China's economy and potential impact on exports and imports arising from the volatile currencies.

However, Malaysia continues to see income growth and stable employment conditions supported by robust private consumption. Investment will be led by capital spending in the domestic-oriented sectors, the oil and gas industry and the on-going implementation of infrastructure projects, especially those arising from the Economic Transformation Programme.

In line with the current economic outlook, the Group will continue to cautiously grow its corporate and SME lending activities, which together form the largest contributor to its revenue. The Group will also look at avenues to strengthen its residential mortgage portfolio as well as wealth management products in its consumer financial services business, and build greater capabilities in alternative distribution channels. While investing in building infrastructure and related capabilities, the Group will actively manage its expenses and the quality of its assets. In terms of capital, the Group will preserve sufficient capital in order to cater for loans and financing growth.

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

4 BASIS OF PREPARATION

The unaudited condensed interim financial statements 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 the International Accounting Standards ("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 2012. The explanatory notes to 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 2012.

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

| | |
|---|--|
| 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 (IAS 19 as amended by IASB in June 2011) |
| MFRS 127 | Consolidated and separate financial statements (IAS 27 as amended by IASB in May 2011) |
| MFRS 128 | Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011) |
| MFRS 3 | Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004) |
| Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards - Government Loans | |
| Amendments to MFRS 7, Financial Instruments: Disclosure- Offsetting Financial Assets and Financial Liabilities | |
| Amendments to MFRS contained in the documents entitled "Annual Improvements 2009 - 2011 Cycle" | |
| Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance | |

IC Interpretation 20 Stripping Costs in the Production Phase of a Surface Mine is not applicable to the Group and the Bank as it is not relevant to the business of the Group and the Bank.

The adoption of the above MFRS, IC Interpretation and Amendments to MFRS did not have any impact on the unaudited condensed interim financial statements 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 and Amendments to MFRS that have been issued by the MASB as they are not yet effective:

Effective for annual periods commencing on or after 1 January 2014

| |
|---|
| Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities |
| Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities |
| Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities |
| Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities |

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

4 BASIS OF PREPARATION (continued)

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

Effective for annual periods commencing on or after 1 January 2015

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

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

MFRS 9, Financial Instruments

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

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

MFRS 10, Consolidated Financial Statements

MFRS 10 introduces a new single control model to determine which investees should be consolidated. MFRS 10 supersedes MFRS 127, Consolidated and Separate Financial Statements and IC Interpretation 112, Consolidation - Special Purpose Entities. There are three elements to the definition of control in MFRS 10: (1) power by investor over an investee, (2) exposure, or rights, to variable returns from investor's involvement with the investee, and (3) investor's ability to affect those returns through its power over the investee.

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 2012.

5 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditors' report on the financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

6 SEASONAL OR CYCLICAL FACTORS

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

7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 30 June 2013.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**8 CHANGES IN ACCOUNTING ESTIMATES**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 June 2013.

9 DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 June 2013.

10 DIVIDEND

A net cash dividend of 4.51% (on issue price) amounting to RM8.9 million was paid to preference shareholders on 20 March 2013. The final gross dividend of 160 sen per ordinary share less tax at 25% amounting to RM345 million was paid on 26 April 2013 in respect of the financial year ended 31 December 2012.

The Directors proposed a net cash dividend of 4.51% (on the issue price) amounting to RM9.1 million to the preference shareholders payable in September 2013 and an interim dividend of 30 sen per ordinary share less tax at 25% in respect of the current financial period amounting to RM64.69 million on the fully issued and paid up ordinary shares of the Bank.

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 June 2013.

13 CASH AND CASH EQUIVALENTS

| | Group | | Bank | |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Cash and balances with banks and other financial institutions | 488,824 | 295,924 | 462,840 | 272,236 |
| Money at call and deposit placements with financial institutions maturing within one month | 6,565,187 | 10,954,327 | 6,848,377 | 11,578,789 |
| | 7,054,011 | 11,250,251 | 7,311,217 | 11,851,025 |

i) By geographical distribution

| | | | | |
|-------------------|------------------|-------------------|------------------|-------------------|
| Malaysia | 6,649,448 | 10,656,143 | 6,913,558 | 11,260,937 |
| Singapore | 157,854 | 234,371 | 153,651 | 233,265 |
| Other ASEAN | 2,278 | 8,157 | 1,917 | 7,864 |
| Rest of the world | 244,431 | 351,580 | 242,091 | 348,959 |
| | 7,054,011 | 11,250,251 | 7,311,217 | 11,851,025 |

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**14 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

| | Group | | Bank | |
|----------------------|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Licensed banks | 768,678 | 1,285,868 | 1,633,358 | 1,953,967 |
| Bank Negara Malaysia | 1,200,000 | - | 1,200,000 | - |
| | <u>1,968,678</u> | <u>1,285,868</u> | <u>2,833,358</u> | <u>1,953,967</u> |

i) By geographical distribution

| | | | | |
|-------------------|------------------|------------------|------------------|------------------|
| Malaysia | 1,400,721 | 1,161,481 | 2,265,401 | 1,829,580 |
| Singapore | 210,769 | - | 210,769 | - |
| Rest of the world | 357,188 | 124,387 | 357,188 | 124,387 |
| | <u>1,968,678</u> | <u>1,285,868</u> | <u>2,833,358</u> | <u>1,953,967</u> |

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

ii) By residual contractual maturity

| | | | | |
|--------------------------|------------------|------------------|------------------|------------------|
| Maturity within one year | 1,870,093 | 1,248,303 | 2,734,773 | 1,916,402 |
| One year to five years | 98,585 | 37,565 | 98,585 | 37,565 |
| | <u>1,968,678</u> | <u>1,285,868</u> | <u>2,833,358</u> | <u>1,953,967</u> |

Included in deposits and placements with banks and other financial institutions are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") as part of an arrangement with OCBC Al-Amin Bank Berhad ("OCBC Al-Amin"). The RPSIA is a contract based on the Mudharabah principle to fund a specific business venture where the Bank solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture arrangement is shared based on a pre-agreed ratio.

As at 30 June 2013, the RPSIA placements amounted to RM315 million (31 December 2012: RM318 million) at profit rates ranging from 1.74% to 4.35% per annum (31 December 2012: 1.92% to 4.31% per annum).

15 FINANCIAL ASSETS HELD-FOR-TRADING

| | Group and Bank | |
|-------------------------------------|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| At fair value | | |
| Malaysian Government treasury bills | 9,928 | 23,258 |
| Malaysian Government securities | 91,256 | - |
| Bank Negara Malaysia monetary notes | 665,205 | 47,178 |
| Private debt securities | 228,027 | 153,838 |
| Quoted shares in Malaysia | 15,948 | 3,956 |
| | <u>1,010,364</u> | <u>228,230</u> |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**16 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

| | Group | | Bank | |
|---|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | 30 June 2013 | 31 December 2012 | 30 June 2013 | 31 December 2012 |
| At fair value | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian Government securities | 3,247,934 | 2,438,721 | 3,247,934 | 2,438,721 |
| Malaysian Government Investment Certificate | 1,749,149 | 1,695,843 | 308,287 | 136,312 |
| Bank Negara Malaysia monetary notes | 368,980 | 751,584 | 368,980 | 701,760 |
| Private debt securities | 2,462,805 | 2,438,359 | 2,063,658 | 2,058,051 |
| Negotiable instruments of deposit | 1,626,922 | 2,135,049 | 1,426,488 | 2,033,055 |
| Malaysian Government debt securities | 72,675 | 142,048 | 72,675 | 29,970 |
| Foreign Government debt securities | 316,782 | 85,622 | 268,141 | 35,979 |
| Quoted shares outside Malaysia | - | 17,155 | - | 17,155 |
| Unquoted shares in Malaysia* | 108,546 | 108,546 | 108,546 | 108,546 |
| Debentures | 190 | 190 | 190 | 190 |
| | 9,953,983 | 9,813,117 | 7,864,899 | 7,559,739 |
| Impairment allowance | | | | |
| - Debentures | (12) | (12) | (12) | (12) |
| | 9,953,971 | 9,813,105 | 7,864,887 | 7,559,727 |

* Stated at cost due to the lack of quoted prices in an active market or/and the fair value of the investments cannot be reliably measured.

17 LOANS, ADVANCES AND FINANCING

| | Group | | Bank | |
|---|-------------------------|-----------------------------|-------------------------|-----------------------------|
| | 30 June 2013 | 31 December 2012 | 30 June 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At amortised cost | | | | |
| Overdrafts | 4,071,212 | 4,002,705 | 3,129,150 | 3,076,772 |
| Term loans/financing: | | | | |
| - Housing loans/financing | 17,761,149 | 15,793,727 | 17,354,025 | 15,573,233 |
| - Syndicated term loans/financing | 1,819,959 | 2,081,983 | 1,779,940 | 2,041,977 |
| - Hire purchase receivables | 689,420 | 653,132 | 73 | 55 |
| - Lease receivables | 35 | 44 | 35 | 44 |
| - Other term loans/financing | 21,289,103 | 19,789,125 | 18,664,843 | 17,970,498 |
| Credit/charge cards | 499,187 | 439,794 | 499,187 | 439,794 |
| Bills receivable | 849,854 | 439,666 | 782,848 | 387,843 |
| Trust receipts | 26,511 | 35,950 | 26,313 | 35,950 |
| Claims on customers under | | | | |
| acceptance credits | 1,983,361 | 1,920,050 | 1,750,699 | 1,693,978 |
| Revolving credit | 3,293,279 | 3,080,385 | 2,293,594 | 2,164,737 |
| Staff loans/financing | 96,203 | 98,915 | 96,203 | 98,915 |
| Other loans/financing | 603,628 | 406,585 | 571,340 | 398,574 |
| | 52,982,901 | 48,742,061 | 46,948,250 | 43,882,370 |
| Less: Unearned income | (666,749) | (490,445) | (4,342) | - |
| Gross loans, advances and financing | 52,316,152 | 48,251,616 | 46,943,908 | 43,882,370 |
| Allowance for loans, advances and financing | | | | |
| - Individual impairment | (254,863) | (264,575) | (219,035) | (232,242) |
| - Collective impairment | (537,979) | (508,247) | (489,418) | (467,056) |
| Net loans, advances and financing | 51,523,310 | 47,478,794 | 46,235,455 | 43,183,072 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**17 LOANS, ADVANCES AND FINANCING (continued)**

