

Company No. 818444-T

**OCBC AL-AMIN BANK BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

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

Company No. 818444-T

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(Incorporated in Malaysia)

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FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014**

| <b>ASSETS</b>  | <b>Note</b> | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|--|-------------|-------------------------------------|--|
| Cash and cash equivalents  |             | 928,713                             | 963,230                                |
| Financial investments available-for-sale                             | 12          | 2,208,228                           | 2,061,763                              |
| Financing and advances   | 13          | 7,273,539                           | 6,762,954                              |
| Derivative financial assets  | 15          | 2,002                               | 44                                     |
| Other assets   | 16          | 99,490                              | 54,716                                 |
| Current tax assets   |             | 3,379                               | 1,682                                  |
| Statutory deposits with Bank Negara Malaysia                         |             | 283,300                             | 270,800                                |
| Property, plant and equipment  |             | 7,331                               | 8,049                                  |
| Deferred tax assets  |             | 639                                 | 2,446                                  |
| <b>Total assets</b>  |             | <b><u>10,806,621</u></b>            | <b><u>10,125,684</u></b>               |
| <br><b>LIABILITIES</b>   |             |                                     |  |
| Deposits from customers  | 17          | 7,600,749                           | 6,675,588                              |
| Deposits and placements of banks and other<br>financial institutions | 18          | 2,275,679                           | 2,555,128                              |
| Bills and acceptances payable  |             | 17,734                              | 13,679                                 |
| Subordinated bond  | 19          | 200,000                             | 200,000                                |
| Derivative financial liabilities                                     | 15          | 1,976                               | 36                                     |
| Other liabilities  | 20          | 91,396                              | 86,056                                 |
| Zakat  |             | 39                                  | 30                                     |
| <b>Total liabilities</b>   |             | <b><u>10,187,573</u></b>            | <b><u>9,530,517</u></b>                |
| <br><b>EQUITY</b>  |             |                                     |  |
| Share capital  |             | 125,000                             | 125,000                                |
| Reserves   |             | 494,048                             | 470,167                                |
| <b>Total equity</b>  |             | <b><u>619,048</u></b>               | <b><u>595,167</u></b>                  |
| <br><b>Total liabilities and equity</b>                              |             | <br><b><u>10,806,621</u></b>        | <br><b><u>10,125,684</u></b>           |
| <br><b>Commitments and contingencies</b>                             | <br>28      | <br><b><u>2,236,324</u></b>         | <br><b><u>1,549,635</u></b>            |

*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 2013 and the accompanying explanatory notes on pages 5 to 22 of these unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

|   | Note | Year-To-Date Ended         |                            |
|---|------|----------------------------|----------------------------|
|   |      | 31 March<br>2014<br>RM'000 | 31 March<br>2013<br>RM'000 |
| Income derived from investment of depositors' funds and others          | 21   | 137,806                    | 101,032                    |
| Income derived from investment of shareholder's funds                   | 22   | 17,707                     | 15,666                     |
| Impairment allowance on financing and advances                          | 23   | (30,857)                   | (7,785)                    |
| Total distributable income  |      | 124,656                    | 108,913                    |
| Income attributable to depositors                                       | 24   | (57,947)                   | (41,859)                   |
| Total net income  |      | 66,709                     | 67,054                     |
| Operating expenses  | 25   | (40,506)                   | (30,634)                   |
| <b>Profit before income tax expense and zakat</b>                       |      | 26,203                     | 36,420                     |
| Income tax expense  | 26   | (5,443)                    | (7,717)                    |
| Zakat   |      | (9)                        | (8)                        |
| <b>Profit for the period</b>  |      | 20,751                     | 28,695                     |
| <b>Other comprehensive income, net of tax</b>                           |      |                            |                            |
| <b>Items that may be reclassified subsequently to profit or loss</b>    |      |                            |                            |
| Fair value (available-for-sale) reserve:                                |      |                            |                            |
| - Change in fair value  |      | 4,173                      | 1,305                      |
| - Amount transferred to profit or loss                                  |      | -                          | (4,718)                    |
| Income tax expense relating to components of other comprehensive income |      | (1,043)                    | 853                        |
| <b>Other comprehensive income/(loss) for the period, net of tax</b>     |      | 3,130                      | (2,560)                    |
| <b>Total comprehensive income for the period</b>                        |      | 23,881                     | 26,135                     |
| Profit attributable to shareholder of the Bank                          |      | 20,751                     | 28,695                     |
| Total comprehensive income attributable to shareholder of the Bank      |      | 23,881                     | 26,135                     |
| <b>Basic earnings per ordinary share (sen)</b>                          |      | 16.60                      | 24.95                      |

*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 2013 and the accompanying explanatory notes on pages 5 to 22 of these unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

|   | <i>Non-distributable</i> |                      |                          | <i>Distributable</i>     | <b>Total Equity</b> |
|---|--------------------------|----------------------|--------------------------|--------------------------|---------------------|
|   | <b>Share Capital</b>     | <b>Share Premium</b> | <b>Statutory Reserve</b> | <b>Retained Earnings</b> |                     |
|   | <b>RM'000</b>            | <b>RM'000</b>        | <b>RM'000</b>            | <b>RM'000</b>            | <b>RM'000</b>       |
| <b>2014</b>   |                          |                      |                          |                          |                     |
| Balance at 1 January 2014   | 125,000                  | 250,000              | 107,389                  | (5,410)                  | 595,167             |
| Fair value (available-for-sale) reserve                                 |                          |                      |                          |                          |                     |
| - Change in fair value  | -                        | -                    | -                        | 4,173                    | 4,173               |
| - Amount transferred to profit or loss                                  | -                        | -                    | -                        | -                        | -                   |
| Income tax expense relating to components of other comprehensive income | -                        | -                    | -                        | (1,043)                  | (1,043)             |
| <b>Other comprehensive income for the period</b>                        | -                        | -                    | -                        | 3,130                    | 3,130               |
| Profit for the period   | -                        | -                    | -                        | 20,751                   | 20,751              |
| <b>Total comprehensive income for the period</b>                        | -                        | -                    | -                        | 3,130                    | 23,881              |
| Balance at 31 March 2014  | 125,000                  | 250,000              | 107,389                  | (2,280)                  | 619,048             |
| <b>2013</b>   |                          |                      |                          |                          |                     |
| Balance at 1 January 2013   | 115,000                  | 230,000              | 53,643                   | 8,667                    | 471,751             |
| Fair value (available-for-sale) reserve                                 |                          |                      |                          |                          |                     |
| - Change in fair value  | -                        | -                    | -                        | 1,305                    | 1,305               |
| - Amount transferred to profit or loss                                  | -                        | -                    | -                        | (4,718)                  | (4,718)             |
| Income tax expense relating to components of other comprehensive income | -                        | -                    | -                        | 853                      | 853                 |
| <b>Other comprehensive loss for the period</b>                          | -                        | -                    | -                        | (2,560)                  | (2,560)             |
| Profit for the period   | -                        | -                    | -                        | 28,695                   | 28,695              |
| <b>Total comprehensive (loss)/income for the period</b>                 | -                        | -                    | -                        | (2,560)                  | 26,135              |
| Balance at 31 March 2013  | 115,000                  | 230,000              | 53,643                   | 6,107                    | 497,886             |

