

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

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

Domiciled in Malaysia
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50050 Kuala Lumpur

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

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

		30 June 2013 RM'000	31 December 2012 RM'000
ASSETS	Note		
Cash and cash equivalents	12	307,666	23,687
Financial investments available-for-sale	13	2,171,475	2,315,277
Financing and advances	14	5,287,855	4,295,722
Derivative financial assets	16	20,437	5,592
Other assets	17	270,436	94,596
Current tax assets		-	443
Statutory deposits with Bank Negara Malaysia		243,500	214,500
Property, plant and equipment		8,240	8,025
Deferred tax assets		4,847	1,435
Total assets		<u>8,314,456</u>	<u>6,959,277</u>
LIABILITIES			
Deposits from customers	18	5,779,339	4,479,842
Deposits and placements of banks and other financial institutions	19	1,698,221	1,693,882
Bills and acceptances payable		19,928	14,795
Subordinated bond	20	200,000	200,000
Derivative financial liabilities	16	20,564	5,543
Other liabilities	21	69,569	93,439
Current tax liabilities and zakat		6,310	25
Total liabilities		<u>7,793,931</u>	<u>6,487,526</u>
EQUITY			
Share capital		115,000	115,000
Reserves		405,525	356,751
Total equity		<u>520,525</u>	<u>471,751</u>
Total liabilities and equity		<u>8,314,456</u>	<u>6,959,277</u>
Commitments and contingencies	29	<u>3,259,394</u>	<u>2,971,121</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012 and the accompanying explanatory notes on pages 5 to 28 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**

	Note	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
Income derived from investment of depositors' funds and others	22	106,742	86,717	207,774	166,311
Income derived from investment of shareholder's funds	23	18,923	11,633	34,589	22,762
Impairment allowance on financing and advances	24	(15,005)	(15,660)	(22,790)	(20,510)
Total distributable income		110,660	82,690	219,573	168,563
Income attributable to depositors	25	(43,972)	(45,710)	(85,831)	(85,314)
Total net income		66,688	36,980	133,742	83,249
Operating expenses	26	(28,846)	(29,355)	(59,480)	(59,812)
Profit before income tax expense and zakat		37,842	7,625	74,262	23,437
Income tax expense	27	(7,503)	(1,805)	(15,220)	(5,638)
Zakat		(7)	(6)	(15)	(12)
Profit for the period		30,332	5,814	59,027	17,787
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		(8,883)	4,608	(7,578)	6,087
- Amount transferred to profit or loss		(1,375)	(1)	(6,093)	(655)
Income tax expense relating to components of other comprehensive income		2,565	(1,152)	3,418	(1,358)
Other comprehensive (expense)/income for the period, net of tax		(7,693)	3,455	(10,253)	4,074
Total comprehensive income for the period		22,639	9,269	48,774	21,861
Profit attributable to shareholder of the Bank		30,332	5,814	59,027	17,787
Total comprehensive income attributable to shareholder of the Bank		22,639	9,269	48,774	21,861
Basic earnings per ordinary share (sen)		26.38	6.84	51.33	20.93

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012 and the accompanying explanatory notes on pages 5 to 28 of these unaudited condensed interim financial statements.

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

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	
2013						
Balance at 1 January 2013	115,000	230,000	53,643	8,667	64,441	471,751
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	(7,578)	-	(7,578)
- Amount transferred to profit or loss	-	-	-	(6,093)	-	(6,093)
Income tax expense relating to components of other comprehensive income	-	-	-	3,418	-	3,418
Other comprehensive expense for the period	-	-	-	(10,253)	-	(10,253)
Profit for the period	-	-	-	-	59,027	59,027
Total comprehensive income for the period	-	-	-	(10,253)	59,027	48,774
Balance at 30 June 2013	115,000	230,000	53,643	(1,586)	123,468	520,525
2012						
Balance at 1 January 2012	85,000	170,000	30,596	4,302	41,394	331,292
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	6,087	-	6,087
- Amount transferred to profit or loss	-	-	-	(655)	-	(655)
Income tax expense relating to components of other comprehensive income	-	-	-	(1,358)	-	(1,358)
Other comprehensive income for the period	-	-	-	4,074	-	4,074
Profit for the period	-	-	-	-	17,787	17,787
Total comprehensive income for the period	-	-	-	4,074	17,787	21,861
Balance at 30 June 2012	85,000	170,000	30,596	8,376	59,181	353,153

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012 and the accompanying explanatory notes on pages 5 to 28 of these unaudited condensed interim financial statements.