| | Group | | Bank | |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| i) By type of customer | | | | |
| Domestic non-bank financial institutions | 246,987 | 231,287 | 246,789 | 231,287 |
| Domestic business enterprises: | | | | |
| - Small medium enterprises | 11,250,273 | 9,688,782 | 9,467,090 | 8,586,670 |
| - Others | 16,798,304 | 17,182,006 | 14,401,459 | 14,885,945 |
| Individuals | 22,643,801 | 20,591,838 | 21,530,715 | 19,656,662 |
| Other domestic entities | 176 | 310 | 176 | 310 |
| Foreign entities | 1,376,611 | 557,393 | 1,297,679 | 521,496 |
| | 52,316,152 | 48,251,616 | 46,943,908 | 43,882,370 |
| ii) By interest/profit rate sensitivity | | | | |
| Fixed rate | | | | |
| - Housing loans/financing | 520,704 | 505,446 | 484,455 | 475,751 |
| - Hire purchase receivables | 580,092 | 581,492 | 73 | 55 |
| - Other fixed rate loans/financing | 2,705,965 | 2,461,111 | 729,176 | 884,972 |
| Variable rate | | | | |
| - BLR plus | 32,725,356 | 29,876,603 | 32,154,246 | 29,562,617 |
| - Cost plus | 15,149,992 | 14,172,952 | 12,941,915 | 12,304,963 |
| - Other variable rates | 634,043 | 654,012 | 634,043 | 654,012 |
| | 52,316,152 | 48,251,616 | 46,943,908 | 43,882,370 |
| iii) By sector | | | | |
| Agriculture, hunting, forestry and fishing | 2,803,848 | 2,618,407 | 2,581,005 | 2,326,473 |
| Mining and quarrying | 781,765 | 845,423 | 589,990 | 639,716 |
| Manufacturing | 6,419,525 | 5,775,051 | 5,218,388 | 4,792,001 |
| Electricity, gas and water | 353,467 | 530,194 | 295,388 | 458,471 |
| Construction | 1,215,383 | 1,172,782 | 1,032,152 | 1,044,745 |
| Real estate | 6,674,667 | 6,809,106 | 5,752,801 | 5,919,061 |
| Wholesale & retail trade and restaurants & hotels | 5,904,859 | 5,362,645 | 5,151,361 | 4,940,925 |
| Transport, storage and communication | 1,744,439 | 1,707,541 | 1,553,775 | 1,558,577 |
| Finance, insurance and business services | 1,660,490 | 1,496,378 | 1,435,976 | 1,379,292 |
| Community, social and personal services | 1,195,619 | 820,942 | 984,910 | 710,295 |
| Household | | | | |
| - Purchase of residential properties | 18,986,037 | 17,055,487 | 18,579,170 | 16,838,298 |
| - Purchase of non-residential properties | 1,361,359 | 1,250,708 | 1,339,719 | 1,238,131 |
| - Others | 2,700,176 | 2,524,717 | 1,996,411 | 1,813,483 |
| Others | 514,518 | 282,235 | 432,862 | 222,902 |
| | 52,316,152 | 48,251,616 | 46,943,908 | 43,882,370 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**17 LOANS, ADVANCES AND FINANCING (continued)**

| | Group | | Bank | |
|----------------------------------|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| iv) By geographical distribution | | | | |
| Malaysia | 51,319,149 | 48,024,986 | 46,350,505 | 43,687,416 |
| Singapore | 285,366 | 185,908 | 283,171 | 184,457 |
| Other ASEAN | 86,202 | 38,374 | 54,905 | 8,301 |
| Rest of the world | 625,435 | 2,348 | 255,327 | 2,196 |
| | 52,316,152 | 48,251,616 | 46,943,908 | 43,882,370 |

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

v) By residual contractual maturity

| | | | | |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| Maturity within one year | 12,054,398 | 11,534,223 | 10,636,342 | 10,195,257 |
| One year to five years | 8,304,816 | 7,673,218 | 6,220,400 | 6,101,144 |
| Over five years | 31,956,938 | 29,044,175 | 30,087,166 | 27,585,969 |
| | 52,316,152 | 48,251,616 | 46,943,908 | 43,882,370 |

18 IMPAIRED LOANS, ADVANCES AND FINANCING

a) Movements in impaired loans, advances and financing

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Balance at 1 January | 952,805 | 1,105,135 | 897,867 | 1,057,651 |
| Impaired during the period/year | 502,654 | 902,317 | 464,811 | 825,562 |
| Reclassified as unimpaired | (100,930) | (379,359) | (92,957) | (366,338) |
| Amount recovered | (221,444) | (550,973) | (211,206) | (531,166) |
| Amount written off | (50,553) | (123,162) | (34,361) | (86,689) |
| Effect of foreign exchange difference | 187 | (1,153) | 187 | (1,153) |
| Balance at 30 June/31 December | 1,082,719 | 952,805 | 1,024,341 | 897,867 |
| Individual impairment allowance | (254,863) | (264,575) | (219,035) | (232,242) |
| Collective impairment allowance | (8,640) | (7,337) | (8,435) | (7,122) |
| Net impaired loans, advances and financing | 819,216 | 680,893 | 796,871 | 658,503 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| i) By sector | | | | |
| Agriculture, hunting, forestry and fishing | 4,975 | 9,871 | 4,387 | 9,274 |
| Manufacturing | 506,664 | 339,920 | 491,286 | 323,450 |
| Construction | 27,105 | 30,032 | 24,622 | 26,874 |
| Real estate | 64,219 | 67,620 | 64,219 | 67,620 |
| Wholesale & retail trade and restaurants & hotels | 128,544 | 139,042 | 116,577 | 129,522 |
| Transport, storage and communication | 25,491 | 26,846 | 23,933 | 25,581 |
| Finance, insurance and business services | 16,665 | 21,510 | 14,034 | 19,053 |
| Community, social and personal services | 7,802 | 6,808 | 7,117 | 6,136 |
| Household | | | | |
| - Purchase of residential properties | 208,965 | 220,716 | 207,203 | 218,209 |
| - Purchase of non-residential properties | 18,667 | 17,480 | 18,667 | 17,480 |
| - Others | 67,722 | 65,950 | 46,638 | 47,900 |
| Others | 5,900 | 7,010 | 5,658 | 6,768 |
| | 1,082,719 | 952,805 | 1,024,341 | 897,867 |
| ii) By geographical distribution | | | | |
| Malaysia | 1,082,719 | 952,805 | 1,024,341 | 897,867 |
| iii) By period overdue | | | | |
| Over 270 days | 386,540 | 475,027 | 361,625 | 455,826 |
| Over 180 days to 270 days | 59,415 | 44,194 | 57,418 | 42,426 |
| Over 90 days to 180 days | 98,824 | 108,757 | 83,934 | 86,150 |
| Up to 90 days | 537,940 | 324,827 | 521,364 | 313,465 |
| | 1,082,719 | 952,805 | 1,024,341 | 897,867 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

iv) By collateral type

| | Group | | Bank | |
|---|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Property | 608,219 | 544,620 | 614,564 | 534,952 |
| Fixed deposits | 177 | 1,194 | 177 | 1,194 |
| Stock and shares | 202 | 348 | 202 | 348 |
| Machinery | - | 2,307 | - | - |
| Secured - others | 77,973 | 86,040 | 67,156 | 76,495 |
| Unsecured - corporate and other guarantee | 204,353 | 156,891 | 189,414 | 142,490 |
| Unsecured - clean | 191,795 | 161,405 | 152,828 | 142,388 |
| | 1,082,719 | 952,805 | 1,024,341 | 897,867 |

b) Movements in allowance for loans, advances and financing

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Individual impairment allowance | | | | |
| Balance at 1 January | 264,575 | 318,091 | 232,242 | 289,280 |
| Made during the period/year | 87,689 | 177,736 | 54,406 | 118,492 |
| Amount written back | (46,371) | (104,990) | (32,863) | (84,696) |
| Amount written off | (50,345) | (123,004) | (34,152) | (87,576) |
| Discount unwind | (685) | (3,258) | (598) | (3,258) |
| Balance at 30 June/31 December | 254,863 | 264,575 | 219,035 | 232,242 |
| Collective impairment allowance | | | | |
| Balance at 1 January | 508,247 | 455,314 | 467,056 | 423,750 |
| Made during the period/year | 29,732 | 52,933 | 22,362 | 43,306 |
| Balance at 30 June/31 December | 537,979 | 508,247 | 489,418 | 467,056 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

i) Individual impairment allowance by sector

| <u>Group</u> | Cumulative individual impairment allowance | | Impairment allowance charged to profit or loss | | Impairment allowance written off | |
|--|---|---------------------|--|---------------------|-------------------------------------|---------------------|
| | 30 June 2013 | 31 December 2012 | 30 June 2013 | 31 December 2012 | 30 June 2013 | 31 December 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Agriculture, hunting, forestry and fishing | 371 | 555 | 234 | 217 | 151 | 261 |
| Manufacturing | 49,614 | 55,583 | 5,330 | 22,418 | 5,205 | 33,323 |
| Construction | 15,307 | 17,035 | 1,424 | 2,480 | 1,596 | 13,113 |
| Real Estate | 3,489 | 4,009 | 38 | 59 | 54 | 109 |
| Wholesale & retail trade and restaurants & hotels | 59,660 | 50,251 | 14,456 | 27,735 | 13,278 | 12,250 |
| Transport, storage and communication | 9,783 | 9,190 | 1,452 | 1,647 | 384 | 244 |
| Finance, insurance and business services | 3,979 | 3,043 | 2,051 | 3,046 | 565 | 786 |
| Community, social and personal services | 2,479 | 1,839 | 1,280 | 1,001 | 31 | 335 |
| Household | | | | | | |
| - Purchase of residential properties | 67,150 | 67,315 | 14,690 | 32,618 | 3,408 | 11,546 |
| - Purchase of non- residential properties | 3,771 | 3,867 | 789 | 1,519 | 781 | 1,225 |
| - Others | 34,174 | 45,224 | 45,587 | 82,872 | 24,139 | 48,482 |
| Others | 5,086 | 6,664 | 358 | 2,124 | 753 | 1,330 |
| | 254,863 | 264,575 | 87,689 | 177,736 | 50,345 | 123,004 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

i) Individual impairment allowance by sector (continued)

| | Cumulative individual impairment allowance | | Impairment allowance charged to profit or loss | | Impairment allowance written off | |
|--|---|-------------------------------|--|-------------------------------|-------------------------------------|-------------------------------|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| <u>Bank</u> | | | | | | |
| Agriculture, hunting, forestry and fishing | 191 | 372 | 231 | 72 | 151 | 175 |
| Manufacturing | 43,301 | 49,061 | 4,644 | 16,638 | 4,566 | 24,109 |
| Construction | 14,486 | 15,970 | 790 | 2,144 | 1,457 | 13,080 |
| Real Estate | 3,489 | 4,009 | 38 | 58 | 54 | 108 |
| Wholesale & retail trade and restaurants & hotels | 55,563 | 46,699 | 12,899 | 24,539 | 12,889 | 12,117 |
| Transport, storage and communication | 9,136 | 8,489 | 1,286 | 869 | 376 | 244 |
| Finance, insurance and business services | 2,928 | 2,492 | 1,415 | 2,661 | 515 | 566 |
| Community, social and personal services | 2,421 | 1,762 | 1,277 | 928 | 31 | 322 |
| Household | | | | | | |
| - Purchase of residential properties | 66,597 | 66,636 | 14,581 | 32,189 | 3,252 | 11,440 |
| - Purchase of non- residential properties | 3,771 | 3,867 | 789 | 1,519 | 781 | 1,225 |
| - Others | 13,473 | 27,707 | 16,123 | 35,267 | 9,424 | 22,860 |
| Others | 3,679 | 5,178 | 333 | 1,608 | 656 | 1,330 |
| | 219,035 | 232,242 | 54,406 | 118,492 | 34,152 | 87,576 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