*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 2013 and the accompanying explanatory notes on pages 5 to 22 of these unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 March<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|-------------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                         |                                     |                                     |
| Profit before income tax expense and zakat                          | 26,203                              | 36,420                              |
| <i>Adjustments for:</i>   |                                     |                                     |
| Net loss/(gain) from disposal of:                                   |                                     |                                     |
| - Financial investments available-for-sale                          | 157                                 | (4,718)                             |
| - Property, plant and equipment                                     | 21                                  | 76                                  |
| Depreciation of property, plant and equipment                       | 697                                 | 882                                 |
| Impairment allowance on financing and advances                      | 30,857                              | 7,785                               |
| Unrealised gain on revaluation of derivatives                       | (17)                                | (4)                                 |
| Operating profit before changes in working capital                  | <u>57,918</u>                       | <u>40,441</u>                       |
| <i>(Increase)/Decrease in Operating Assets:</i>                     |                                     |                                     |
| Deposits and placements with banks and other financial institutions | -                                   | (30,891)                            |
| Financing and advances  | (541,442)                           | (359,421)                           |
| Derivative financial assets   | (1,958)                             | 2,878                               |
| Other assets  | (44,757)                            | 44,618                              |
| Statutory deposits with Bank Negara Malaysia                        | (12,500)                            | (6,100)                             |
| <i>Increase/(Decrease) in Operating Liabilities:</i>                |                                     |                                     |
| Deposits from customers   | 925,161                             | 1,350,121                           |
| Deposits and placements of banks and other financial institutions   | (279,449)                           | 3,471                               |
| Bills and acceptances payable                                       | 4,055                               | 12,869                              |
| Derivative financial liabilities                                    | 1,940                               | (2,882)                             |
| Other liabilities   | 5,360                               | (18,423)                            |
| <b>CASH GENERATED FROM OPERATIONS</b>                               | <u>114,328</u>                      | <u>1,036,681</u>                    |
| Income tax and zakat paid   | (6,375)                             | (4,250)                             |
| <b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>                 | <u>107,953</u>                      | <u>1,032,431</u>                    |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                         |                                     |                                     |
| Proceeds from disposal of financial investments available-for-sale  | 638,760                             | 704,555                             |
| Acquisition of financial investments available-for-sale             | (781,209)                           | (807,511)                           |
| Proceeds from disposal of property, plant and equipment             | 48                                  | 1,029                               |
| Acquisition of property, plant and equipment                        | (69)                                | (2,376)                             |
| <b>NET CASH USED IN INVESTING ACTIVITIES</b>                        | <u>(142,470)</u>                    | <u>(104,303)</u>                    |
| <b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>         | (34,517)                            | 928,128                             |
| <b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>                       | <u>963,230</u>                      | <u>23,687</u>                       |
| <b>CASH AND CASH EQUIVALENTS AT 31 MARCH</b>                        | <u>928,713</u>                      | <u>951,815</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 2013 and the accompanying explanatory notes on pages 5 to 22 of these unaudited condensed interim financial statements.*

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014**

**1. GENERAL INFORMATION**

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

**2. PERFORMANCE REVIEW**

The Bank recorded profit after tax of RM20.8 million for the financial period ended 31 March 2014, a decrease of RM7.9 million or -28% against the corresponding period last year. The decrease was mainly due to higher impairment allowances of RM23.1 million and higher operating expenses of RM9.9 million offset by higher total income of RM22.7 million and lower tax of RM2.3 million.

Total income improved by RM22.7 million mainly due to higher net finance income of RM27.4 million or 45% offset by lower other operating income of RM4.7 million arising from lower gain on disposal of financial investments available-for-sale. Impairment allowances increased by RM23.1 million in tandem with financing growth, with higher collective impairment allowances of RM16.3 million and individual impairment allowances of RM7.0 million.

Corporate financing, in particular, small medium enterprises and house financing continue to drive gross financing and advances growth of 8% from RM6.9 billion as at 31 December 2013 to RM7.4 billion as at 31 March 2014.

Deposits from customers increased by RM0.9 billion over the same period to RM7.6 billion, garnered mainly from retail deposits with an increase of RM0.4 billion.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 ratios of 9.815% and risk-weighted capital ratio of 12.762%.

**3. ECONOMIC PERFORMANCE AND PROSPECTS**

Following the gradual improvement in the global economy in 2013, the Malaysian economy is expected to grow steadily between 4.5% – 5.5% for 2014. Domestic demand is expected to remain as a key contributor of growth, albeit at a moderate pace. Although there are signs of improvement in external demand, we remain mindful of the downside risks affecting global growth in terms of excess capacity in the labour and product markets of advanced economies. Volatility in the global financial markets could also see fluctuation in large capital flows.