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

	30 June 2013 RM'000	30 June 2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before income tax expense and zakat	74,262	23,437
<i>Adjustments for:</i>		
Net (gains)/losses from disposal of:		
- Financial investments available-for-sale	(6,093)	(655)
- Property, plant and equipment	48	16
Depreciation of property, plant and equipment	1,803	978
Impairment allowance on financing and advances	22,790	20,510
Unrealised losses on revaluation of derivatives	169	877
Operating profit before changes in working capital	<u>92,979</u>	<u>45,163</u>
<i>(Increase)/Decrease in Operating Assets:</i>		
Financing and advances	(1,014,923)	(508,418)
Derivative financial assets	(14,845)	11,153
Other assets	(176,009)	(31,957)
Statutory deposits with Bank Negara Malaysia	(29,000)	(31,100)
<i>Increase/(Decrease) in Operating Liabilities:</i>		
Deposits from customers	1,299,497	701,973
Deposits and placements of banks and other financial institutions	4,339	494,753
Bills and acceptances payable	5,133	(17,720)
Derivative financial liabilities	15,021	(11,139)
Other liabilities	(23,861)	13,775
CASH GENERATED FROM OPERATIONS	<u>158,331</u>	<u>666,483</u>
Income tax and zakat paid	<u>(8,500)</u>	<u>(1,599)</u>
NET CASH GENERATED FROM OPERATING ACTIVITIES	<u>149,831</u>	<u>664,884</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of financial investments available-for-sale	1,442,265	2,228,867
Acquisition of financial investments available-for-sale	(1,306,042)	(3,077,333)
Proceeds from disposal of property, plant and equipment	1,029	4
Acquisition of property, plant and equipment	(3,104)	(687)
NET CASH USED IN INVESTING ACTIVITIES	<u>134,148</u>	<u>(849,149)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	283,979	(184,265)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	<u>23,687</u>	<u>412,739</u>
CASH AND CASH EQUIVALENTS AT 30 JUNE	<u>307,666</u>	<u>228,474</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012 and the accompanying explanatory notes on pages 5 to 28 of these unaudited condensed interim financial statements.

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

1. GENERAL INFORMATION

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

2. REVIEW OF PERFORMANCE

The Bank recorded profit after tax of RM59.0 million for the financial period ended 30 June 2013. The increase in profit after tax of RM41.2 million or 232% compared to the corresponding period last year was mainly due to higher net income of RM50.5 million or 61% offset by higher tax of RM9.6 million.

Net income was higher mainly due to better net finance income of RM40.5 million and other operating income of RM12.3 million offset by higher impairment allowance of RM2.3 million.

Gross financing and advances increased by RM1.0 billion to RM5.4 billion as at 30 June 2013 while deposits from customers increased by RM1.3 billion to RM5.8 billion.

The Bank is well capitalised with common equity Tier 1 and Tier 1 ratios of 9.54% and risk-weighted capital ratio of 13.54%.

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 ETP.

In line with the current economic outlook, the Bank will continue to cautiously grow its corporate and SME lending activities, which together form the largest contributor to its revenue. The Bank 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 Bank will actively manage its expenses and the quality of its assets. In terms of capital, the Bank will preserve sufficient capital in order to cater for financing growth.

4. BASIS OF PREPARATION

The unaudited condensed interim financial statements for the financial period ended 30 June 2013 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB") and the International Accounting Standards ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

The Bank's unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2012. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2012.

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

4. BASIS OF PREPARATION (continued)

The accounting policies applied by the Bank in these unaudited condensed interim financial statements are consistent with those applied by the Bank in its annual financial statements for the year ended 31 December 2012, except for the adoption of the following MFRS, IC Interpretation and Amendments to MFRS that have been adopted during the current period:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interest in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (IAS 19 as amended by IASB in June 2011)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 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)
MFRS 127	Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in December 2003)

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 Interests in Other Entities: Transition Guidance

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

The Bank has not applied the following MFRS and Amendments to MFRS that have been issued by 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

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.

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

4. BASIS OF PREPARATION (continued)

MFRS 9, Financial Instruments

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

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

5. 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 Bank are not materially affected by any seasonal or cyclical factors.

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

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

8. CHANGE IN ACCOUNTING ESTIMATES

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

9. DEBT AND EQUITY SECURITIES

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

10. DIVIDEND

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

11. SUBSEQUENT EVENTS

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)****12. CASH AND CASH EQUIVALENTS**

	30 June 2013 RM'000	31 December 2012 RM'000
Cash and balances with banks and other financial institutions	25,984	23,687
Money at call and deposit placements with financial institutions maturing within one month	<u>281,682</u>	<u>-</u>
	<u>307,666</u>	<u>23,687</u>
i) By geographical distribution		
Malaysia	300,762	19,667
Singapore	4,203	1,106
Other ASEAN	361	293
Rest of the World	<u>2,340</u>	<u>2,621</u>
	<u>307,666</u>	<u>23,687</u>

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

ii) By residual contractual maturity

Maturity within one month	<u>307,666</u>	<u>23,687</u>
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13. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30 June 2013 RM'000	31 December 2012 RM'000
At fair value		
Malaysian Government Investment Issues	1,440,862	1,559,531
Malaysian Government Debt Securities	-	112,078
Foreign Government Debt Securities	48,641	49,643
Bank Negara Malaysia Monetary Notes	-	49,824
Islamic Private Debt Securities	349,169	375,311
Islamic Negotiable Instruments of Deposit	282,825	163,893
Sanadat Mudharabah Cagamas	<u>49,978</u>	<u>4,997</u>
	<u>2,171,475</u>	<u>2,315,277</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)****14. FINANCING AND ADVANCES**

