

Company No. 818444-T

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

Domiciled in Malaysia  
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50050 Kuala Lumpur

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(Incorporated in Malaysia)

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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014**

		<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<b>ASSETS</b>	<b>Note</b>		
Cash and cash equivalents	12	1,990,644	963,230
Financial investments available-for-sale	13	2,022,183	2,061,763
Financing and advances	14	8,070,831	6,762,954
Derivative financial assets	16	1,792	44
Other assets	17	76,258	54,716
Current tax assets		6,322	1,682
Statutory deposits with Bank Negara Malaysia		313,800	270,800
Property, plant and equipment		6,829	8,049
Deferred tax assets		473	2,446
<b>Total assets</b>		<u>12,489,132</u>	<u>10,125,684</u>
<b>LIABILITIES</b>			
Deposits from customers	18	8,865,267	6,675,588
Deposits and placements of banks and other financial institutions	19	2,543,817	2,555,128
Bills and acceptances payable		14,782	13,679
Subordinated bond	20	200,000	200,000
Derivative financial liabilities	16	1,778	36
Other liabilities	21	109,821	86,056
Zakat		48	30
<b>Total liabilities</b>		<u>11,735,513</u>	<u>9,530,517</u>
<b>EQUITY</b>			
Share capital		165,000	125,000
Reserves		588,619	470,167
<b>Total equity</b>		<u>753,619</u>	<u>595,167</u>
<b>Total liabilities and equity</b>		<u>12,489,132</u>	<u>10,125,684</u>
<b>Commitments and contingencies</b>	29	<u>1,940,126</u>	<u>1,549,635</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 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 2014**

	Note	Quarter Ended		Year-To-Date Ended	
		30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Income derived from investment of depositors' funds and others	22	144,743	106,742	282,549	207,774
Income derived from investment of shareholder's funds	23	23,190	18,923	40,897	34,589
Impairment allowance on financing and advances	24	(38,190)	(15,005)	(69,047)	(22,790)
Total distributable income		129,743	110,660	254,399	219,573
Income attributable to depositors	25	(66,383)	(43,972)	(124,330)	(85,831)
Total net income		63,360	66,688	130,069	133,742
Operating expenses	26	(46,697)	(28,846)	(87,203)	(59,480)
<b>Profit before income tax expense and zakat</b>		16,663	37,842	42,866	74,262
Income tax expense	27	(3,087)	(7,503)	(8,530)	(15,220)
Zakat		(9)	(7)	(18)	(15)
<b>Profit for the period</b>		<b>13,567</b>	<b>30,332</b>	<b>34,318</b>	<b>59,027</b>
<b>Other comprehensive income, net of tax</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Fair value (available-for-sale) reserve:					
- Change in fair value		923	(8,883)	5,096	(7,578)
- Amount transferred to profit or loss		416	(1,375)	416	(6,093)
Income tax expense relating to components of other comprehensive income		(335)	2,565	(1,378)	3,418
<b>Other comprehensive income/(loss) for the period, net of tax</b>		<b>1,004</b>	<b>(7,693)</b>	<b>4,134</b>	<b>(10,253)</b>
<b>Total comprehensive income for the period</b>		<b>14,571</b>	<b>22,639</b>	<b>38,452</b>	<b>48,774</b>
Profit attributable to shareholder of the Bank		13,567	30,332	34,318	59,027
Total comprehensive income attributable to shareholder of the Bank		14,571	22,639	38,452	48,774
<b>Basic earnings per ordinary share (sen)</b>		<b>10.01</b>	<b>26.38</b>	<b>26.61</b>	<b>51.33</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 28 of these unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

	<i>Non-distributable</i>			<i>Distributable</i>	<b>Total Equity</b> <b>RM'000</b>
	<b>Share Capital</b> <b>RM'000</b>	<b>Share Premium</b> <b>RM'000</b>	<b>Statutory Reserve</b> <b>RM'000</b>	<b>Retained Earnings</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	-	-	-	5,096	5,096
- Amount transferred to profit or loss	-	-	-	416	416
Income tax expense relating to components of other comprehensive income	-	-	-	(1,378)	(1,378)
<b>Other comprehensive income for the period</b>	-	-	-	4,134	4,134
Profit for the period	-	-	-	34,318	34,318
<b>Total comprehensive income for the period</b>	-	-	-	4,134	38,452
Issue of ordinary shares	40,000	80,000	-	-	120,000
Balance at 30 June 2014	165,000	330,000	107,389	(1,276)	753,619
<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	-	-	-	(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
<b>Other comprehensive loss for the period</b>	-	-	-	(10,253)	(10,253)
Profit for the period	-	-	-	59,027	59,027
<b>Total comprehensive (loss)/income for the period</b>	-	-	-	59,027	48,774
Balance at 30 June 2013	115,000	230,000	53,643	(1,586)	520,525

*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 28 of these unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