Coupled with the strong growth in domestic demand and improvements in external demand, the Bank will continue to focus on the commercial banking and SME businesses in selected sectors. On the consumer front, the Bank will increase its market share in wealth management products as well as its mortgage portfolio. The Bank will continue to manage its assets prudently and strengthen its capital. It will also invest and build more infrastructure capabilities and expand its existing branch network with an aim to improve customer experience and expand customer reach.

**4. BASIS OF PREPARATION**

The unaudited condensed interim financial statements for the financial period ended 31 March 2014 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").

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)**

**4. BASIS OF PREPARATION (continued)**

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 2013. The explanatory notes attached in the unaudited interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2013.

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 2013, except for the adoption of the following MFRS and Amendments to MFRS that have been adopted during the current period:

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

IC Interpretation 21 Levies is not applicable to the Bank as it is not relevant to the business of the Bank.

The Bank has 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 July 2014

Amendments to MFRS 1, MFRS 3, MFRS 13 and MFRS 140 contained in the documents entitled "Annual Improvements 2011 - 2013 Cycle"  
Amendments to MFRS 2, MFRS 3, MFRS 8, MFRS13, MFRS 116, MFRS 124 and MFRS 138 contained in the documents entitled "Annual improvements 2010 - 2012 Cycle"  
Amendments to MFRS 119, Employee Benefits - Defined Benefit Plans: Employee Contributions

Effective for annual periods commencing on a date yet to be confirmed

MFRS 9 Financial Instruments (IFRS 9 issued by IASB in November 2009)  
MFRS 9 Financial Instruments (IFRS 9 issued by IASB in October 2010)  
MFRS 9 Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139  
Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

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

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 9.



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)**

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

The auditor's report on the financial statements for the financial year ended 31 December 2013 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 31 March 2014.

**8. CHANGE IN ACCOUNTING ESTIMATES**

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Bank for the financial period ended 31 March 2014.

**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 31 March 2014.

**10. DIVIDEND**

No dividend was paid in respect of the financial period ended 31 March 2014.

**11. SUBSEQUENT EVENTS**

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

**12. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|--|
| <b>At fair value</b>                      |                                     |  |
| Malaysian Government Investment Issues    | 1,221,191                           | 1,250,238                              |
| Malaysian Government Debt Securities      | 117,053                             | 115,819                                |
| Foreign Government Debt Securities        | 49,365                              | 49,638                                 |
| Islamic Private Debt Securities           | 362,532                             | 407,114                                |
| Islamic Negotiable Instruments of Deposit | 423,121                             | 173,985                                |
| Sanadat Mudharabah Cagamas                | 34,966                              | 64,969                                 |
|   | <u>2,208,228</u>                    | <u>2,061,763</u>                       |

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2014 (continued)****13. FINANCING AND ADVANCES**

(i) By type and Shariah contracts

|   | Sale based contracts |                            |                    |                     |                        | Lease based contracts       |                  |                                  | Equity based contracts              | Others                        | Total<br>RM'000 |
|---|----------------------|----------------------------|--------------------|---------------------|------------------------|-----------------------------|------------------|----------------------------------|-------------------------------------|-------------------------------|-----------------|
|   | Bai'                 |                            | Tawarruq<br>RM'000 | Murabahah<br>RM'000 | Bai'<br>Dayn<br>RM'000 | Ijarah                      |                  | Ijarah<br>Bi Al-Tamlik<br>RM'000 | Musharakah<br>Mutanaqisah<br>RM'000 | Wakalah<br>and Qard<br>RM'000 |                 |
|   | Bai' Inah<br>RM'000  | Bithaman<br>Ajil<br>RM'000 |                    |                     |                        | Thumma<br>Al- Bai<br>RM'000 | Ijarah<br>RM'000 |                                  |                                     |                               |                 |
| <b>31 March 2014</b>                            |                      |                            |                    |                     |                        |                             |                  |                                  |                                     |                               |                 |
| Term Financing                                  |                      |                            |                    |                     |                        |                             |                  |                                  |                                     |                               |                 |
| - House financing                               | -                    | 23,953                     | -                  | -                   | -                      | -                           | -                | 657,493                          | 130,124                             | -                             | 811,570         |
| - Syndicated term financing                     | -                    | -                          | -                  | -                   | -                      | -                           | -                | 153,259                          | -                                   | -                             | 153,259         |
| - Hire purchase receivables                     | -                    | -                          | -                  | -                   | -                      | 669,036                     | -                | 146,383                          | -                                   | -                             | 815,419         |
| - Other term financing                          | 1,789,576            | 341,158                    | -                  | -                   | -                      | -                           | 11,990           | 1,459,994                        | 151,155                             | 1,233                         | 3,755,106       |
| Bills receivable                                | -                    | -                          | -                  | -                   | 16,400                 | -                           | -                | -                                | -                                   | -                             | 16,400          |
| Trust receipts                                  | -                    | -                          | -                  | 8,220               | -                      | -                           | -                | -                                | -                                   | -                             | 8,220           |
| Revolving credit                                | -                    | 14,072                     | 1,555,697          | -                   | -                      | -                           | -                | -                                | -                                   | -                             | 1,569,769       |
| Claims on customers under<br>acceptance credits | -                    | -                          | -                  | 184,622             | 52,954                 | -                           | -                | -                                | -                                   | -                             | 237,576         |
| Other financing                                 | -                    | -                          | -                  | 30,789              | -                      | -                           | -                | -                                | -                                   | -                             | 30,789          |
| Gross financing and advances                    | 1,789,576            | 379,183                    | 1,555,697          | 223,631             | 69,354                 | 669,036                     | 11,990           | 2,417,129                        | 281,279                             | 1,233                         | 7,398,108       |
| Allowance for financing and advances            |                      |                            |                    |                     |                        |                             |                  |                                  |                                     |                               |                 |
| - Individual impairment                         |                      |                            |                    |                     |                        |                             |                  |                                  |                                     |                               | (48,129)        |
| - Collective impairment                         |                      |                            |                    |                     |                        |                             |                  |                                  |                                     |                               | (76,440)        |
| Net financing and advances                      |                      |                            |                    |                     |                        |                             |                  |                                  |                                     |                               | 7,273,539       |