	30 June 2013 RM'000	31 December 2012 RM'000
At amortised cost		
Term financing:		
- House financing	407,124	220,494
- Syndicated term financing	40,019	40,006
- Hire purchase receivables	689,347	653,077
- Other term financing	3,566,322	2,744,560
Bills receivable	67,006	51,823
Trust receipts	198	-
Revolving credit	999,685	915,648
Claims on customers under acceptance credits	232,662	226,072
Other financing	32,288	8,011
Less : Unearned income	<u>(662,407)</u>	<u>(490,445)</u>
Gross financing and advances	5,372,244	4,369,246
Allowance for financing and advances		
- Individual impairment	(35,828)	(32,333)
- Collective impairment	<u>(48,561)</u>	<u>(41,191)</u>
Net financing and advances	<u>5,287,855</u>	<u>4,295,722</u>
 (i) By concept		
Ijarah Thumma Al Bai	580,018	581,420
Bai' Bithaman Ajil	1,110,855	1,139,760
Bai' Inah	682,202	679,481
Murabahah	1,142,014	621,637
Ijarah Muntahiah Bi Al-Tamlik	1,447,788	976,952
Musharakah	280,649	259,301
Other principles	<u>128,718</u>	<u>110,695</u>
	<u>5,372,244</u>	<u>4,369,246</u>
 (ii) By type of customer		
Domestic banking institutions	28,586	-
Domestic non-bank financial institutions		
- Others	198	-
Domestic business enterprises		
- Small and medium enterprises	1,783,183	1,102,112
- Others	2,396,845	2,296,061
Individuals	1,113,086	935,176
Foreign entities	<u>50,346</u>	<u>35,897</u>
	<u>5,372,244</u>	<u>4,369,246</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)****14. FINANCING AND ADVANCES (continued)**

(iii) By profit rate sensitivity

	30 June 2013 RM'000	31 December 2012 RM'000
Fixed rate		
- House financing	36,249	29,695
- Hire purchase receivables	580,019	581,420
- Other fixed rate financing	1,976,789	1,576,156
Variable rate		
- BFR plus	571,110	313,986
- Cost plus	2,208,077	1,867,989
	<u>5,372,244</u>	<u>4,369,246</u>

(iv) By sector

Agriculture	222,843	291,934
Mining and quarrying	191,775	205,707
Manufacturing	1,201,137	983,050
Electricity, gas and water	58,079	71,723
Construction	183,231	128,037
Real Estate	921,866	890,045
Wholesale & retail trade and restaurants & hotels	753,498	421,720
Transport, storage and communication	190,664	148,964
Finance, insurance and business services	224,514	117,086
Community, social and personal services	210,709	110,647
Household		
- Purchase of residential properties	406,867	217,189
- Purchase of non-residential properties	21,640	12,577
- Others	703,765	711,234
Others	81,656	59,333
	<u>5,372,244</u>	<u>4,369,246</u>

(v) By geographical distribution

Malaysia	4,968,644	3,959,786
Singapore	2,195	1,451
Other ASEAN	31,297	30,184
Rest of the world	370,108	377,825
	<u>5,372,244</u>	<u>4,369,246</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)****14. FINANCING AND ADVANCES (continued)**

	30 June 2013 RM'000	31 December 2012 RM'000
(vi) By residual contractual maturity		
Maturity within one year	1,418,056	1,338,966
One to five years	2,084,416	1,572,074
Over five years	1,869,772	1,458,206
	<u>5,372,244</u>	<u>4,369,246</u>

15. IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	30 June 2013 RM'000	31 December 2012 RM'000
Balance at 1 January	54,938	47,484
Impaired during the period/year	37,843	76,755
Reclassified as unimpaired	(7,972)	(13,021)
Amount recovered	(10,238)	(19,807)
Amount written off	(16,192)	(36,473)
Balance at 30 June / 31 December	<u>58,379</u>	<u>54,938</u>
Individual impairment allowance	(35,828)	(32,333)
Collective impairment allowance	(205)	(215)
Net impaired financing and advances	<u>22,346</u>	<u>22,390</u>

(i) By sector

Agriculture	588	597
Manufacturing	15,378	16,470
Construction	2,483	3,158
Wholesale & retail trade and restaurants & hotels	11,967	9,520
Transport, storage and communication	1,558	1,265
Finance, insurance and business services	2,631	2,457
Community, social and personal services	685	672
Household		
- Purchase of residential properties	1,762	2,507
- Others	21,084	18,050
Others	243	242
	<u>58,379</u>	<u>54,938</u>

(ii) By geographical distribution

Malaysia	<u>58,379</u>	<u>54,938</u>
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The analysis by geography is determined based on where the credit risk resides.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)****15. IMPAIRED FINANCING AND ADVANCES (continued)**