ii) Collective impairment allowance by sector

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Agriculture, hunting, forestry and fishing | 29,059 | 27,660 | 27,033 | 24,889 |
| Mining and quarrying | 7,925 | 8,799 | 6,180 | 6,845 |
| Manufacturing | 65,079 | 60,023 | 54,206 | 50,748 |
| Electricity, gas and water | 3,623 | 5,587 | 3,094 | 4,906 |
| Construction | 12,319 | 12,214 | 10,659 | 11,008 |
| Real Estate | 68,610 | 71,744 | 60,221 | 63,291 |
| Wholesale & retail trade and restaurants & hotels | 60,195 | 56,340 | 53,376 | 52,368 |
| Transport, storage and communication | 17,908 | 17,994 | 16,179 | 16,586 |
| Finance, insurance and business services | 17,044 | 15,839 | 15,010 | 14,732 |
| Community, social and personal services | 12,208 | 8,631 | 10,291 | 7,581 |
| Household | | | | |
| - Purchase of residential properties | 197,606 | 181,513 | 193,909 | 179,457 |
| - Purchase of non-residential properties | 14,189 | 13,326 | 13,993 | 13,207 |
| - Others | 26,986 | 25,697 | 20,770 | 19,108 |
| Others | 5,228 | 2,880 | 4,497 | 2,330 |
| | 537,979 | 508,247 | 489,418 | 467,056 |

iii) Allowance for loans, advances and financing by geographical distribution

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Individual impairment allowance | | | | |
| Malaysia | 254,863 | 264,575 | 219,035 | 232,242 |
| Collective impairment allowance | | | | |
| Malaysia | 528,090 | 505,860 | 483,202 | 464,970 |
| Singapore | 2,986 | 1,988 | 2,966 | 1,974 |
| Other ASEAN | 860 | 375 | 575 | 89 |
| Rest of the world | 6,043 | 24 | 2,675 | 23 |
| | 537,979 | 508,247 | 489,418 | 467,056 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**19 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

| <u>Group</u> | <u>30 June 2013</u> | | | <u>31 December 2012</u> | | |
|------------------------------|---|--------------------------|-------------------------------|---|--------------------------|-------------------------------|
| | Contract or underlying principal amount RM'000 | Fair value | | Contract or underlying principal amount RM'000 | Fair value | |
| | | Assets RM'000 | Liabilities RM'000 | | Assets RM'000 | Liabilities RM'000 |
| Trading | | | | | | |
| Foreign exchange derivatives | | | | | | |
| - Forwards | 7,198,781 | 64,242 | 13,269 | 4,821,479 | 33,846 | 32,404 |
| - Swaps | 23,801,751 | 336,428 | 279,578 | 24,094,664 | 207,646 | 173,076 |
| - Options | 1,787,233 | 17,289 | 8,689 | 1,825,511 | 21,758 | 20,073 |
| - Others | 676,987 | 18,543 | 18,518 | 39,469 | 14,496 | 14,496 |
| Interest rate derivatives | | | | | | |
| - Swaps | 33,098,375 | 164,633 | 169,633 | 34,756,291 | 142,330 | 147,497 |
| - Options | 1,868,213 | - | 8,957 | 1,872,633 | - | 11,857 |
| - Futures | - | - | - | 8,111 | 10 | - |
| - Swaptions | 300,000 | - | 1,727 | 1,750,000 | 2,360 | 1,897 |
| - Others | 63,845 | 1,728 | - | 64,781 | 2,735 | - |
| Equity and other derivatives | | | | | | |
| - Swaps | 286,100 | 17,459 | 17,459 | 256,500 | 7,356 | 7,356 |
| - Exchange traded futures | - | - | - | 3,777 | - | 14 |
| - Options | 946,832 | 35,885 | 16,390 | 1,039,371 | 38,211 | 15,745 |
| - Commodity futures | 89,541 | 1,852 | 1,824 | 50,200 | 2,391 | 2,394 |
| - Warrants | 4,975 | 1,953 | - | 1,148 | 296 | - |
| - Bond forward | 1,330,000 | 14,367 | - | - | - | - |
| - Credit linked notes | 3,219,500 | 54,272 | 50,530 | 3,183,000 | 63,533 | 57,610 |
| | <u>74,672,133</u> | <u>728,651</u> | <u>586,574</u> | <u>73,766,935</u> | <u>536,968</u> | <u>484,419</u> |
| Hedging | | | | | | |
| Interest rate derivatives | | | | | | |
| - Swaps | 1,483,419 | 5,435 | 12,276 | 1,482,786 | 7,273 | 19,155 |
| | <u>76,155,552</u> | <u>734,086</u> | <u>598,850</u> | <u>75,249,721</u> | <u>544,241</u> | <u>503,574</u> |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**19 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)**

| Bank | 30 June 2013 | | | 31 December 2012 | | |
|------------------------------|---|--------------------------|-------------------------------|---|--------------------------|-------------------------------|
| | Contract or underlying principal amount RM'000 | Fair value | | Contract or underlying principal amount RM'000 | Fair value | |
| | | Assets RM'000 | Liabilities RM'000 | | Assets RM'000 | Liabilities RM'000 |
| Trading | | | | | | |
| Foreign exchange derivatives | | | | | | |
| - Forwards | 7,188,858 | 65,020 | 32,646 | 5,195,217 | 30,816 | 33,512 |
| - Swaps | 22,835,294 | 335,688 | 260,112 | 23,720,916 | 210,564 | 171,905 |
| - Options | 1,787,233 | 17,289 | 8,689 | 1,825,511 | 21,758 | 20,073 |
| - Others | 676,987 | 18,543 | 18,518 | 39,469 | 14,496 | 14,496 |
| Interest rate derivatives | | | | | | |
| - Swaps | 33,098,375 | 164,633 | 169,633 | 34,756,291 | 142,330 | 147,497 |
| - Options | 1,868,213 | - | 8,957 | 1,872,633 | - | 11,857 |
| - Futures | - | - | - | 8,111 | 10 | - |
| - Swaptions | 300,000 | - | 1,727 | 1,750,000 | 2,360 | 1,897 |
| - Others | 63,845 | 1,728 | - | 64,781 | 2,735 | - |
| Equity and other derivatives | | | | | | |
| - Swaps | 286,100 | 17,459 | 17,459 | 256,500 | 7,356 | 7,356 |
| - Exchange traded futures | - | - | - | 3,777 | - | 14 |
| - Options | 946,832 | 35,885 | 16,390 | 1,039,371 | 38,211 | 15,745 |
| - Commodity futures | 89,541 | 1,852 | 1,824 | 50,200 | 2,391 | 2,394 |
| - Warrants | 4,975 | 1,953 | - | 1,148 | 296 | - |
| - Bond forward | 1,330,000 | 14,367 | - | - | - | - |
| - Credit linked notes | 3,219,500 | 54,272 | 50,530 | 3,183,000 | 63,533 | 57,610 |
| | 73,695,753 | 728,689 | 586,485 | 73,766,925 | 536,856 | 484,356 |
| Hedging | | | | | | |
| Interest rate derivatives | | | | | | |
| - Swaps | 1,483,419 | 5,435 | 12,276 | 1,482,786 | 7,273 | 19,155 |
| | 75,179,172 | 734,124 | 598,761 | 75,249,711 | 544,129 | 503,511 |

20 OTHER ASSETS

| | Group | | Bank | |
|---|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Interest receivable | 106,045 | 123,919 | 93,152 | 107,283 |
| Amount due from subsidiary | - | - | 6,421 | 6,141 |
| Unquoted Islamic subordinated bonds of subsidiary | - | - | 200,000 | 200,000 |
| Other receivables, deposits and prepayments | 132,809 | 146,232 | 130,056 | 144,264 |
| | 238,854 | 270,151 | 429,629 | 457,688 |

The unquoted Islamic subordinated bonds issued by the Islamic subsidiary, OCBC Al-Amin, were subscribed by the Bank in connection with the transfer and vesting of its Islamic Banking business to OCBC Al-Amin.

The amount due from subsidiary is unsecured, interest free and payable on demand.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**21 DEPOSITS FROM CUSTOMERS**

| | Group | | Bank | |
|-----------------------------------|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| i) By type of deposit | | | | |
| Demand deposits | 9,966,791 | 9,337,361 | 7,974,436 | 7,596,891 |
| Savings deposits | 4,619,323 | 4,002,613 | 4,262,939 | 3,676,736 |
| Fixed/Investment deposits | 36,918,828 | 34,225,868 | 34,495,163 | 32,091,676 |
| Negotiable instruments of deposit | 33,874 | 49,710 | 34,636 | 36,083 |
| Short-term money market deposits | 4,181,790 | 4,468,407 | 3,306,953 | 4,314,761 |
| Structured investments | 4,395,852 | 3,395,259 | 4,354,726 | 3,354,133 |
| | 60,116,458 | 55,479,218 | 54,428,853 | 51,070,280 |
| ii) By type of customer | | | | |
| Government and statutory bodies | 12,077 | 19,191 | 2,681 | 4,859 |
| Business enterprises | 23,220,733 | 23,585,564 | 19,692,205 | 21,029,170 |
| Individuals | 25,588,758 | 24,611,564 | 24,569,419 | 23,321,127 |
| Foreign entities | 1,698,971 | 1,328,403 | 1,670,201 | 1,307,552 |
| Others | 9,595,919 | 5,934,496 | 8,494,347 | 5,407,572 |
| | 60,116,458 | 55,479,218 | 54,428,853 | 51,070,280 |
| iii) By maturity structure | | | | |
| Maturity within six months | 48,613,438 | 44,770,456 | 43,426,393 | 40,815,289 |
| Six months to one year | 7,882,492 | 7,580,387 | 7,382,902 | 7,169,161 |
| One year to three years | 1,521,843 | 1,633,191 | 1,520,889 | 1,590,722 |
| Three years to five years | 1,298,685 | 1,395,184 | 1,298,669 | 1,395,108 |
| More than five years | 800,000 | 100,000 | 800,000 | 100,000 |
| | 60,116,458 | 55,479,218 | 54,428,853 | 51,070,280 |