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2014 (continued)****13. FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contracts (continued)

|   | Sale based contracts |                |                    |                     |                        | Lease based contracts                 |                                  |                     | Equity based contracts              | Others                        | Total<br>RM'000 |
|---|----------------------|----------------|--------------------|---------------------|------------------------|---------------------------------------|----------------------------------|---------------------|-------------------------------------|-------------------------------|-----------------|
|   | Bai'<br>Bithaman     |                | Tawarruq<br>RM'000 | Murabahah<br>RM'000 | Bai'<br>Dayn<br>RM'000 | Ijarah<br>Thumma<br>Al- Bai<br>RM'000 | Ijarah<br>Bi Al-Tamlik<br>RM'000 | Muntahiah<br>RM'000 | Musharakah<br>Mutanaqisah<br>RM'000 | Wakalah<br>and Qard<br>RM'000 |                 |
|   | Bai' Inah<br>RM'000  | Ajil<br>RM'000 |                    |                     |                        |                                       |                                  |                     |                                     |                               |                 |
| <b>31 December 2013</b>                         |                      |                |                    |                     |                        |                                       |                                  |                     |                                     |                               |                 |
| Term Financing                                  |                      |                |                    |                     |                        |                                       |                                  |                     |                                     |                               |                 |
| - House financing                               | -                    | 25,454         | -                  | -                   | -                      | -                                     | -                                | 501,950             | 132,237                             | -                             | 659,641         |
| - Syndicated term financing                     | -                    | -              | -                  | -                   | -                      | -                                     | -                                | 150,037             | -                                   | -                             | 150,037         |
| - Hire purchase receivables                     | -                    | -              | -                  | -                   | -                      | 632,403                               | -                                | 131,277             | -                                   | -                             | 763,680         |
| - Other term financing                          | 1,678,324            | 359,664        | -                  | -                   | -                      | -                                     | 3,997                            | 1,203,615           | 151,368                             | 123                           | 3,397,091       |
| Bills receivable                                | -                    | -              | -                  | -                   | 11,743                 | -                                     | -                                | -                   | -                                   | 30,589                        | 42,332          |
| Trust receipts                                  | -                    | -              | -                  | 10,556              | -                      | -                                     | -                                | -                   | -                                   | -                             | 10,556          |
| Revolving credit                                | -                    | 14,683         | 1,614,986          | -                   | -                      | -                                     | -                                | -                   | -                                   | -                             | 1,629,669       |
| Claims on customers under<br>acceptance credits | -                    | -              | -                  | 151,419             | 39,791                 | -                                     | -                                | -                   | -                                   | -                             | 191,210         |
| Other financing                                 | -                    | -              | -                  | 23,735              | -                      | -                                     | -                                | -                   | -                                   | -                             | 23,735          |
| Gross financing and advances                    | 1,678,324            | 399,801        | 1,614,986          | 185,710             | 51,534                 | 632,403                               | 3,997                            | 1,986,879           | 283,605                             | 30,712                        | 6,867,951       |
| Allowance for financing and advances            |                      |                |                    |                     |                        |                                       |                                  |                     |                                     |                               |                 |
| - Individual impairment                         |                      |                |                    |                     |                        |                                       |                                  |                     |                                     |                               | (44,846)        |
| - Collective impairment                         |                      |                |                    |                     |                        |                                       |                                  |                     |                                     |                               | (60,151)        |
| Net financing and advances                      |                      |                |                    |                     |                        |                                       |                                  |                     |                                     |                               | 6,762,954       |

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2014 (continued)****13. FINANCING AND ADVANCES (continued)**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|--|
| (ii) By type of customer                          |                                     |  |
| Domestic banking institutions                     | -                                   | 30,589                                 |
| Domestic non-bank financial institutions          |                                     |  |
| - Others  | 318                                 | 130,208                                |
| Domestic business enterprises                     |                                     |  |
| - Small and medium enterprises                    | 2,432,401                           | 2,261,736                              |
| - Others  | 2,414,263                           | 2,127,805                              |
| Individuals                                       | 1,581,638                           | 1,352,278                              |
| Foreign entities                                  | 969,488                             | 965,335                                |
|   | <u>7,398,108</u>                    | <u>6,867,951</u>                       |
| (iii) By profit rate sensitivity                  |                                     |  |
| Fixed rate  |                                     |  |
| - House financing                                 | 52,765                              | 34,643                                 |
| - Hire purchase receivables                       | 669,036                             | 632,403                                |
| - Other fixed rate financing                      | 2,436,942                           | 2,279,353                              |
| Variable rate                                     |                                     |  |
| - BFR plus  | 1,059,007                           | 901,850                                |
| - Cost plus                                       | 3,180,358                           | 3,019,702                              |
|   | <u>7,398,108</u>                    | <u>6,867,951</u>                       |
| (iv) By sector                                    |                                     |  |
| Agriculture                                       | 231,226                             | 216,921                                |
| Mining and quarrying                              | 128,933                             | 178,872                                |
| Manufacturing                                     | 1,392,158                           | 1,309,598                              |
| Electricity, gas and water                        | 98,214                              | 71,540                                 |
| Construction                                      | 235,473                             | 215,064                                |
| Real estate                                       | 661,604                             | 658,347                                |
| Wholesale & retail trade and restaurants & hotels | 1,256,832                           | 1,050,877                              |
| Transport, storage and communication              | 302,427                             | 234,930                                |
| Finance, insurance and business services          | 264,498                             | 399,239                                |
| Community, social and personal services           | 266,669                             | 262,370                                |
| Household   |                                     |  |
| - Purchase of residential properties              | 802,142                             | 651,853                                |
| - Purchase of non-residential properties          | 27,309                              | 25,129                                 |
| - Others  | 795,296                             | 715,497                                |
| Others  | 935,327                             | 877,714                                |
|   | <u>7,398,108</u>                    | <u>6,867,951</u>                       |
| (v) By geographical distribution                  |                                     |  |
| Malaysia  | 6,543,195                           | 6,045,469                              |
| Singapore   | 14,570                              | 5,337                                  |
| Other ASEAN                                       | 3,499                               | -                                      |
| Rest of the world                                 | 836,844                             | 817,145                                |
|   | <u>7,398,108</u>                    | <u>6,867,951</u>                       |