(iii) By period overdue

	30 June 2013 RM'000	31 December 2012 RM'000
Up to 90 days	16,577	11,362
Over 90 days to 180 days	14,890	22,607
Over 180 days to 270 days	1,997	1,768
Over 270 days	24,915	19,201
	<u>58,379</u>	<u>54,938</u>

(iv) By collateral type

Property	10,447	9,668
Machinery	1,762	2,307
Secured - others	9,055	9,545
Unsecured - corporate and other guarantees	14,939	14,401
Unsecured - clean	22,176	19,017
	<u>58,379</u>	<u>54,938</u>

(b) Movements in allowance on financing and advances

	30 June 2013 RM'000	31 December 2012 RM'000
Individual impairment allowance		
Balance at 1 January	32,333	28,811
Made during the period/year	33,283	59,244
Amount written back	(13,508)	(20,294)
Amount written off	(16,193)	(35,428)
Financing income earned on impaired financing	(87)	-
Balance at 30 June / 31 December	<u>35,828</u>	<u>32,333</u>
Collective impairment allowance		
Balance at 1 January	41,191	31,564
Made during the period/year	7,370	9,627
Balance at 30 June / 31 December	<u>48,561</u>	<u>41,191</u>
As % of gross financing and advances less individual impairment allowance	<u>0.91%</u>	<u>0.95%</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)****15. IMPAIRED FINANCING AND ADVANCES (continued)**

(c) Impairment allowances by sector

	Collective impairment allowance RM'000	Individual impairment allowance RM'000	Individual impairment allowance charged RM'000	Individual impairment allowance written off RM'000
30 June 2013				
Agriculture	2,026	180	3	-
Mining and quarrying	1,745	-	-	-
Manufacturing	10,873	6,313	686	639
Electricity, gas and water	529	-	-	-
Construction	1,660	821	634	139
Real estate	8,389	-	-	-
Wholesale & retail trade and restaurants & hotels	6,819	4,097	1,557	389
Transport, storage and communication	1,729	647	166	8
Finance, insurance and business services	2,034	1,051	636	50
Community, social and personal services	1,917	58	3	-
Household				
- Purchase of residential properties	3,697	553	109	156
- Purchase of non-residential properties	197	-	-	-
- Others	6,216	20,701	29,464	14,715
Others	730	1,407	25	97
	48,561	35,828	33,283	16,193
31 December 2012				
Agriculture	2,771	183	145	86
Mining and quarrying	1,954	-	-	-
Manufacturing	9,275	6,522	5,780	9,214
Electricity, gas and water	681	-	-	-
Construction	1,206	1,065	336	33
Real estate	8,453	-	1	1
Wholesale & retail trade and restaurants & hotels	3,972	3,552	3,196	133
Transport, storage and communication	1,408	701	778	-
Finance, insurance and business services	1,107	551	385	220
Community, social and personal services	1,050	77	73	13
Household				
- Purchase of residential properties	2,056	679	429	106
- Purchase of non-residential properties	119	-	-	-
- Others	6,589	17,516	47,605	25,622
Others	550	1,487	516	-
	41,191	32,333	59,244	35,428

(d) Impairment allowances by geographical distribution

	30 June 2013 RM'000	31 December 2012 RM'000
<u>Individual impairment allowance</u>		
Malaysia	35,828	32,333
<u>Collective impairment allowance</u>		
Malaysia	44,888	37,302
Singapore	20	14
Other ASEAN	285	287
Rest of the world	3,368	3,588
	48,561	41,191

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)****16. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	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						
- Forward	9,923	27	293	611,834	3,741	3,693
- Swaps	1,964,759	20,410	20,271	1,354,131	1,851	1,850
	<u>1,974,682</u>	<u>20,437</u>	<u>20,564</u>	<u>1,965,965</u>	<u>5,592</u>	<u>5,543</u>

17. OTHER ASSETS

	30 June 2013 RM'000	31 December 2012 RM'000
Profit receivable	17,457	20,056
Other receivables, deposits and prepayments	2,753	1,968
Shared service fees receivable from holding company	127	139
Amount due from holding company	<u>250,099</u>	<u>72,433</u>
	<u>270,436</u>	<u>94,596</u>