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Group | | Bank | |
|------------------------------|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Licensed banks | 5,232,603 | 8,106,890 | 4,963,901 | 7,705,569 |
| Other financial institutions | 303,992 | 372,603 | 303,992 | 372,603 |
| | 5,536,595 | 8,479,493 | 5,267,893 | 8,078,172 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**23 SUBORDINATED TERM LOAN / BONDS**

| | Group and Bank | |
|---|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| RM200 million redeemable Islamic subordinated bonds 2006/2021 | 200,000 | 200,000 |
| RM400 million Innovative Tier 1 Capital Securities | 400,000 | 400,000 |
| RM500 million redeemable subordinated bonds 2010/2020 | 505,070 | 506,840 |
| RM600 million redeemable subordinated bonds 2012/2022 | 596,654 | 598,391 |
| | 1,701,724 | 1,705,231 |

24 OTHER LIABILITIES

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Provision for commitments and contingencies | 4,809 | 4,809 | 4,809 | 4,809 |
| Interest payable | 330,471 | 310,306 | 309,308 | 271,606 |
| Other accruals and charges | 353,338 | 401,422 | 316,033 | 356,345 |
| Liabilities arising from structured investment | 271,898 | 213,181 | 271,898 | 213,181 |
| Amount due to subsidiary companies | - | - | 250,099 | 72,433 |
| | 960,516 | 929,718 | 1,152,147 | 918,374 |

25 NET INTEREST INCOME

| Group | Quarter ended | | Year to date ended | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2013 RM'000 | 30 June 2012 RM'000 | 30 June 2013 RM'000 | 30 June 2012 RM'000 |
| Interest income | | | | |
| Loans, advances and financing | | | | |
| - Interest income other than recoveries | 547,409 | 501,991 | 1,078,838 | 993,675 |
| - Recoveries from impaired loans, advances and financing | 12,064 | 11,417 | 35,512 | 23,448 |
| - Discount unwind from impaired loans, advances and financing | 505 | 368 | 844 | 1,537 |
| Money at call and deposit placements with banks and other financial institutions | 63,604 | 95,486 | 118,802 | 163,688 |
| Financial assets held-for-trading | 7,324 | 6,263 | 11,756 | 11,018 |
| Financial investments available-for-sale | 62,183 | 72,784 | 126,892 | 141,032 |
| Others | 3,181 | 4,078 | 6,157 | 7,943 |
| | 696,270 | 692,387 | 1,378,801 | 1,342,341 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**25 NET INTEREST INCOME (continued)**

| Group | Quarter ended | | Year to date ended | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2013 RM'000 | 30 June 2012 RM'000 | 30 June 2013 RM'000 | 30 June 2012 RM'000 |
| Interest expense | | | | |
| Deposits from customers | 348,121 | 357,221 | 670,432 | 663,273 |
| Deposits and placements of banks and other financial institutions | 16,826 | 14,574 | 33,842 | 33,164 |
| Recourse obligation on loans sold to Cagamas Berhad | 259 | 279 | 520 | 704 |
| Subordinated term loan/bonds | 19,688 | 17,186 | 39,160 | 34,436 |
| Others | 3,970 | 4,066 | 8,708 | 7,975 |
| | 388,864 | 393,326 | 752,662 | 739,552 |
| Net interest income | 307,406 | 299,061 | 626,139 | 602,789 |
| Bank | | | | |
| Interest income | | | | |
| Loans, advances and financing | | | | |
| - Interest income other than recoveries | 547,551 | 501,992 | 1,078,980 | 993,676 |
| - Recoveries from impaired loans, advances and financing | 12,064 | 11,417 | 35,512 | 23,448 |
| - Discount unwind from impaired loans, advances and financing | 505 | 368 | 844 | 1,537 |
| Money at call and deposit placements with banks and other financial institutions | 69,830 | 99,211 | 133,191 | 170,529 |
| Financial assets held-for-trading | 7,324 | 6,263 | 11,756 | 11,018 |
| Financial investments available-for-sale | 62,916 | 73,383 | 128,237 | 142,223 |
| Unquoted Islamic Subordinated Bonds of subsidiary | 2,717 | 2,702 | 5,405 | 5,420 |
| Others | 3,181 | 4,079 | 6,157 | 7,943 |
| | 706,088 | 699,415 | 1,400,082 | 1,355,794 |
| Interest expense | | | | |
| Deposits from customers | 348,121 | 357,221 | 670,432 | 663,273 |
| Deposits and placements of banks and other financial institutions | 19,446 | 17,146 | 39,209 | 38,698 |
| Recourse obligation on loans sold to Cagamas Berhad | 259 | 279 | 520 | 704 |
| Subordinated term loan/bonds | 19,688 | 17,186 | 39,160 | 34,436 |
| Others | 4,112 | 4,073 | 8,850 | 7,988 |
| | 391,626 | 395,905 | 758,171 | 745,099 |
| Net interest income | 314,462 | 303,510 | 641,911 | 610,695 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**26 INCOME FROM ISLAMIC BANKING OPERATIONS**

| Group | Quarter ended | | Year to date ended | |
|--|----------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income derived from investment of depositors' funds and others | 106,742 | 86,717 | 207,774 | 166,311 |
| Income derived from investment of shareholder's funds | 18,505 | 11,287 | 33,808 | 22,064 |
| Income attributable to depositors | (36,810) | (41,256) | (69,917) | (77,396) |
| | 88,437 | 56,748 | 171,665 | 110,979 |

27 NET FEE AND COMMISSION INCOME

| Group and Bank | Quarter ended | | Year to date ended | |
|--------------------------|----------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Commission | 27,094 | 21,020 | 52,281 | 41,062 |
| Service charges and fees | 39,179 | 53,377 | 65,630 | 96,142 |
| Guarantee fees | 7,997 | 6,560 | 14,655 | 12,064 |
| Other fee income | 2,385 | 2,202 | 5,301 | 4,581 |
| | 76,655 | 83,159 | 137,867 | 153,849 |

28 NET TRADING INCOME

| Group and Bank | Quarter ended | | Year to date ended | |
|--|----------------------|----------------|---------------------------|----------------|
| | 30 June | 30 June | 30 June | 30 June |
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (Loss)/gain on foreign exchange | (44,774) | (22,485) | (33,778) | 34,533 |
| Realised gain on financial assets held-for-trading | 15,019 | 5,003 | 19,106 | 17,008 |
| Realised gain/(loss) on trading derivatives | 86,895 | (32) | 23,933 | 103,830 |
| Unrealised gain on financial assets held-for-trading | 287 | 987 | 744 | 922 |
| Unrealised gain/(loss) on trading derivatives | 12,764 | 99,699 | 95,758 | (33,102) |
| | 70,191 | 83,172 | 105,763 | 123,191 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**29 OTHER OPERATING INCOME**

| Group | Quarter ended | | Year to date ended | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2013 RM'000 | 30 June 2012 RM'000 | 30 June 2013 RM'000 | 30 June 2012 RM'000 |
| Realised gain on financial investments available-for-sale | 22,472 | 8,076 | 25,163 | 29,431 |
| Rental of premises | 1,610 | 1,811 | 3,455 | 3,380 |
| Gross dividends from financial investments available-for-sale | | | | |
| - Malaysia | 337 | 365 | 337 | 605 |
| - Outside Malaysia | 37 | 25 | 73 | 50 |
| Gross dividends from financial assets held-for-trading | | | | |
| - Malaysia | 114 | 33 | 123 | 295 |
| (Loss)/gain on hedging derivatives | (365) | 146 | (180) | 125 |
| (Loss)/gain on disposal of property, plant and equipment | (244) | (105) | 983 | (86) |
| Others | 1,330 | 770 | 2,416 | 1,801 |
| | 25,291 | 11,121 | 32,370 | 35,601 |
| Bank | | | | |
| Realised gain on financial investments available-for-sale | 22,472 | 8,076 | 25,163 | 29,431 |
| Rental of premises | 1,622 | 1,777 | 3,476 | 3,413 |
| Gross dividends from financial investments available-for-sale | | | | |
| - Malaysia | 337 | 365 | 337 | 605 |
| - Outside Malaysia | 37 | 25 | 73 | 50 |
| Gross dividends from financial assets held-for-trading | | | | |
| - Malaysia | 114 | 33 | 123 | 295 |
| (Loss)/gain on hedging derivatives | (365) | 146 | (180) | 125 |
| (Loss)/gain on disposal of property, plant and equipment | (244) | (105) | 983 | (86) |
| Shared services income received from subsidiary | 17,619 | 13,741 | 33,691 | 27,100 |
| Others | 1,329 | 770 | 2,416 | 1,801 |
| | 42,921 | 24,828 | 66,082 | 62,734 |

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

| Group | Quarter ended | | Year to date ended | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2013 RM'000 | 30 June 2012 RM'000 | 30 June 2013 RM'000 | 30 June 2012 RM'000 |
| Personnel expenses | 110,779 | 107,493 | 210,833 | 207,895 |
| Establishment related expenses | 25,452 | 20,611 | 48,338 | 38,155 |
| Promotion and marketing related expenses | 8,526 | 8,187 | 14,453 | 15,092 |
| General administrative expenses | 73,560 | 65,875 | 145,458 | 132,684 |
| | 218,317 | 202,166 | 419,082 | 393,826 |
| Bank | | | | |
| Personnel expenses | 107,744 | 98,732 | 200,883 | 188,409 |
| Establishment related expenses | 23,291 | 18,990 | 44,086 | 34,998 |
| Promotion and marketing related expenses | 7,976 | 7,655 | 13,975 | 14,179 |
| General administrative expenses | 68,496 | 61,377 | 135,136 | 124,083 |
| | 207,507 | 186,754 | 394,080 | 361,669 |

(i) Personnel expenses**Group**

| | | | | |
|--|----------------|----------------|----------------|----------------|
| Wages, salaries and bonus | 89,673 | 85,876 | 171,329 | 164,088 |
| Employees Provident Fund contributions | 13,149 | 12,192 | 26,169 | 25,565 |
| Share-based expenses | (200) | 1,762 | 1,436 | 3,216 |
| Others | 8,157 | 7,663 | 11,899 | 15,026 |
| | 110,779 | 107,493 | 210,833 | 207,895 |

Bank

| | | | | |
|--|----------------|---------------|----------------|----------------|
| Wages, salaries and bonus | 87,503 | 78,734 | 163,328 | 148,992 |
| Employees Provident Fund contributions | 12,876 | 11,328 | 24,962 | 22,837 |
| Share-based expenses | (187) | 1,118 | 1,394 | 3,106 |
| Others | 7,552 | 7,552 | 11,199 | 13,474 |
| | 107,744 | 98,732 | 200,883 | 188,409 |