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)****13. FINANCING AND ADVANCES (continued)**

|                                       | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|---------------------------------------|-------------------------------------|--|
| (vi) By residual contractual maturity |                                     |  |
| Within one year                       | 1,998,694                           | 2,077,386                              |
| One year to five years                | 2,672,073                           | 2,656,952                              |
| Over five years                       | 2,727,341                           | 2,133,613                              |
|                                       | <u>7,398,108</u>                    | <u>6,867,951</u>                       |

**14. IMPAIRED FINANCING AND ADVANCES**

## (a) Movements in impaired financing and advances

|                                     | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|-------------------------------------|-------------------------------------|--|
| Balance at 1 January                | 107,359                             | 54,938                                 |
| Impaired during the period / year   | 54,291                              | 170,811                                |
| Reclassified as unimpaired          | (5,882)                             | (18,322)                               |
| Amount recovered                    | (31,904)                            | (66,671)                               |
| Amount written off                  | (13,713)                            | (33,397)                               |
| Balance at 31 March / 31 December   | <u>110,151</u>                      | <u>107,359</u>                         |
| Individual impairment allowance     | (48,129)                            | (44,846)                               |
| Collective impairment allowance     | (645)                               | (551)                                  |
| Net impaired financing and advances | <u>61,377</u>                       | <u>61,962</u>                          |

## (i) By sector

|   |                |                |
|---|----------------|----------------|
| Agriculture                                       | 475            | 524            |
| Manufacturing                                     | 55,129         | 54,932         |
| Construction                                      | 1,726          | 1,949          |
| Real estate                                       | 1,301          | 1,340          |
| Wholesale & retail trade and restaurants & hotels | 17,475         | 14,474         |
| Transport, storage and communication              | 2,226          | 2,269          |
| Finance, insurance and business services          | 2,601          | 2,814          |
| Community, social and personal services           | 1,144          | 1,350          |
| Household   |                |                |
| - Purchase of residential properties              | 2,041          | 2,289          |
| - Purchase of non-residential properties          | 74             | 74             |
| - Others  | 25,322         | 24,694         |
| Others  | 637            | 650            |
|   | <u>110,151</u> | <u>107,359</u> |

## (ii) By geographical distribution

|          |                |                |
|----------|----------------|----------------|
| Malaysia | <u>110,151</u> | <u>107,359</u> |
|----------|----------------|----------------|

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)****14. IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance for impaired financing and advances

|  | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|--|-------------------------------------|--|
| <b>Individual impairment allowance</b>                                       |                                     |  |
| Balance at 1 January   | 44,846                              | 32,333                                 |
| Made during the period / year  | 25,043                              | 74,672                                 |
| Amount written back  | (8,022)                             | (28,650)                               |
| Amount written off   | (13,713)                            | (33,371)                               |
| Financing income earned on impaired financing                                | (25)                                | (138)                                  |
| Balance at 31 March / 31 December  | <u>48,129</u>                       | <u>44,846</u>                          |
| <b>Collective impairment allowance</b>                                       |                                     |  |
| Balance at 1 January   | 60,151                              | 41,191                                 |
| Made during the period/year  | 16,289                              | 18,960                                 |
| Balance at 31 March / 31 December  | <u>76,440</u>                       | <u>60,151</u>                          |
| As % of gross financing and advances less individual<br>impairment allowance | <u>1.04%</u>                        | <u>0.88%</u>                           |

**15. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

|                              | <u>31 March 2014</u>  |                          |                               | <u>31 December 2013</u>   |                          |                               |
|------------------------------|---|--------------------------|-------------------------------|---|--------------------------|-------------------------------|
|                              | <b>Contract or<br/>underlying<br/>principal<br/>amount<br/>RM'000</b> | <b>Fair value</b>        |                               | <b>Contract or<br/>underlying<br/>principal<br/>amount<br/>RM'000</b> | <b>Fair value</b>        |                               |
|                              |   | <b>Assets<br/>RM'000</b> | <b>Liabilities<br/>RM'000</b> |   | <b>Assets<br/>RM'000</b> | <b>Liabilities<br/>RM'000</b> |
| <b>Trading</b>               |   |                          |                               |   |                          |                               |
| Foreign exchange derivatives |   |                          |                               |   |                          |                               |
| - Forwards                   | 22,466  | 62                       | 34                            | 10,358  | 16                       | 36                            |
| - Swaps                      | 664,595   | 1,940                    | 1,942                         | 815   | 28                       | -                             |
|                              | <u>687,061</u>  | <u>2,002</u>             | <u>1,976</u>                  | <u>11,173</u>   | <u>44</u>                | <u>36</u>                     |

**16. OTHER ASSETS**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|--|
| Profit receivable                                   | 13,495                              | 18,417                                 |
| Other receivables, deposits and prepayments         | 1,051                               | 1,160                                  |
| Shared service fees receivable from holding company | 10                                  | 372                                    |
| Amount due from holding company                     | 84,934                              | 34,767                                 |
|   | <u>99,490</u>                       | <u>54,716</u>                          |