18. DEPOSITS FROM CUSTOMERS

	30 June 2013 RM'000	31 December 2012 RM'000
(i) By type of deposit		
Non-Mudharabah Fund		
Demand deposits (Wadiah)	1,992,370	1,753,980
Savings deposits (Wadiah)	356,384	325,877
General investment deposits (Commodity Murabahah)	1,108,629	7,123
Negotiable instruments of deposit (Bai' Inah)	90,937	71,001
Structured investments (Wakalah)	41,126	41,126
Wakalah short term deposits	<u>874,837</u>	<u>153,646</u>
	<u>4,464,283</u>	<u>2,352,753</u>
Mudharabah Fund		
General investment deposits	<u>1,315,056</u>	<u>2,127,089</u>
	<u>5,779,339</u>	<u>4,479,842</u>
(ii) By type of customer		
Government and statutory bodies	9,396	14,332
Business enterprises	3,528,528	2,556,394
Individuals	1,019,339	1,290,437
Foreign entities	28,770	20,852
Others	<u>1,193,306</u>	<u>597,827</u>
	<u>5,779,339</u>	<u>4,479,842</u>
(iii) By maturity structure		
Maturity within six months	5,200,709	3,968,677
Six months to one year	519,050	411,246
One year to three years	954	42,469
Three years to five years	16	76
Over 5 years	<u>58,610</u>	<u>57,374</u>
	<u>5,779,339</u>	<u>4,479,842</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)**19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	30 June 2013 RM'000	31 December 2012 RM'000
Non-Mudharabah Fund		
Licensed banks	1,279,574	1,122,783
Mudharabah Fund		
Licensed banks	418,647	571,099
	<u>1,698,221</u>	<u>1,693,882</u>

Included in the deposits and placements of banks and other financial institutions are the Restricted Profit Sharing Investment Accounts ('RPSIA') placed by its holding company amounting to RM404 million (31 December 2012 : RM318 million) at profit rates ranging from 1.74% to 4.35% (2012: 1.92% to 4.31%) per annum.

20. SUBORDINATED BOND

On 1 December 2008, the Bank issued RM200 million non-tradeable non-transferable redeemable Islamic subordinated bond due in 2021 and non-callable until 2016 under the principle of Mudharabah (profit sharing contract) at a projected constant rate of 5.45% for the period from the issue date up to 23 November 2016 and a step up of 100 basis points commencing from 24 November 2016 and ending on the date of full redemption of the subordinated bond, subject to the availability of profits and the investors' entitlement under the profit sharing ratio. Unless the call option is exercised by the Bank, the subordinated bond shall be redeemed in full by five equal and consecutive annual payments. The call option, subject to prior approval from Bank Negara Malaysia and Monetary Authority of Singapore (MAS), is redeemable in whole but not in part on 24 November 2016 and on every Profit Payment Date thereafter. The subordinated bond was fully subscribed by its holding company, OCBC Bank (Malaysia) Berhad. The restricted subordinated bond qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank up to a maximum of 50% of total Tier 1 capital.

21. OTHER LIABILITIES

	30 June 2013 RM'000	31 December 2012 RM'000
Profit payable	25,760	42,120
Other accruals and charges	37,388	45,178
Shared service fees payable to holding company	5,369	6,141
Amount due to holding company	1,052	-
	<u>69,569</u>	<u>93,439</u>

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

	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
Income derived from investment of:				
(i) General investment deposits	31,239	37,409	67,345	79,414
(ii) Other funds	75,503	49,308	140,429	86,897
	<u>106,742</u>	<u>86,717</u>	<u>207,774</u>	<u>166,311</u>
(i) Income derived from investment of general investment deposits				
Finance income and hibah				
Financing and advances	25,240	25,840	52,341	55,920
Financing income earned on impaired financing	10	-	26	-
Financial investments available-for-sale	4,826	8,567	11,278	17,396
Deposits and placements with banks and other financial institutions	866	3,006	1,805	5,750
	<u>30,942</u>	<u>37,413</u>	<u>65,450</u>	<u>79,066</u>
Other operating income				
Net gain/(loss) from sale of financial investments available-for-sale	265	(30)	1,846	297
Others	32	26	49	51
	<u>31,239</u>	<u>37,409</u>	<u>67,345</u>	<u>79,414</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)**22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	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
(ii) Income derived from investment of other funds				
Finance income and hibah				
Financing and advances	60,407	34,275	109,142	61,192
Financing income earned on impaired financing	27	-	55	-
Financial investments available-for-sale	11,916	11,134	23,517	19,035
Deposits and placements with banks and other financial institutions	2,076	3,836	3,764	6,292
	<u>74,426</u>	<u>49,245</u>	<u>136,478</u>	<u>86,519</u>
Other operating income				
Net gain from sale of financial investments available-for-sale	1,006	30	3,850	323
Others	71	33	101	55
	<u>75,503</u>	<u>49,308</u>	<u>140,429</u>	<u>86,897</u>

23. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	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
Finance income and hibah				
Financing and advances	6,225	3,515	11,241	6,617
Financing income earned on impaired financing	3	-	6	-
Financial investments available-for-sale	1,228	1,147	2,422	2,058
Deposits and placements with banks and other financial institutions	214	397	388	680
	<u>7,670</u>	<u>5,059</u>	<u>14,057</u>	<u>9,355</u>
Other operating income				
Net gain from sale of financial investments available-for-sale	104	1	397	35
Others	7	3	10	6
Other trading income				
Net gain/(loss) on instruments held-for-trading				
- Foreign currency	46	426	(16)	2,083
- Trading derivatives	2,645	1,672	4,380	2,793
- Revaluation of derivatives	(173)	(16)	(169)	(877)
Fee and commission income				
Commission	3,934	3,226	7,907	6,283
Service charges and fees	4,690	1,262	8,023	3,084
	<u>18,923</u>	<u>11,633</u>	<u>34,589</u>	<u>22,762</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)**24. IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES**