(ii) Establishment related expenses**Group**

| | | | | |
|---|---------------|---------------|---------------|---------------|
| Depreciation of property, plant and equipment | 13,090 | 10,050 | 25,851 | 18,193 |
| Rental of premises | 4,029 | 3,260 | 8,182 | 6,343 |
| Repair and maintenance | 2,144 | 649 | 3,328 | 2,140 |
| Information technology costs | 812 | 2,219 | 1,116 | 2,765 |
| Hire of equipment | 451 | 319 | 648 | 591 |
| Depreciation of investment properties | 43 | 49 | 86 | 102 |
| Amortisation of prepaid lease payments | 9 | 9 | 18 | 18 |
| Others | 4,874 | 4,056 | 9,109 | 8,003 |
| | 25,452 | 20,611 | 48,338 | 38,155 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**30 OPERATING EXPENSES (continued)****(ii) Establishment related expenses (continued)**

| | Quarter ended | | Year to date ended | |
|---|-----------------|-----------------|--------------------|-----------------|
| | 30 June 2013 | 30 June 2012 | 30 June 2013 | 30 June 2012 |
| <u>Bank</u> | RM'000 | RM'000 | RM'000 | RM'000 |
| Depreciation of property, plant and equipment | 12,169 | 9,630 | 24,048 | 17,215 |
| Rental of premises | 3,329 | 2,831 | 6,798 | 5,535 |
| Repair and maintenance | 2,019 | 572 | 3,124 | 1,960 |
| Information technology costs | 809 | 1,870 | 1,127 | 2,133 |
| Hire of equipment | 451 | 319 | 648 | 591 |
| Depreciation of investment properties | 43 | 49 | 86 | 102 |
| Amortisation of prepaid lease payments | 9 | 9 | 18 | 18 |
| Others | 4,462 | 3,710 | 8,237 | 7,444 |
| | 23,291 | 18,990 | 44,086 | 34,998 |

(iii) Promotion and marketing related expenses

| <u>Group</u> | | | | |
|--------------------------------------|--------------|--------------|---------------|---------------|
| Advertisement and business promotion | 6,571 | 6,519 | 10,900 | 11,828 |
| Transport and travelling | 1,595 | 1,413 | 2,769 | 2,596 |
| Others | 360 | 255 | 784 | 668 |
| | 8,526 | 8,187 | 14,453 | 15,092 |

| <u>Bank</u> | | | | |
|--------------------------------------|--------------|--------------|---------------|---------------|
| Advertisement and business promotion | 6,215 | 6,162 | 10,762 | 11,205 |
| Transport and travelling | 1,423 | 1,251 | 2,467 | 2,332 |
| Others | 338 | 242 | 746 | 642 |
| | 7,976 | 7,655 | 13,975 | 14,179 |

(iv) General administrative expenses

| <u>Group</u> | | | | |
|-----------------------|---------------|---------------|----------------|----------------|
| Intercompany expenses | 54,843 | 49,211 | 111,012 | 100,119 |
| Others | 18,717 | 16,664 | 34,446 | 32,565 |
| | 73,560 | 65,875 | 145,458 | 132,684 |

| <u>Bank</u> | | | | |
|-----------------------|---------------|---------------|----------------|----------------|
| Intercompany expenses | 50,504 | 45,397 | 102,106 | 92,646 |
| Others | 17,992 | 15,980 | 33,030 | 31,437 |
| | 68,496 | 61,377 | 135,136 | 124,083 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**31 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING**

| Group | Quarter ended | | Year to date ended | |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2013 RM'000 | 30 June 2012 RM'000 | 30 June 2013 RM'000 | 30 June 2012 RM'000 |
| Allowance on loans, advances and financing | | | | |
| i) Individual impairment | | | | |
| - Made during the period | 47,173 | 56,738 | 87,689 | 98,396 |
| - Written back | (20,395) | (31,065) | (46,371) | (58,995) |
| ii) Collective impairment | | | | |
| - Made during the period | 15,860 | 17,885 | 29,732 | 19,060 |
| Impaired loans, advances and financing | | | | |
| - Recovered during the period | (12,587) | (9,919) | (47,901) | (19,581) |
| Others | 64 | 48 | 95 | 114 |
| | 30,115 | 33,687 | 23,244 | 38,994 |
| Bank | | | | |
| Allowance on loans, advances and financing | | | | |
| i) Individual impairment | | | | |
| - Made during the period | 30,096 | 36,685 | 54,406 | 68,486 |
| - Written back | (13,114) | (25,591) | (32,863) | (48,962) |
| ii) Collective impairment | | | | |
| - Made during the period | 8,490 | 15,087 | 22,362 | 14,606 |
| Impaired loans, advances and financing | | | | |
| - Recovered during the period | (10,426) | (8,049) | (43,546) | (15,760) |
| Others | 64 | 48 | 95 | 114 |
| | 15,110 | 18,180 | 454 | 18,484 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**32 INCOME TAX EXPENSE**

| Group | Quarter ended | | Year to date ended | |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| | 30 June 2013 RM'000 | 30 June 2012 RM'000 | 30 June 2013 RM'000 | 30 June 2012 RM'000 |
| Malaysian income tax | | | | |
| - Current period | 84,152 | 82,004 | 153,760 | 147,040 |
| Deferred tax | | | | |
| - Origination and reversal of temporary differences | (5,082) | (7,560) | 2,779 | 2,250 |
| | <u>79,070</u> | <u>74,444</u> | <u>156,539</u> | <u>149,290</u> |
| Bank | | | | |
| Malaysian income tax | | | | |
| - Current period | 75,809 | 79,244 | 138,511 | 140,675 |
| Deferred tax | | | | |
| - Origination and reversal of temporary differences | (4,269) | (6,635) | 2,772 | 2,989 |
| | <u>71,540</u> | <u>72,609</u> | <u>141,283</u> | <u>143,664</u> |

33 CAPITAL COMMITMENTS

| | Group | | Bank | |
|---|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Capital expenditure in respect of property, plant and equipment | | | | |
| - Authorised and contracted for | 33,567 | 30,269 | 31,764 | 27,394 |
| - Authorised but not contracted for | 55,242 | 61,125 | 44,766 | 50,291 |
| | <u>88,809</u> | <u>91,394</u> | <u>76,530</u> | <u>77,685</u> |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**34 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 24), no material losses are anticipated as a result of these transactions.

The credit equivalent and risk weighted amounts are computed using the credit conversion factors and risk weights as defined in Bank Negara Malaysia's Capital Adequacy Framework (Basel II) - Internal Ratings Based Approach.

| <u>Group</u> | <u>Principal amount</u> RM'000 | <u>Positive fair value of derivative contracts</u> RM'000 | <u>Credit equivalent amount</u> RM'000 | <u>Risk weighted amount</u> RM'000 |
|---|---------------------------------------|--|---|---|
| 30 June 2013 | | | | |
| Direct credit substitutes | 953,518 | | 953,518 | 825,098 |
| Transaction-related contingent items | 1,853,092 | | 926,546 | 751,279 |
| Short-term self-liquidating trade-related contingencies | 603,081 | | 120,616 | 61,839 |
| Foreign exchange related contracts | | | | |
| - Less than one year | 24,342,564 | 210,177 | 525,242 | 166,800 |
| - One year to less than five years | 5,903,380 | 151,883 | 701,517 | 383,998 |
| - Five years and above | 1,761,522 | 57,910 | 383,943 | 359,201 |
| Interest rate contracts | | | | |
| - Less than one year | 8,125,898 | 8,589 | 22,999 | 7,913 |
| - One year to less than five years | 21,358,935 | 76,246 | 589,113 | 383,567 |
| - Five years and above | 2,213,241 | 28,535 | 193,793 | 165,557 |
| Credit derivative contracts | 1,354,750 | 38,975 | 142,063 | 102,244 |
| Equity and commodity related contracts | 400,323 | 53,106 | 81,721 | 73,307 |
| Formal standby facilities and credit lines | | | | |
| - Maturity not exceeding one year | 21,346 | | 21,346 | 7,357 |
| - Maturity exceeding one year | 4,763,631 | | 4,436,663 | 741,274 |
| Other unconditionally cancellable commitments | 16,218,683 | | 1,952,563 | 371,666 |
| Total | 89,873,964 | 625,421 | 11,051,643 | 4,401,100 |
| 31 December 2012 | | | | |
| Direct credit substitutes | 777,022 | | 777,022 | 641,439 |
| Transaction-related contingent items | 1,462,379 | | 731,190 | 632,991 |
| Short-term self-liquidating trade-related contingencies | 583,969 | | 116,794 | 87,023 |
| Foreign exchange related contracts | | | | |
| - Less than one year | 23,570,089 | 98,288 | 337,678 | 93,426 |
| - One year to less than five years | 5,932,670 | 104,486 | 668,810 | 373,729 |
| - Five years and above | 1,431,754 | 60,639 | 340,256 | 279,691 |
| Interest rate contracts | | | | |
| - Less than one year | 11,255,304 | 31,411 | 46,810 | 17,926 |
| - One year to less than five years | 24,798,505 | 87,095 | 673,480 | 382,756 |
| - Five years and above | 3,008,359 | 40,045 | 246,061 | 198,060 |
| Credit derivative contracts | 1,336,500 | 47,272 | 149,447 | 119,901 |
| Equity and commodity related contracts | 384,185 | 30,006 | 57,577 | 11,380 |
| Formal standby facilities and credit lines | | | | |
| - Maturity not exceeding one year | 171,676 | | 27,394 | 9,022 |
| - Maturity exceeding one year | 4,340,858 | | 3,986,504 | 657,007 |
| Other unconditionally cancellable commitments | 14,523,399 | | 1,941,667 | 374,922 |
| Total | 93,576,669 | 499,242 | 10,100,690 | 3,879,273 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**34 COMMITMENTS AND CONTINGENCIES (continued)**