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)****17. DEPOSITS FROM CUSTOMERS**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|--|
| (i) By type of deposit                            |                                     |  |
| <b>Non-Mudharabah Fund</b>                        |                                     |  |
| Demand deposits (Wadiah)                          | 2,286,489                           | 2,229,073                              |
| Savings deposits (Wadiah)                         | 322,919                             | 314,132                                |
| General investment deposits (Commodity Murabahah) | 3,884,585                           | 2,795,065                              |
| Negotiable instruments of deposit (Bai'Inah)      | 90,015                              | 89,527                                 |
| Wakala short term deposits                        | 740,780                             | 716,976                                |
|   | <u>7,324,788</u>                    | <u>6,144,773</u>                       |
| <b>Mudharabah Fund</b>                            |                                     |  |
| General investment deposits                       | 275,961                             | 530,815                                |
|   | <u>7,600,749</u>                    | <u>6,675,588</u>                       |
| (ii) By type of customer                          |                                     |  |
| Government and statutory bodies                   | 9,580                               | 9,642                                  |
| Business enterprises                              | 3,613,964                           | 3,390,844                              |
| Individuals                                       | 1,524,601                           | 1,081,941                              |
| Foreign entities                                  | 42,941                              | 33,992                                 |
| Others  | 2,409,663                           | 2,159,169                              |
|   | <u>7,600,749</u>                    | <u>6,675,588</u>                       |
| (iii) By maturity structure                       |                                     |  |
| Maturity within six months                        | 6,356,573                           | 5,789,788                              |
| Six months to one year                            | 1,179,599                           | 824,025                                |
| One year to three years                           | 4,040                               | 1,876                                  |
| Three years to five years                         | 4                                   | 4                                      |
| Over five years                                   | 60,533                              | 59,895                                 |
|   | <u>7,600,749</u>                    | <u>6,675,588</u>                       |

**18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

|                            | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|----------------------------|-------------------------------------|--|
| <b>Non-Mudharabah Fund</b> |                                     |  |
| Licensed banks             | 1,510,521                           | 1,905,966                              |
| <b>Mudharabah Fund</b>     |                                     |  |
| Licensed banks             | 765,158                             | 649,162                                |
|                            | <u>2,275,679</u>                    | <u>2,555,128</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 RM765 million (31 December 2013 : RM649 million) at profit rates ranging from 1.52% to 5.43% (2013: 1.51% to 4.68%) per annum.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2014 (continued)****19. SUBORDINATED BOND**

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

**20. OTHER LIABILITIES**

|  | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|--|-------------------------------------|--|
| Profit payable                                 | 44,317                              | 36,979                                 |
| Other accruals and charges                     | 39,119                              | 43,668                                 |
| Shared service fees payable to holding company | 7,960                               | 5,409                                  |
|  | <u>91,396</u>                       | <u>86,056</u>                          |

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

|                                    | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 March<br/>2013<br/>RM'000</b> |
|------------------------------------|-------------------------------------|-------------------------------------|
| Income derived from investment of: |                                     |                                     |
| (i) General investment deposits    | 58,053                              | 36,106                              |
| (ii) Other deposits                | 79,753                              | 64,926                              |
|                                    | <u>137,806</u>                      | <u>101,032</u>                      |

(i) Income derived from investment of general investment deposits

**Finance income and hibah**

|   |               |               |
|---|---------------|---------------|
| Financing and advances  | 48,325        | 27,101        |
| Financing income earned on impaired financing                       | 10            | 16            |
| Financial investments available-for-sale                            | 7,124         | 6,452         |
| Deposits and placements with banks and other financial institutions | 2,615         | 939           |
|   | <u>58,074</u> | <u>34,508</u> |

**Other operating income**

|   |               |               |
|---|---------------|---------------|
| Net gain from sale of financial assets held-for-trading               | 1             | -             |
| Net (loss)/gain from sale of financial investments available-for-sale | (62)          | 1,581         |
| Others  | 40            | 17            |
|   | <u>58,053</u> | <u>36,106</u> |



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)****21. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 March<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|-------------------------------------|
| (ii) Income derived from investment of other deposits                 |                                     |                                     |
| <b>Finance income and hibah</b>                                       |                                     |                                     |
| Financing and advances  | 66,388                              | 48,735                              |
| Financing income earned on impaired financing                         | 14                                  | 28                                  |
| Financial investments available-for-sale                              | 9,788                               | 11,601                              |
| Deposits and placements with banks and other financial institutions   | 3,593                               | 1,688                               |
|   | <u>79,783</u>                       | <u>62,052</u>                       |
| <b>Other operating income</b>   |                                     |                                     |
| Net gain from sale of financial assets held-for-trading               | 2                                   | -                                   |
| Net (loss)/gain from sale of financial investments available-for-sale | (86)                                | 2,844                               |
| Others  | 54                                  | 30                                  |
|   | <u>79,753</u>                       | <u>64,926</u>                       |

**22. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 March<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|-------------------------------------|
| <b>Finance income and hibah</b>                                       |                                     |                                     |
| Financing and advances  | 7,190                               | 5,016                               |
| Financing income earned on impaired financing                         | 1                                   | 3                                   |
| Financial investments available-for-sale                              | 1,060                               | 1,194                               |
| Deposits and placements with banks and other financial institutions   | 389                                 | 174                                 |
|   | <u>8,640</u>                        | <u>6,387</u>                        |
| <b>Other operating income</b>   |                                     |                                     |
| Net (loss)/gain from sale of financial investments available-for-sale | (9)                                 | 293                                 |
| Others  | 6                                   | 3                                   |
| <b>Other trading income</b>   |                                     |                                     |
| Net trading gain/(loss)   |                                     |                                     |
| - Foreign currency  | 132                                 | (62)                                |
| - Trading derivatives   | 2,087                               | 1,735                               |
| - Revaluation of derivatives  | 17                                  | 4                                   |
| <b>Fee and commission income</b>                                      |                                     |                                     |
| Commission  | 4,139                               | 3,973                               |
| Service charges and fees  | 2,695                               | 3,333                               |
|   | <u>17,707</u>                       | <u>15,666</u>                       |

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)****23. IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES**

|                                 | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 March<br/>2013<br/>RM'000</b> |
|---------------------------------|-------------------------------------|-------------------------------------|
| Individual impairment allowance |                                     |                                     |
| - Made during the period        | 25,043                              | 16,206                              |
| - Written back                  | (8,022)                             | (6,227)                             |
| Collective impairment allowance |                                     |                                     |
| - Made during the period        | 16,289                              | -                                   |
| Impaired financing recovered    | (2,453)                             | (2,194)                             |
|                                 | <u>30,857</u>                       | <u>7,785</u>                        |