	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
Individual impairment allowance				
- Made during the period	17,077	20,053	33,283	29,910
- Written back	(7,281)	(5,474)	(13,508)	(10,033)
Collective impairment allowance				
- Made during the period	7,370	2,951	7,370	4,454
Impaired financing recovered	(2,161)	(1,870)	(4,355)	(3,821)
	<u>15,005</u>	<u>15,660</u>	<u>22,790</u>	<u>20,510</u>

25. INCOME ATTRIBUTABLE TO DEPOSITORS

	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
Deposits from customers				
- Mudharabah Fund	15,732	29,109	32,040	54,856
- Non-Mudharabah Fund	18,541	8,091	31,526	15,709
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	2,787	4,988	6,399	7,950
- Non-Mudharabah Fund	4,195	820	10,461	1,379
Subordinated bond	2,717	2,702	5,405	5,420
	<u>43,972</u>	<u>45,710</u>	<u>85,831</u>	<u>85,314</u>

26. OPERATING EXPENSES

	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	3,024	8,661	9,939	19,327
Establishment expenses	2,173	1,257	4,274	2,589
Marketing expenses	550	532	478	913
General administrative expenses	23,099	18,905	44,789	36,983
	<u>28,846</u>	<u>29,355</u>	<u>59,480</u>	<u>59,812</u>

	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
(i) Personnel expenses				
Wages, salaries and bonus	2,170	7,067	8,001	14,980
Employees Provident Fund contributions	273	853	1,207	2,710
Equity compensation benefits	(13)	67	42	110
Other personnel costs	594	674	689	1,527
	<u>3,024</u>	<u>8,661</u>	<u>9,939</u>	<u>19,327</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)**26. OPERATING EXPENSES (continued)**

	<u>Quarter Ended</u>		<u>Year-To-Date Ended</u>	
	<u>30 June</u> <u>2013</u> <u>RM'000</u>	<u>30 June</u> <u>2012</u> <u>RM'000</u>	<u>30 June</u> <u>2013</u> <u>RM'000</u>	<u>30 June</u> <u>2012</u> <u>RM'000</u>
(ii) Establishment expenses				
Rental of premises	712	444	1,406	833
Depreciation of property, plant and equipment	921	420	1,803	978
Repair and maintenance	125	77	204	180
Information technology costs	3	23	(11)	39
Others	412	293	872	559
	<u>2,173</u>	<u>1,257</u>	<u>4,274</u>	<u>2,589</u>
(iii) Marketing expenses				
Transport and travelling	172	162	302	264
Advertising and business promotion	356	357	138	623
Others	22	13	38	26
	<u>550</u>	<u>532</u>	<u>478</u>	<u>913</u>
(iv) General administrative expenses				
Shared service fees to holding company	17,619	13,741	33,691	27,100
Transaction processing fees	4,275	4,140	8,842	8,066
Others	1,205	1,024	2,256	1,817
	<u>23,099</u>	<u>18,905</u>	<u>44,789</u>	<u>36,983</u>

27. INCOME TAX EXPENSE

	<u>Quarter Ended</u>		<u>Year-To-Date Ended</u>	
	<u>30 June</u> <u>2013</u> <u>RM'000</u>	<u>30 June</u> <u>2012</u> <u>RM'000</u>	<u>30 June</u> <u>2013</u> <u>RM'000</u>	<u>30 June</u> <u>2012</u> <u>RM'000</u>
Malaysian income tax				
- Current period	8,316	2,760	15,213	6,365
Deferred tax				
- Origination and reversal of temporary differences	(813)	(955)	7	(727)
	<u>7,503</u>	<u>1,805</u>	<u>15,220</u>	<u>5,638</u>

28. CAPITAL COMMITMENTS

	<u>30 June</u> <u>2013</u> <u>RM'000</u>	<u>31 December</u> <u>2012</u> <u>RM'000</u>
Capital expenditure in respect of property, plant and equipment		
- Authorised and contracted for	1,803	2,875
- Authorised but not contracted for	10,476	10,834
	<u>12,279</u>	<u>13,709</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)**29. COMMITMENTS AND CONTINGENCIES**

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

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

	30 June 2013				31 December 2012			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	44,399		44,399	45,572	12,424		12,424	22,502
Transaction-related contingent items	149,799		74,900	72,769	77,841		38,921	39,932
Short-term self-liquidating trade-related contingencies	53,360		10,672	8,437	43,590		8,718	5,957
Foreign exchange related contracts								
- Less than one year	1,972,645	20,437	45,457	11,657	1,966,377	5,515	13,998	3,239
Formal standby facilities and credit lines								
- Maturity not exceeding one year	4,986		4,986	1,894	3,550		3,292	1,600
- Maturity exceeding one year	290,985		233,568	67,892	155,688		120,684	37,355
Other unconditionally cancellable commitments	743,220		2,250	1,111	711,651		3,732	1,713
	3,259,394	20,437	416,232	209,332	2,971,121	5,515	201,769	112,298