| Bank | Principal amount RM'000 | Positive fair of derivative contracts RM'000 | Credit equivalent amount RM'000 | Risk weighted amount RM'000 |
|---|--|---|--|--|
| 30 June 2013 | | | | |
| Direct credit substitutes | 909,119 | | 909,119 | 779,526 |
| Transaction-related contingent items | 1,703,293 | | 851,646 | 678,511 |
| Short-term self-liquidating trade-related contingencies | 549,721 | | 109,944 | 53,402 |
| Foreign exchange related contracts | | | | |
| - Less than one year | 23,367,670 | 209,410 | 512,127 | 156,359 |
| - One year to less than five years | 5,903,380 | 151,883 | 701,517 | 383,998 |
| - Five years and above | 1,761,522 | 57,910 | 383,943 | 359,201 |
| Interest rate contracts | | | | |
| - Less than one year | 8,125,898 | 8,589 | 22,999 | 7,913 |
| - One year to less than five years | 21,358,935 | 76,246 | 589,113 | 383,567 |
| - Five years and above | 2,213,241 | 28,535 | 193,793 | 165,557 |
| Credit derivative contracts | 1,354,750 | 38,975 | 142,063 | 102,244 |
| Equity and commodity related contracts | 400,322 | 53,106 | 81,722 | 73,307 |
| Formal standby facilities and credit lines | | | | |
| - Maturity not exceeding one year | 16,360 | | 16,360 | 5,463 |
| - Maturity exceeding one year | 4,472,646 | | 4,203,095 | 673,032 |
| Other unconditionally cancellable commitments | 15,492,464 | | 1,950,312 | 370,554 |
| Total | 87,629,321 | 624,654 | 10,667,753 | 4,192,634 |
| 31 December 2012 | | | | |
| Direct credit substitutes | 764,598 | | 764,598 | 618,937 |
| Transaction-related contingent items | 1,384,538 | | 692,269 | 593,059 |
| Short-term self-liquidating trade-related contingencies | 540,380 | | 108,076 | 81,066 |
| Foreign exchange related contracts | | | | |
| - Less than one year | 22,588,847 | 97,557 | 332,720 | 90,501 |
| - One year to less than five years | 5,932,670 | 104,486 | 668,810 | 373,729 |
| - Five years and above | 1,431,754 | 60,639 | 340,256 | 279,691 |
| Interest rate contracts | | | | |
| - Less than one year | 11,255,304 | 31,411 | 46,810 | 17,926 |
| - One year to less than five years | 24,798,505 | 87,095 | 673,480 | 382,756 |
| - Five years and above | 3,008,359 | 40,045 | 246,061 | 198,060 |
| Credit derivative contracts | 1,336,500 | 47,272 | 149,447 | 119,901 |
| Equity and commodity related contracts | 384,185 | 30,006 | 57,577 | 11,380 |
| Formal standby facilities and credit lines | | | | |
| - Maturity not exceeding one year | 168,126 | | 24,101 | 7,423 |
| - Maturity exceeding one year | 4,185,170 | | 3,865,821 | 619,652 |
| Other unconditionally cancellable commitments | 13,828,746 | | 1,937,935 | 373,209 |
| Total | 91,607,682 | 498,511 | 9,907,961 | 3,767,290 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**35 CREDIT EXPOSURE TO CONNECTED PARTIES**

The credit exposures of the Group and the Bank, as defined by Bank Negara Malaysia's Guidelines on Credit Transactions and Exposure with Connected Parties are as follows:

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Aggregate value of outstanding credit exposure to connected parties | | | | |
| Credit facility and leasing (except guarantee) | 492,084 | 399,258 | 489,793 | 397,070 |
| Commitments and contingencies | 1,868,889 | 1,238,038 | 2,408,925 | 1,777,893 |
| | 2,360,973 | 1,637,296 | 2,898,718 | 2,174,963 |
| Percentage of outstanding credit exposures to connected parties | | | | |
| - As a proportion of total credit exposures | 3.56% | 2.67% | 4.82% | 3.69% |
| - As a proportion of impaired or in default | 0.00% | 0.00% | 0.00% | 0.00% |

36 CREDIT RISKS

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

| | Group | | Bank | |
|---|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Cash and cash equivalents | 7,054,011 | 11,250,251 | 7,311,217 | 11,851,025 |
| Deposits and placements with banks and other financial institutions | 1,968,678 | 1,285,868 | 2,833,358 | 1,953,967 |
| Financial assets held-for-trading | 1,010,364 | 228,230 | 1,010,364 | 228,230 |
| Financial investments available-for-sale | 9,953,983 | 9,813,117 | 7,864,899 | 7,559,739 |
| Loans, advances and financing | 52,316,152 | 48,251,616 | 46,943,908 | 43,882,370 |
| Derivative financial assets | 734,086 | 544,241 | 734,124 | 544,129 |
| Other assets | 238,854 | 270,151 | 429,629 | 457,688 |
| Contingent liabilities and commitments | 41,247,492 | 47,734,573 | 40,703,963 | 47,441,481 |
| | 114,523,620 | 119,378,047 | 107,831,462 | 113,918,629 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**36 CREDIT RISKS (continued)*****Collateral***

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

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For car loans, charges over the vehicles financed;
- For share margin financing, listed securities of Malaysia; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

As at 31 December 2012 and 30 June 2013, there were no assets repossessed by the Group and the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

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

| | Group | | Bank | |
|---|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Fair value of collateral held against the covered portion of financing and advances | 933,600 | 795,719 | 907,562 | 772,029 |
| Covered portion of loans, advances and financing | 641,835 | 545,492 | 622,205 | 526,577 |
| Uncovered portion of loans, advances and financing | 440,884 | 407,313 | 402,136 | 371,290 |
| | 1,082,719 | 952,805 | 1,024,341 | 897,867 |

Credit quality

Loans, advances and financing are categorised according to the Group's and the Bank's customer classification grade as Pass, Special Mention, Substandard, Doubtful or Loss.

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

Past due but unimpaired are loans, advances and financing where the customer has failed to make principal or profit payment when contractually due and includes financing due one or more days after the contractual due date but less than three months.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**36 CREDIT RISKS (continued)*****Credit quality (continued)***a) *Credit quality of loans, advances and financing*

| | Group | | Bank | |
|-------------------------------------|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Neither past due nor impaired | 50,900,899 | 46,982,032 | 45,621,940 | 42,699,276 |
| Past due loans | 934,636 | 1,004,945 | 853,381 | 926,065 |
| - Unimpaired | 332,534 | 316,779 | 297,627 | 285,227 |
| - Impaired | 602,102 | 688,166 | 555,754 | 640,838 |
| Impaired but not past due | 480,617 | 264,639 | 468,587 | 257,029 |
| Gross loans, advances and financing | <u>52,316,152</u> | <u>48,251,616</u> | <u>46,943,908</u> | <u>43,882,370</u> |

Neither past due nor impaired

i) By the Group's and Bank's internal grading system

| | Group | | Bank | |
|-----------------|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Pass | 50,027,813 | 45,992,574 | 44,815,058 | 41,810,297 |
| Special Mention | 873,086 | 950,197 | 806,882 | 888,979 |
| | <u>50,900,899</u> | <u>46,942,771</u> | <u>45,621,940</u> | <u>42,699,276</u> |

Past due but not impaired

i) By period overdue

| | | | | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| Over 30 days to 60 days | 332,051 | 276,568 | 297,144 | 245,016 |
| Over 60 days to less than 90 days | 483 | 40,211 | 483 | 40,211 |
| | <u>332,534</u> | <u>316,779</u> | <u>297,627</u> | <u>285,227</u> |

ii) By geographical distribution

| | | | | |
|-----------|----------------|----------------|----------------|----------------|
| Malaysia | 330,373 | 316,779 | 295,466 | 285,227 |
| Singapore | 2,161 | - | 2,161 | - |
| | <u>332,534</u> | <u>316,779</u> | <u>297,627</u> | <u>285,227</u> |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**36 CREDIT RISKS (continued)*****Credit quality (continued)***a) *Credit quality of loans, advances and financing (continued)*Past due but not impaired (continued)

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| iii) By sector | | | | |
| Agriculture, hunting, forestry and fishing | 206 | 1,177 | 206 | 467 |
| Mining and quarrying | 319 | - | 319 | - |
| Manufacturing | 24,587 | 23,771 | 19,265 | 18,651 |
| Construction | 8,395 | 3,303 | 7,583 | 3,244 |
| Real estate | 5,685 | 2,657 | 4,309 | 2,657 |
| Wholesale & retail trade and restaurants & hotels | 23,565 | 27,529 | 19,910 | 26,042 |
| Transport, storage and communication | 2,888 | 5,927 | 1,578 | 3,502 |
| Finance, insurance and business services | 1,865 | 2,363 | 908 | 750 |
| Community, social and personal services | 5,026 | 1,819 | 5,026 | 1,819 |
| Household | | | | |
| - Purchase of residential properties | 215,974 | 190,967 | 213,929 | 189,318 |
| - Purchase of non-residential properties | 11,747 | 7,621 | 11,747 | 7,621 |
| - Others | 31,439 | 48,330 | 12,667 | 30,599 |
| Others | 838 | 1,315 | 180 | 557 |
| | 332,534 | 316,779 | 297,627 | 285,227 |

The analysis of impaired loan, advances and financing are detailed in Note 18.

b) *Credit quality of financial assets held-for-trading*

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

| | Group and Bank | |
|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| i) By geography | | |
| Malaysia | 935,580 | 178,125 |
| Singapore | 33,828 | 49,987 |
| Rest of the world | 40,956 | 118 |
| | 1,010,364 | 228,230 |
| ii) By credit rating | | |
| Malaysian Government and Central Bank issued notes | 766,390 | 70,436 |
| Investment grade (AAA to BBB-) | 228,026 | 153,838 |
| Unrated | 15,948 | 3,956 |
| | 1,010,364 | 228,230 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**36 CREDIT RISKS (continued)*****Credit quality (continued)****b) Credit quality of financial assets held-for-trading (continued)*

| | Group and Bank | |
|---|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| iii) By industry | | |
| Agriculture, hunting, forestry and fishing | 39,982 | - |
| Manufacturing | - | 72 |
| Electricity, gas and water | - | 512 |
| Construction | 25,962 | 88 |
| Real estate | 282 | - |
| Wholesale & retail trade and restaurants & hotels | 29,728 | 16,034 |
| Transport, storage and communication | 15,085 | 1,806 |
| Finance, insurance and business services | 584,056 | 125,906 |
| Education, health and others | 13 | - |
| Others | 315,256 | 83,812 |
| | 1,010,364 | 228,230 |
| iv) By issuer | | |
| Government | 766,390 | 70,436 |
| Banks | 3,790 | 28,599 |
| Corporates | 240,184 | 129,195 |
| | 1,010,364 | 228,230 |
| v) By residual contractual maturity | | |
| Maturity within one year | 572,828 | 74,392 |
| One year to five years | 136,499 | 103,495 |
| Over five years | 301,037 | 50,343 |
| | 1,010,364 | 228,230 |

c) Credit quality of financial investments available-for-sale

In view of the following sound credit rating of counterparties, the Group and the Bank do not expect any counterparty to fail to meet its obligation except for the allowance for impairment loss recognised in respect of financial investments available-for-sale securities as disclosed in Note 16.

| | Group | | Bank | |
|-----------------------|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| i) By geography | | | | |
| Malaysia | 9,407,169 | 9,440,656 | 7,366,726 | 7,236,921 |
| Singapore | - | 18,833 | - | 18,833 |
| Other ASEAN countries | 94,165 | 109,032 | 45,524 | 59,389 |
| Rest of the world | 452,649 | 244,596 | 452,649 | 244,596 |
| | 9,953,983 | 9,813,117 | 7,864,899 | 7,559,739 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**36 CREDIT RISKS (continued)*****Credit quality (continued)****c) Credit quality of financial investments available-for-sale (continued)*