**24. INCOME ATTRIBUTABLE TO DEPOSITORS**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 March<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|-------------------------------------|
| Deposits from customers   |                                     |                                     |
| - Mudharabah Fund   | 3,857                               | 16,308                              |
| - Non-Mudharabah Fund   | 41,664                              | 12,985                              |
| Deposits and placements of banks and other financial institutions |                                     |                                     |
| - Mudharabah Fund   | 3,769                               | 3,612                               |
| - Non-Mudharabah Fund   | 5,969                               | 6,266                               |
| Subordinated bond   | 2,688                               | 2,688                               |
|   | <u>57,947</u>                       | <u>41,859</u>                       |

**25. OPERATING EXPENSES**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 March<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|-------------------------------------|
| <b>Personnel expenses</b>                     |                                     |                                     |
| Wages, salaries and bonus                     | 6,703                               | 5,831                               |
| Employees Provident Fund contributions        | 1,085                               | 934                                 |
| Share-based expenses                          | 44                                  | 55                                  |
| Other personnel costs                         | 465                                 | 95                                  |
|   | <u>8,297</u>                        | <u>6,915</u>                        |
| <b>Establishment expenses</b>                 |                                     |                                     |
| Rental of premises                            | 591                                 | 694                                 |
| Depreciation of property, plant and equipment | 697                                 | 882                                 |
| Repair and maintenance                        | 80                                  | 79                                  |
| Information technology costs                  | 18                                  | (14)                                |
| Others  | 519                                 | 460                                 |
|   | <u>1,905</u>                        | <u>2,101</u>                        |

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2014 (continued)****25. OPERATING EXPENSES (continued)**

|  | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 March<br/>2013<br/>RM'000</b> |
|--|-------------------------------------|-------------------------------------|
| <b>Marketing expenses</b>              |                                     |                                     |
| Transport and travelling               | 188                                 | 130                                 |
| Advertising and business promotion     | 178                                 | (218)                               |
| Others                                 | 19                                  | 16                                  |
|  | <u>385</u>                          | <u>(72)</u>                         |
| <b>General administrative expenses</b> |                                     |                                     |
| Shared service fees to holding company | 23,004                              | 16,072                              |
| Transaction processing fees            | 5,468                               | 4,567                               |
| Others                                 | 1,447                               | 1,051                               |
|  | <u>29,919</u>                       | <u>21,690</u>                       |
| <b>Operating expenses</b>              | <u>40,506</u>                       | <u>30,634</u>                       |

**26. INCOME TAX EXPENSE**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 March<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|-------------------------------------|
| Malaysian income tax                                |                                     |                                     |
| - Current period                                    | 4,679                               | 6,897                               |
| Deferred tax  |                                     |                                     |
| - Origination and reversal of temporary differences | 764                                 | 820                                 |
|   | <u>5,443</u>                        | <u>7,717</u>                        |

**27. CAPITAL COMMITMENTS**

|   | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|---|-------------------------------------|--|
| Capital expenditure in respect of property, plant and equipment |                                     |  |
| - Authorised and contracted for                                 | 715                                 | 708                                    |
| - Authorised but not contracted for                             | 8,978                               | 8,990                                  |
|   | <u>9,693</u>                        | <u>9,698</u>                           |

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2014 (continued)****28. COMMITMENTS AND CONTINGENCIES**

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

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

|  | 31 March 2014                 |  |  |                                      | 31 December 2013              |  |  |                                      |
|--|-------------------------------|--|--|--------------------------------------|-------------------------------|--|--|--------------------------------------|
|  | Principal<br>Amount<br>RM'000 | Positive<br>Fair Value of<br>Derivative<br>Contracts<br>RM'000 | Credit<br>Equivalent<br>Amount<br>RM'000 | Risk<br>Weighted<br>Amount<br>RM'000 | Principal<br>Amount<br>RM'000 | Positive<br>Fair Value of<br>Derivative<br>Contracts<br>RM'000 | Credit<br>Equivalent<br>Amount<br>RM'000 | Risk<br>Weighted<br>Amount<br>RM'000 |
| Direct credit substitutes                                  | 52,435                        |  | 52,435                                   | 53,627                               | 44,485                        |  | 44,485                                   | 47,783                               |
| Transaction-related contingent items                       | 215,712                       |  | 107,856                                  | 91,631                               | 190,666                       |  | 95,333                                   | 76,996                               |
| Short-term self-liquidating<br>trade-related contingencies | 48,215                        |  | 9,643                                    | 4,484                                | 59,166                        |  | 11,833                                   | 6,214                                |
| Foreign exchange related contracts                         |                               |  |  |                                      |                               |  |  |                                      |
| - Less than one year                                       | 688,108                       | 1,989  | 9,024                                    | 823                                  | 11,160                        | 44   | 74                                       | 11                                   |
| Formal standby facilities and credit lines                 |                               |  |  |                                      |                               |  |  |                                      |
| - Maturity not exceeding one year                          | 2,489                         |  | 2,489                                    | 1,225                                | 1,920                         |  | 1,920                                    | 1,036                                |
| - Maturity exceeding one year                              | 428,810                       |  | 366,879                                  | 100,092                              | 383,432                       |  | 326,611                                  | 88,239                               |
| Other unconditionally cancellable<br>commitments           | 800,555                       |  | 4,014                                    | 2,312                                | 858,806                       |  | 2,908                                    | 1,523                                |
|  | <b>2,236,324</b>              | <b>1,989</b>   | <b>552,340</b>                           | <b>254,194</b>                       | <b>1,549,635</b>              | <b>44</b>  | <b>483,164</b>                           | <b>221,802</b>                       |

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)**

**29. FAIR VALUE OF FINANCIAL INSTRUMENTS**

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

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

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

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

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

**A) Fair value measurement**

**(i) Financial assets and financial liabilities**

**(a) Short term financial instruments**

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

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

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

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

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)**

**29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**A) Fair value measurement (continued)**

**(i) Financial assets and financial liabilities (continued)**

(d) Financing and advances

Financing and advances are carried at amortised cost on the statement of financial position, net of individual and collective impairment allowances. The fair values of financing and advances with maturity of less than one year are estimated to approximate their carrying amounts. For financing and advances with maturity of one year or more, the fair values are estimated based on discounted cash flows using market rates of financing and advances of similar credit risks and maturity.