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

	30 June 2013 RM'000	31 December 2012 RM'000
Aggregate value of outstanding credit exposures with connected parties		
Credit facility and leasing (except guarantee)	2,291	2,188
Commitments and contingencies	<u>3,503</u>	<u>2,504</u>
	<u>5,794</u>	<u>4,692</u>
Percentage of outstanding credit exposures to connected parties		
- As a proportion of total credit exposures	<u>0.09%</u>	<u>0.09%</u>
- As a proportion of impaired or in default	<u>-</u>	<u>-</u>

31. CREDIT RISK

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

	30 June 2013 RM'000	31 December 2012 RM'000
Cash and cash equivalents	307,666	23,687
Financial investments available-for-sale	2,171,475	2,315,277
Financing and advances	5,372,244	4,369,246
Derivative financial assets	20,437	5,592
Other assets	270,436	94,596
Contingent liabilities and credit commitments	<u>543,529</u>	<u>293,093</u>
	<u>8,685,787</u>	<u>7,101,491</u>

Collateral

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

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

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

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

	30 June 2013 RM'000	31 December 2012 RM'000
Fair value of collateral held against the covered portion of financing and advances	<u>26,038</u>	<u>23,690</u>
Covered portion of financing and advances	19,631	18,915
Uncovered portion of financing and advances	<u>38,748</u>	<u>36,023</u>
	<u>58,379</u>	<u>54,938</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)**31. CREDIT RISK (continued)****Credit quality**

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

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

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

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

(a) Credit quality of financing and advances

	30 June 2013 RM'000	31 December 2012 RM'000
Neither past due nor impaired	5,278,958	4,282,756
Past due financing	81,256	78,880
- Unimpaired	34,907	31,552
- Impaired	46,349	47,328
Impaired but not past due	12,030	7,610
Gross financing and advances	5,372,244	4,369,246
<u>Neither past due nor impaired</u>		
By the Bank's internal grading system		
Pass	5,212,754	4,221,538
Special mention	66,204	61,218
	5,278,958	4,282,756
<u>Past due but not impaired</u>		
(i) By period overdue		
Over 30 days to 60 days	34,907	31,552
(ii) By sector		
Mining and quarrying	-	710
Manufacturing	5,322	5,120
Construction	812	59
Real estate	1,376	-
Wholesale & retail trade and restaurants & hotels	3,655	1,487
Transport, storage and communication	1,310	2,425
Finance, insurance and business services	957	1,613
Households		
- Purchase of residential properties	2,045	1,649
- Others	18,772	17,731
Others	658	758
	34,907	31,552
(iii) By geographical distribution		
Malaysia	34,907	31,552

The analysis of impaired financing and advances are detailed in Note 15.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)****31. CREDIT RISK (continued)****Credit quality (continued)****(b) Credit quality of financial investments available-for-sale**

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

	30 June 2013 RM'000	31 December 2012 RM'000
(i) By issuer		
Government and Central Bank	1,440,862	1,721,433
Foreign government	48,641	49,643
Banks	282,825	178,905
Corporates	399,147	365,296
	<u>2,171,475</u>	<u>2,315,277</u>
(ii) By geographical distribution		
Malaysia	2,122,834	2,265,634
Other ASEAN countries	48,641	49,643
	<u>2,171,475</u>	<u>2,315,277</u>
(iii) By credit rating		
Government and Central Bank securities	1,440,862	1,721,433
Foreign government securities	48,641	49,643
Investment grade (AAA to BBB)	318,744	299,759
Unrated	363,228	244,442
	<u>2,171,475</u>	<u>2,315,277</u>
(iv) By industry		
Agriculture	18,117	-
Manufacturing	70,369	70,491
Construction	-	30,385
Transport, storage and communication	10,034	10,058
Finance, insurance and business services	360,754	227,010
Others	1,712,201	1,977,333
	<u>2,171,475</u>	<u>2,315,277</u>
(v) By residual contractual maturity		
Within one year	644,814	434,064
One year to five years	1,291,587	1,582,796
More than five years	235,074	298,417
	<u>2,171,475</u>	<u>2,315,277</u>
(c) Credit quality of derivative financial assets		
(i) By counterparty	30 June 2013 RM'000	31 December 2012 RM'000
Banks	20,407	5,465
Other financial institutions	1	1
Corporates	29	126
	<u>20,437</u>	<u>5,592</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)****31. CREDIT RISK (continued)****Credit quality (continued)****(c) Credit quality of derivative financial assets (continued)**

	30 June 2013 RM'000	31 December 2012 RM'000
(ii) By geographical distribution		
Malaysia	2,313	822
Singapore	1	1
Other ASEAN countries	18,123	4,769
	<u>20,437</u>	<u>5,592</u>
(iii) By industry		
Manufacturing	5	116
Wholesale & retail trade and restaurant & hotels	24	10
Finance, insurance and business services	20,408	5,466
	<u>20,437</u>	<u>5,592</u>
(iv) By residual contractual maturity		
Within one year	<u>20,437</u>	<u>5,592</u>