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| ii) By credit rating | | | | |
| Malaysian Government and Central Bank securities | 5,438,738 | 5,028,196 | 3,997,876 | 3,306,763 |
| Other government securities | 316,782 | 85,622 | 268,141 | 35,979 |
| Investment grade (AAA to BBB-) | 1,468,405 | 1,460,276 | 1,149,661 | 1,160,517 |
| Unrated | 2,730,058 | 3,239,023 | 2,449,221 | 3,056,480 |
| | 9,953,983 | 9,813,117 | 7,864,899 | 7,559,739 |
| iii) By industry | | | | |
| Agriculture, hunting, forestry and fishing | 103,312 | 53,141 | 85,195 | 53,141 |
| Mining and quarrying | 69,488 | 14,351 | 69,488 | 14,351 |
| Manufacturing | 70,369 | 70,491 | - | - |
| Electricity, gas and water | 17,183 | 17,431 | 17,183 | 17,431 |
| Construction | - | 30,385 | - | - |
| Real estate | 5,247 | 5,309 | 5,247 | 5,309 |
| Wholesale & retail trade and restaurants & hotels | 149,114 | 148,808 | 124,198 | 123,923 |
| Transport, storage and communication | 58,619 | 106,460 | 48,585 | 96,402 |
| Finance, insurance and business services | 2,608,989 | 3,460,206 | 2,355,542 | 3,258,081 |
| Education, health and others | 274,904 | 55,968 | 274,904 | 55,968 |
| Others | 6,596,758 | 5,850,567 | 4,884,557 | 3,935,133 |
| | 9,953,983 | 9,813,117 | 7,864,899 | 7,559,739 |
| iv) By issuer | | | | |
| Government | 5,438,738 | 5,028,196 | 3,997,876 | 3,306,763 |
| Foreign government | 316,782 | 85,622 | 268,141 | 35,979 |
| Banks | 1,959,142 | 2,479,760 | 1,758,708 | 2,362,754 |
| Other financial institutions | 96,722 | 96,722 | 96,722 | 96,722 |
| Corporates | 2,142,409 | 2,122,627 | 1,743,262 | 1,757,331 |
| Others | 190 | 190 | 190 | 190 |
| | 9,953,983 | 9,813,117 | 7,864,899 | 7,559,739 |
| v) By residual contractual maturity | | | | |
| Within one year | 2,614,586 | 3,296,085 | 1,989,242 | 2,862,021 |
| One to five years | 5,116,740 | 5,166,498 | 3,825,153 | 3,583,702 |
| Over five years | 2,222,657 | 1,350,534 | 2,050,504 | 1,114,016 |
| | 9,953,983 | 9,813,117 | 7,864,899 | 7,559,739 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**36 CREDIT RISKS (continued)*****Credit quality (continued)***d) *Credit quality of derivative assets*

| | Group | | Bank | |
|--|------------------------------------|--|------------------------------------|--|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| i) Analysed by geography | | | | |
| Malaysia | 697,422 | 434,266 | 715,584 | 438,924 |
| Singapore | 13,388 | 83,041 | 13,387 | 83,040 |
| Other ASEAN countries | 18,364 | 23,040 | 241 | 18,272 |
| Rest of the world | 4,912 | 3,894 | 4,912 | 3,893 |
| | 734,086 | 544,241 | 734,124 | 544,129 |
| ii) By industry | | | | |
| Agriculture, hunting, forestry and fishing | 22,430 | 17,029 | 22,430 | 17,029 |
| Manufacturing | 66,977 | 16,025 | 66,972 | 15,909 |
| Construction | 37,692 | 38,410 | 37,692 | 38,410 |
| Real estate | 2,815 | 3,716 | 2,815 | 3,716 |
| Wholesale & retail trade and restaurants & hotels | 17,813 | 21,604 | 17,813 | 21,604 |
| Transport, storage and communication | 47,180 | 70,833 | 47,156 | 70,823 |
| Finance, insurance and business services | 436,451 | 310,652 | 436,518 | 310,666 |
| Others | 102,728 | 65,972 | 102,728 | 65,972 |
| | 734,086 | 544,241 | 734,124 | 544,129 |
| iii) Analysed by counterparty | | | | |
| Banks | 354,049 | 280,687 | 354,117 | 280,702 |
| Other financial institutions | 82,937 | 23,134 | 82,936 | 23,133 |
| Corporates | 239,903 | 216,428 | 239,874 | 216,302 |
| Individuals | 47,718 | 22,155 | 47,718 | 22,155 |
| Others | 9,479 | 1,837 | 9,479 | 1,837 |
| | 734,086 | 544,241 | 734,124 | 544,129 |
| iv) By residual contractual maturity | | | | |
| Within one year | 278,569 | 171,454 | 278,607 | 171,342 |
| One to five years | 312,093 | 270,640 | 312,093 | 270,640 |
| Over five years | 143,424 | 102,147 | 143,424 | 102,147 |
| | 734,086 | 544,241 | 734,124 | 544,129 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**36 CREDIT RISKS (continued)*****Credit quality (continued)***e) *Credit quality of contingent liabilities and commitments*

| | Group | | Bank | |
|--|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| i) Analysed by geography | | | | |
| Malaysia | 39,235,536 | 44,318,738 | 38,692,007 | 44,026,103 |
| Singapore | 1,764,325 | 3,175,834 | 1,764,325 | 3,175,377 |
| Other ASEAN countries | 168,715 | 143,661 | 168,715 | 143,661 |
| Rest of the world | 78,916 | 96,340 | 78,916 | 96,340 |
| | <u>41,247,492</u> | <u>47,734,573</u> | <u>40,703,963</u> | <u>47,441,481</u> |
| ii) By industry | | | | |
| Agriculture, hunting, forestry and fishing | 522,585 | 433,782 | 519,269 | 432,705 |
| Mining and quarrying | 703,911 | 456,452 | 702,781 | 455,273 |
| Manufacturing | 823,261 | 869,107 | 666,353 | 801,157 |
| Electricity, gas and water | 286,309 | 276,867 | 286,309 | 276,867 |
| Construction | 766,769 | 737,158 | 683,135 | 662,070 |
| Real estate | 328,995 | 289,145 | 328,641 | 288,837 |
| Wholesale & retail trade and restaurants & hotels | 486,348 | 555,990 | 443,009 | 537,220 |
| Transport, storage and communication | 552,122 | 557,422 | 551,119 | 557,185 |
| Finance, insurance and business services | 32,511,109 | 39,723,092 | 32,495,298 | 39,702,697 |
| Household | 4,266,083 | 3,835,558 | 4,028,049 | 3,727,470 |
| | <u>41,247,492</u> | <u>47,734,573</u> | <u>40,703,963</u> | <u>47,441,481</u> |
| iii) Analysed by counterparty | | | | |
| Banks | 31,656,154 | 36,196,347 | 31,656,154 | 36,196,347 |
| Other financial institutions | 152,967 | 1,944,487 | 152,387 | 1,941,089 |
| Corporates | 3,643,546 | 3,378,264 | 3,521,084 | 3,305,784 |
| Small medium enterprises | 990,584 | 912,459 | 856,249 | 847,255 |
| Individuals | 4,768,328 | 4,515,205 | 4,482,234 | 4,363,236 |
| Others | 35,913 | 787,811 | 35,855 | 787,770 |
| | <u>41,247,492</u> | <u>47,734,573</u> | <u>40,703,963</u> | <u>47,441,481</u> |
| iv) By residual contractual maturity | | | | |
| Within one year | 10,123,930 | 13,048,149 | 10,023,954 | 12,950,045 |
| One to five years | 24,322,716 | 27,545,708 | 24,115,701 | 27,487,077 |
| Over five years | 6,800,846 | 7,140,716 | 6,564,308 | 7,004,359 |
| | <u>41,247,492</u> | <u>47,734,573</u> | <u>40,703,963</u> | <u>47,441,481</u> |

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

37 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

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

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

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of MFRS 132 which require fair value information to be disclosed. These include property, plant and equipment, investment properties, prepaid lease payments and investments in subsidiary companies.

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

A) Fair value measurement

i) Financial assets and financial liabilities

a) Short term financial instruments

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

b) Deposits and placements with/to banks and other financial institutions with maturity one year or more

For deposits and placements, the fair value is estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturity.

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

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

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

37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

A) Fair value measurement (continued)

i) Financial assets and financial liabilities (continued)

d) Loans, advances and financing

Loans, advances and financing are carried at amortised cost on the statement of financial position, net of individual and collective impairment allowances. The Group and the Bank deem the fair value of loans, advances and financing to approximate the carrying amount as substantially the loans, advances and financing are subject to frequent re-pricing.

e) Deposits from customers

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

f) Bills and acceptances payable

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

g) Recourse obligation on loans sold to Cagamas Berhad

For floating rate contracts, the carrying amount is generally a reasonable estimate of the fair value. The fair value of fixed rate contracts is estimated based on discounted cash flows using prevailing rates offered by Cagamas Berhad for similar products and remaining period to maturity.

h) Subordinated term loan / bonds

Subordinated term loan / bonds are carried at face value, except for debts which are fair value hedged, which are then disclosed at their fair value. Fair value is estimated based on discounted cash flows using prevailing money market interest rates for interest rate swap with similar remaining period to maturity.

ii) Off-statement of financial position financial instruments

The fair value of off-statement of financial position financial instruments is the estimated amount the Group or the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statement of financial position financial instruments are disclosed in Note 19 of the unaudited condensed interim financial statements.

B) Fair value hierarchy

The Group and the Bank measure the fair value of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

| <u>Group</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|------------------|------------------|----------------|-------------------|
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| 30 June 2013 | | | | |
| Financial assets at fair value | | | | |
| Held-for-trading | 816,349 | 194,015 | - | 1,010,364 |
| Available-for-sale | 6,473,601 | 3,371,824 | 108,546 | 9,953,971 |
| Derivative assets | 8,546 | 631,900 | 93,640 | 734,086 |
| | <u>7,298,496</u> | <u>4,197,739</u> | <u>202,186</u> | <u>11,698,421</u> |
| Financial liabilities at fair value | | | | |
| Derivative liabilities | 8,854 | 508,910 | 81,086 | 598,850 |
| 31 December 2012 | | | | |
| Financial assets at fair value | | | | |
| Held-for-trading | 74,392 | 153,838 | - | 228,230 |
| Available-for-sale | 5,011,205 | 4,693,354 | 108,546 | 9,813,105 |
| Derivative assets | 997 | 440,067 | 103,177 | 544,241 |
| | <u>5,086,594</u> | <u>5,287,259</u> | <u>211,723</u> | <u>10,585,576</u> |
| Financial liabilities at fair value | | | | |
| Derivative liabilities | 2,527 | 414,865 | 86,182 | 503,574 |
| Bank | | | | |
| 30 June 2013 | | | | |
| Financial assets at fair value | | | | |
| Held-for-trading | 816,349 | 194,015 | - | 1,010,364 |
| Available-for-sale | 4,865,370 | 2,890,971 | 108,546 | 7,864,887 |
| Derivative assets | 8,542 | 631,942 | 93,640 | 734,124 |
| | <u>5,690,261</u> | <u>3,716,928</u> | <u>202,186</u> | <u>9,609,375</u> |
| Financial liabilities at fair value | | | | |
| Derivative liabilities | 8,854 | 508,821 | 81,086 | 598,761 |
| 31 December 2012 | | | | |
| Financial assets at fair value | | | | |
| Held-for-trading | 74,392 | 153,838 | - | 228,230 |
| Available-for-sale | 3,240,129 | 4,211,052 | 108,546 | 7,559,727 |
| Derivative assets | 1,015 | 439,937 | 103,177 | 544,129 |
| | <u>3,315,536</u> | <u>4,804,827</u> | <u>211,723</u> | <u>8,332,086</u> |
| Financial liabilities at fair value | | | | |
| Derivative liabilities | 2,543 | 414,786 | 86,182 | 503,511 |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