(e) Deposits from customers

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

(f) Bills & acceptances payable

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

(g) Subordinated bond

Fair value for the subordinated bond is determined using quoted market prices and where available, or by reference to quoted market prices of similar instruments.

**(ii) Off-statement of financial position financial instruments**

The fair value of off-statement of financial position financial instruments is the estimated amount the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statement of financial position financial instruments are disclosed in Note 15 of the unaudited condensed interim financial statements.

**B) Fair value hierarchy**

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

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2014 (continued)****29. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

|                                  | <b>Level 1</b>   | <b>Level 2</b> | <b>Total</b>     |
|----------------------------------|------------------|----------------|------------------|
| <b>31 March 2014</b>             | <b>RM'000</b>    | <b>RM'000</b>  | <b>RM'000</b>    |
| <b>Financial assets</b>          |                  |                |                  |
| Available-for-sale               | 1,560,036        | 648,192        | 2,208,228        |
| Derivative financial assets      | 40               | 1,962          | 2,002            |
|                                  | <b>1,560,076</b> | <b>650,154</b> | <b>2,210,230</b> |
| <b>Financial liabilities</b>     |                  |                |                  |
| Derivative financial liabilities | 21               | 1,955          | 1,976            |
| <b>31 December 2013</b>          |                  |                |                  |
| <b>Financial assets</b>          |                  |                |                  |
| Available-for-sale               | 1,546,610        | 515,153        | 2,061,763        |
| Derivative financial assets      | 4                | 40             | 44               |
|                                  | <b>1,546,614</b> | <b>515,193</b> | <b>2,061,807</b> |
| <b>Financial liabilities</b>     |                  |                |                  |
| Derivative financial liabilities | 6                | 30             | 36               |

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

**C) Fair values of financial instruments not carried at fair value**

The table below is a comparison of the carrying amounts and fair values of the financial assets and liabilities of the Bank which are not measured at fair value in the financial statements. The table does not include those short term/on demand financial assets and financial liabilities where the carrying amounts reasonably approximate their fair values. It also does not include non-financial assets and liabilities.

|                         | <b>31 March 2014</b> |                   | <b>31 December 2013</b> |                   |
|-------------------------|----------------------|-------------------|-------------------------|-------------------|
|                         | <b>Carrying</b>      | <b>Fair Value</b> | <b>Carrying</b>         | <b>Fair Value</b> |
|                         | <b>Amount</b>        | <b>(Level 3)</b>  | <b>Amount</b>           | <b>(Level 3)</b>  |
|                         | <b>RM'000</b>        | <b>RM'000</b>     | <b>RM'000</b>           | <b>RM'000</b>     |
| <b>Financial assets</b> |                      |                   |                         |                   |
| Financing and advances  | 7,273,539            | 7,372,372         | 6,762,954               | 6,847,201         |

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

The fair values of variable rate financing and advances are carried approximately to their carrying values. For fixed rate financing and advances, the fair values are valued based on expected future discounted cash flows using market rates of financing and advances of similar credit risks and maturity. For impaired financing and advances, the fair values are carried at amortised costs net of individual and collective impairment allowances.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2014 (continued)****30. CAPITAL ADEQUACY**

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).

|  | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|--|-------------------------------------|--|
| <u>Common Equity Tier 1 (CET1) capital</u>                                     |                                     |  |
| Paid-up share capital  | 125,000                             | 125,000                                |
| Share premium  | 250,000                             | 250,000                                |
| Retained earnings  | 118,188                             | 118,188                                |
| Other reserves   | 107,389                             | 107,389                                |
| Unrealised loss on financial investments available-for-sale                    | (2,280)                             | (5,410)                                |
| CET1 capital   | <u>598,297</u>                      | <u>595,167</u>                         |
| Regulatory adjustment for CET1   | (35,536)                            | (38,768)                               |
| Eligible CET1 / Tier 1 capital   | <u>562,761</u>                      | <u>556,399</u>                         |
| <u>Tier 2 capital</u>  |                                     |  |
| Collective impairment allowance under the Standardised Approach*               | 8,981                               | 8,556                                  |
| Subordinated bond  | 160,000                             | 180,000                                |
| Eligible Tier 2 capital  | <u>168,981</u>                      | <u>188,556</u>                         |
| Capital base   | <u>731,742</u>                      | <u>744,955</u>                         |
| * Excluding collective impairment allowance on impaired financing and advances |                                     |  |
| <u>Before the effects of PSIA</u>  |                                     |  |
| CET1 / Tier 1 capital ratio  | 9.149%                              | 9.977%                                 |
| Risk-weighted capital ratio  | <u>11.896%</u>                      | <u>13.358%</u>                         |
| <u>After the effects of PSIA</u>   |                                     |  |
| CET1 / Tier 1 capital ratio  | 9.815%                              | 10.549%                                |
| Risk-weighted capital ratio  | <u>12.762%</u>                      | <u>14.125%</u>                         |

In accordance with Bank Negara Malaysia's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account (PSIA) as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts (RPSIA) which qualify as risk absorbent are excluded from the risk weighted capital ratio (RWCR) calculation. As at 31 March 2014, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM417 million (31 December 2013: RM302 million).

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

|                  | <b>31 March<br/>2014<br/>RM'000</b> | <b>31 December<br/>2013<br/>RM'000</b> |
|------------------|-------------------------------------|--|
| Credit risk      | 5,244,210                           | 4,826,824                              |
| Market risk      | 8,035                               | 4,175                                  |
| Operational risk | 481,439                             | 443,178                                |
|                  | <u>5,733,684</u>                    | <u>5,274,177</u>                       |