(d) Credit quality of contingent liabilities and credit commitments

	30 June 2013 RM'000	31 December 2012 RM'000
(i) By counterparty		
Other financial institutions	580	3,398
Corporates	409,347	247,526
Individuals	133,602	42,169
	<u>543,529</u>	<u>293,093</u>
(ii) By geographical distribution		
Malaysia	<u>543,529</u>	<u>293,093</u>
(iii) By industry		
Agriculture	11,893	448
Mining and quarrying	-	1,072
Manufacturing	122,403	57,542
Construction	81,415	85,533
Real estate	15,122	6,491
Wholesale & retail trade and restaurants & hotels	53,092	17,391
Transport, storage and communication	15,044	237
Finance, insurance and business services	2,779	9,214
Community, social and personal services	542	287
Household		
- Purchase of residential properties	121,880	34,908
- Others	5,074	358
Others	114,285	79,612
	<u>543,529</u>	<u>293,093</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)****31. CREDIT RISK (continued)****Credit quality (continued)****(d) Credit quality of contingent liabilities and credit commitments (continued)**

	30 June 2013 RM'000	31 December 2012 RM'000
(iv) By residual contractual maturity		
Within one year	99,975	71,076
One year to five years	207,016	134,362
Over five years	236,538	87,655
	<u>543,529</u>	<u>293,093</u>

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

A) Fair value measurement**(i) Financial assets and financial liabilities****(a) Short term financial instruments**

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

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

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

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

32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

A) Fair value measurement (continued)

(i) Financial assets and financial liabilities (continued)

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

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

(d) Financing and advances

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

(e) Deposits from customers

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

(f) Bills & acceptances payable

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

(g) Subordinated bond

The subordinated bond is carried at face value.

(ii) Off-statement of financial position financial instruments

The fair value of off-statement of financial position financial instruments is the estimated amount the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statement of financial position financial instruments are disclosed in Note 16 of the unaudited condensed interim financial statements.

B) Fair value hierarchy

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)**32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

The following table summarises the Bank's financial assets and liabilities measured at fair value by level of the fair value hierarchies:

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
30 June 2013			
Financial assets			
Available-for-sale	1,608,231	563,244	2,171,475
Derivative assets	4	20,433	20,437
	<u>1,608,235</u>	<u>583,677</u>	<u>2,191,912</u>
Financial liabilities			
Derivative liabilities	-	20,564	20,564
	<u>-</u>	<u>20,564</u>	<u>20,564</u>
31 December 2012			
Financial assets			
Available-for-sale	1,721,252	594,025	2,315,277
Derivative assets	10	5,582	5,592
	<u>1,721,262</u>	<u>599,607</u>	<u>2,320,869</u>
Financial liabilities			
Derivative liabilities	12	5,531	5,543
	<u>12</u>	<u>5,531</u>	<u>5,543</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)**33. CAPITAL ADEQUACY**

With effect from 1 January 2013, the capital ratios are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components). Recognition of the Bank's Tier 2 capital instruments is subject to a gradual phase-out treatment as required by Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components).

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

	Basel III
	30 June
	2013
	RM'000
<u>Common Equity Tier 1 (CET1) capital</u>	
Paid-up share capital	115,000
Share premium	230,000
Retained earnings	64,441
Other reserves	53,643
Unrealised loss on financial investments available-for-sale	(1,587)
Total CET1 capital	<u>461,497</u>
Less: Regulatory adjustment for CET1	(15,965)
Eligible CET1 / Tier 1 capital	<u>445,532</u>
<u>Tier 2 capital</u>	
Collective impairment allowance under Standardised Approach	7,013
Subordinated bond	180,000
Eligible Tier 2 capital	<u>187,013</u>
Capital base	<u>632,545</u>
<u>Capital ratios before the effects of PSIA</u>	
CET1 capital ratio	9.143%
Tier 1 capital ratio	9.143%
Risk-weighted capital ratio	<u>12.981%</u>
<u>Capital ratios after the effects of PSIA</u>	
CET1 capital ratio	9.538%
Tier 1 capital ratio	9.538%
Risk-weighted capital ratio	<u>13.541%</u>

In accordance with BNM Guidelines on the Recognition and Measurement of Profit Sharing Investment Account (PSIA) as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts (RPSIA) which qualify as risk absorbent are excluded from the risk weighted capital ratio (RWCR) calculation. As at 30 June 2013, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM202 million (31 December 2012: RM171 million).

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2013 (continued)**33. CAPITAL ADEQUACY (continued)**

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

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

	30 June	31 December
	2013	2012
	RM'000	RM'000
Credit risk	4,290,288	3,946,171
Market risk	6,553	8,764
Operational risk	374,481	318,011
	<u>4,671,322</u>	<u>4,272,946</u>