Movements in the Group's and the Bank's Level 3 financial assets and liabilities are as follows:

| | Group and Bank | | |
|---|-----------------------|---------------------------|-----------------|
| | Trading | Available-for-sale | Total |
| | RM'000 | RM'000 | RM'000 |
| 30 June 2013 | | | |
| Financial assets at fair value | | | |
| At 1 January | 103,177 | 108,546 | 211,723 |
| Purchases | 696 | - | 696 |
| Loss recognised in profit or loss | (10,233) | - | (10,233) |
| At 30 June | <u>93,640</u> | <u>108,546</u> | <u>202,186</u> |
| Financial liabilities at fair value | | | |
| At 1 January | 86,182 | - | 86,182 |
| Issues | 2,371 | - | 2,371 |
| Loss recognised in profit or loss | (7,467) | - | (7,467) |
| At 30 June | <u>81,086</u> | <u>-</u> | <u>81,086</u> |
| Total unrealised loss included in profit or loss for financial assets/liabilities held at the end of the period | | | |
| - Financial assets | (6,557) | - | (6,557) |
| - Financial liabilities | <u>(4,167)</u> | <u>-</u> | <u>(4,167)</u> |
| Total realised loss included in profit or loss for financial assets/liabilities settled/disposed for the period | | | |
| - Financial assets | (3,676) | - | (3,676) |
| - Financial liabilities | <u>(3,300)</u> | <u>-</u> | <u>(3,300)</u> |
| 31 December 2012 | | | |
| Financial assets at fair value | | | |
| At 1 January | 83,613 | 108,546 | 192,159 |
| Purchases | 1,191 | - | 1,191 |
| Settlements/disposals | (5,255) | - | (5,255) |
| Gain recognised in profit or loss | 23,628 | - | 23,628 |
| At 31 December | <u>103,177</u> | <u>108,546</u> | <u>211,723</u> |
| Financial liabilities at fair value | | | |
| At 1 January | 91,562 | - | 91,562 |
| Issues | 4,390 | - | 4,390 |
| Reclassified to other liabilities | (11,789) | - | (11,789) |
| Gain recognised in profit or loss | 2,019 | - | 2,019 |
| At 31 December | <u>86,182</u> | <u>-</u> | <u>86,182</u> |
| Total unrealised gain included in profit or loss for financial assets/liabilities held at the end of the year | | | |
| - Financial assets | 22,323 | - | 22,323 |
| - Financial liabilities | <u>17,245</u> | <u>-</u> | <u>17,245</u> |
| Total realised gain/(loss) included in profit or loss for financial assets/liabilities settled/disposed for the year | | | |
| - Financial assets | 1,305 | - | 1,305 |
| - Financial liabilities | <u>(15,226)</u> | <u>-</u> | <u>(15,226)</u> |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS -30 JUNE 2013 (continued)**38 CAPITAL ADEQUACY**

With the effect from 1 January 2013, the capital ratio is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components). Recognition of the Group's and the Bank's Tier 2 capital instruments is subject to a gradual phase out as required by the BNM Capital Adequacy Framework (Capital Components).

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

| | Basel III | |
|---|------------------|------------------|
| | Group | Bank |
| | RM'000 | RM'000 |
| 30 June 2013 | | |
| <u>Common Equity Tier 1 (CET1) Capital</u> | | |
| Paid-up ordinary share capital | 287,500 | 287,500 |
| Ordinary share premium | 462,500 | 462,500 |
| Retained earnings | 3,594,064 | 3,574,768 |
| Unrealised gains on financial investment available-for-sale | 79,090 | 83,515 |
| Other reserves | 375,643 | 322,000 |
| Capital reserves | 56,619 | - |
| CET1 capital | 4,855,416 | 4,730,283 |
| Regulatory adjustment for CET 1 | (198,294) | (178,353) |
| Eligible CET1 capital | 4,657,122 | 4,551,930 |
| <u>Additional Tier 1 Capital</u> | | |
| Paid-up non-cumulative, non-convertible perpetual preference shares | 3,600 | 3,600 |
| Preference share premium | 356,400 | 356,400 |
| Innovative Tier 1 capital | 360,000 | 360,000 |
| Eligible Tier 1 capital | 5,377,122 | 5,271,930 |
| <u>Tier 2 capital</u> | | |
| Collective impairment allowance under the Standardised Approach* | 17,556 | 9,849 |
| Subordinated term loans/bonds | 1,170,000 | 1,170,000 |
| | 1,187,556 | 1,179,849 |
| Regulatory adjustment for Tier 2 capital | - | (546,617) |
| Eligible Tier 2 capital | 1,187,556 | 633,232 |
| Capital base | 6,564,678 | 5,905,162 |
| <u>Before proposed dividend</u> | | |
| CET 1 capital ratio | 11.750% | 12.950% |
| Tier 1 capital ratio | 13.566% | 14.999% |
| Risk-weighted capital ratio | 16.563% | 16.800% |
| <u>After deducting proposed dividend</u> | | |
| CET 1 capital ratio | 11.564% | 12.740% |
| Tier 1 capital ratio | 13.380% | 14.789% |
| Risk-weighted capital ratio | 16.376% | 16.590% |

* Excluding collective impairment allowance on impaired loans, advances and financing

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**38 CAPITAL ADEQUACY (continued)**

| | Basel II | |
|--|------------------|------------------|
| | Group | Bank |
| | RM'000 | RM'000 |
| 31 December 2012 | | |
| <u>Tier 1 capital</u> | | |
| Paid-up ordinary share capital | 287,500 | 287,500 |
| Paid-up non-cumulative, non-convertible perpetual preference shares | 4,000 | 4,000 |
| Share premium | 858,500 | 858,500 |
| Retained earnings | 3,532,204 | 3,512,908 |
| Other reserves | 375,643 | 322,000 |
| Innovative Tier 1 Capital | 400,000 | 400,000 |
| Capital reserves | 56,619 | - |
| | <u>5,514,466</u> | <u>5,384,908</u> |
| Deferred tax adjustments | (16,650) | (12,327) |
| Eligible Tier 1 capital | <u>5,497,816</u> | <u>5,372,581</u> |
| <u>Tier 2 capital</u> | | |
| Collective impairment allowance under the Standardised Approach* | 22,294 | 12,343 |
| Subordinated term loans/bonds | 1,299,467 | 1,099,467 |
| Total Tier 2 capital | <u>1,321,761</u> | <u>1,111,810</u> |
| Investments in subsidiary companies | - | (346,617) |
| Excess of Expected Loss over Eligible Provisions under the Internal Ratings Based Approach | (56,032) | (40,430) |
| Eligible Tier 2 capital | <u>1,265,729</u> | <u>724,763</u> |
| Capital base | <u>6,763,545</u> | <u>6,097,344</u> |

* Excluding collective impairment allowance on impaired loans, advances and financing

Before payment of dividend

| | | |
|-----------------------------|----------------|----------------|
| Tier 1 capital ratio | 14.469% | 15.913% |
| Risk-weighted capital ratio | <u>17.800%</u> | <u>18.059%</u> |

After payment of dividend

| | | |
|-----------------------------|----------------|----------------|
| Tier 1 Capital Ratio | 13.537% | 14.864% |
| Risk-weighted capital ratio | <u>16.868%</u> | <u>17.011%</u> |

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

| | Group | | Bank | |
|------------------|---------------------------|-------------------------------|---------------------------|-------------------------------|
| | 30 June 2013 RM'000 | 31 December 2012 RM'000 | 30 June 2013 RM'000 | 31 December 2012 RM'000 |
| Credit risk | 35,074,359 | 33,661,280 | 30,954,009 | 29,734,320 |
| Market risk | 838,306 | 721,979 | 832,684 | 723,156 |
| Operational risk | 3,723,123 | 3,614,636 | 3,362,637 | 3,305,337 |
| | <u>39,635,788</u> | <u>37,997,895</u> | <u>35,149,330</u> | <u>33,762,813</u> |

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2013 (continued)**38 CAPITAL ADEQUACY (continued)**

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

| | OCBC Al-Amin Bank | |
|-----------------------------|--|---|
| | Basel III 30 June 2013 RM'000 | Basel II 31 December 2012 RM'000 |
| CET 1 capital ratio | 9.538% | - |
| Tier 1 capital ratio | 9.538% | 10.736% |
| Risk-weighted capital ratio | 13.541% | 15.240% |

The capital adequacy ratios of OCBC Al-Amin Bank Berhad are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). OCBC Al-Amin Bank Berhad has adopted the Internal Ratings Based Approach for Credit Risk for its major credit portfolios, whilst the other credit portfolios are on the Standardised Approach. For market and operational risks, OCBC Al-Amin has adopted the Standardised Approach and the Basic Indicator Approach respectively.

39 COMPARATIVE FIGURES

The following comparative figures have been restated to conform with the current period's presentation:

STATEMENTS OF FINANCIAL POSITION

| | Group | | Bank | |
|--|--|-------------------------------|--|-------------------------------|
| | 31 December 2012 | | 31 December 2012 | |
| | As previously reported RM'000 | As restated RM'000 | As previously reported RM'000 | As restated RM'000 |
| ASSETS | | | | |
| Cash and cash equivalents | 11,361,095 | 11,250,251 | 11,961,869 | 11,851,025 |
| Other assets | 259,769 | 270,151 | 447,306 | 457,688 |
| LIABILITIES | | | | |
| Deposits from customers | 55,484,372 | 55,479,218 | 51,075,434 | 51,070,280 |
| Deposits and placements of banks and other financial institutions | 8,590,337 | 8,479,493 | 8,189,016 | 8,078,172 |
| Other liabilities | 914,182 | 929,718 | 902,838 | 918,374 |

| | Quarter ended | | Year to date ended | |
|--|--|-------------------------------|--|-------------------------------|
| | 30 June 2012 | | 30 June 2012 | |
| | As previously reported RM'000 | As restated RM'000 | As previously reported RM'000 | As restated RM'000 |
| Group | | | | |
| Statements of Profit or Loss and Other Comprehensive Income | | | | |
| Interest income | 696,233 | 692,387 | 1,346,186 | 1,342,341 |
| Interest expense | (395,898) | (393,326) | (745,086) | (739,552) |
| Income from Islamic banking operations | 55,474 | 56,748 | 112,668 | 110,979 |