	<b>30 June 2014 RM'000</b>	<b>30 June 2013 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before income tax expense and zakat	42,866	74,262
<i>Adjustments for:</i>		
Net loss/(gain) from disposal of:		
- Financial investments available-for-sale	416	(6,093)
- Property, plant and equipment	21	48
Depreciation of property, plant and equipment	1,306	1,803
Impairment allowance on financing and advances	69,047	22,790
Unrealised (gain)/loss on revaluation of derivatives	(6)	169
Operating profit before changes in working capital	<u>113,650</u>	<u>92,979</u>
<i>(Increase)/Decrease in Operating Assets:</i>		
Financing and advances	(1,376,924)	(1,014,923)
Derivative financial assets	(1,748)	(14,845)
Other assets	(21,536)	(176,009)
Statutory deposits with Bank Negara Malaysia	(43,000)	(29,000)
<i>Increase/(Decrease) in Operating Liabilities:</i>		
Deposits from customers	2,189,679	1,299,497
Deposits and placements of banks and other financial institutions	(11,311)	4,339
Bills and acceptances payable	1,103	5,133
Derivative financial liabilities	1,742	15,021
Other liabilities	23,785	(23,861)
<b>CASH GENERATED FROM OPERATIONS</b>	<u>875,440</u>	<u>158,331</u>
Income tax and zakat paid	<u>(12,574)</u>	<u>(8,500)</u>
<b>NET CASH GENERATED FROM OPERATING ACTIVITIES</b>	<u>862,866</u>	<u>149,831</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of financial investments available-for-sale	1,218,435	1,442,265
Acquisition of financial investments available-for-sale	(1,173,760)	(1,306,042)
Proceeds from disposal of property, plant and equipment	71	1,029
Acquisition of property, plant and equipment	(198)	(3,104)
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	<u>44,548</u>	<u>134,148</u>
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>		
Proceeds from issuance of ordinary shares	<u>120,000</u>	<u>-</u>
<b>NET CASH GENERATED FROM FINANCING ACTIVITY</b>	<u>120,000</u>	<u>-</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	1,027,414	283,979
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<u>963,230</u>	<u>23,687</u>
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<u>1,990,644</u>	<u>307,666</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 28 of these unaudited condensed interim financial statements.*

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 JUNE 2014**

**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 RM34.3 million for the financial period ended 30 June 2014, a decrease of RM24.7 million or -42% against the corresponding period last year. The decrease was mainly due to higher impairment allowance of RM46.3 million and higher operating expenses of RM27.7 million offset by higher total income of RM42.6 million and lower tax of RM6.7 million.

Total income improved by RM42.6 million mainly due to higher net finance income of RM46.4 million or 36% offset by lower other operating income of RM3.8 million arising from lower gain on disposal of financial investments available-for-sale. Impairment allowance increased by RM46.3 million in tandem with financing growth, with higher collective impairment allowance of RM30.5 million and individual impairment allowances of RM16.5 million.

Business financing, in particular to small medium enterprises, and house financing continue to drive gross financing and advances growth of 20% from RM6.9 billion as at 31 December 2013 to RM8.2 billion as at 30 June 2014.

Deposits from customers increased by RM2.2 billion over the same period to RM8.9 billion, garnered mainly from corporate and retail deposits with increases of RM0.8 billion and RM0.7 billion respectively.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 ratios of 12.576% and risk-weighted capital ratio of 15.491%.

**3. ECONOMIC PERFORMANCE AND PROSPECTS**

Although the Malaysian economy showed positive indicators with strong exports and private sector activity, the recent interest rate hike was understandable with the Government's aim to mitigate surrounding risks that may affect the growth prospect of the economy.

The financial sector will be more competitive following the announcement of further liberalisation measures to boost investments and encourage a stable and inclusive financial system in the country. OCBC will continue to focus on building its core products to focus on increasing market share among banks. The Bank will also continue to improve the quality of its assets as well as to strengthen its capital in order to meet future regulatory requirements.

OCBC Al-Amin was named the Best Islamic Bank of the Year in Malaysia for 2014 by the Banker. The Bank also received several other awards in 2014, including the Best Islamic Project Finance award and the Best Islamic Structured Financing (Highly Commended Category) award by The Asset and the Award of Distinction (Blueprint Awards 2013) accorded by RAM Rating Services in 2014.

**4. BASIS OF PREPARATION**

The unaudited condensed interim financial statements for the financial period ended 30 June 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  
- 30 JUNE 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, MFRS 13, 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 or after 1 January 2016

Amendments to MFRS 116 and MFRS 138, clarification of acceptable methods of depreciation and amortisation  
Amendments to MFRS 11, accounting for acquisitions of interests in joint operations  
MFRS 14, Regulatory Deferral Accounts

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 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 2014 (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 and financial liabilities, and on hedge accounting.

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

**5. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditors' 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 30 June 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 30 June 2014.

**9. DEBT AND EQUITY SECURITIES**

The Bank issued 40 million ordinary shares of RM1 each at RM3 per ordinary share amounting to RM120 million to its holding company, OCBC Bank (Malaysia) Berhad, on 13 June 2014. There were no other changes in the authorised, issued and paid-up share capital of the Bank during the financial period. There were no debentures issued during the financial period.

**10. DIVIDEND**

No dividend was paid in respect of the financial period ended 30 June 2014.

**11. SUBSEQUENT EVENTS**

There were no 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 2014 (continued)****12. CASH AND CASH EQUIVALENTS**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Cash and balances with banks and other financial institutions	40,034	55,580
Money at call and deposit placements with financial institutions maturing within one month	<u>1,950,610</u>	<u>907,650</u>
	<u>1,990,644</u>	<u>963,230</u>
i) By geographical distribution		
Malaysia	1,972,420	928,372
Singapore	923	4,738
Other ASEAN	1,063	956
Rest of the World	<u>16,238</u>	<u>29,164</u>
	<u>1,990,644</u>	<u>963,230</u>

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

## ii) By residual contractual maturity

Maturity within one month	<u>1,990,644</u>	<u>963,230</u>
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**13. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<b>At fair value</b>		
Malaysian Government Investment Issues	1,219,748	1,250,238
Malaysian Government Debt Securities	133,466	115,819
Malaysian Government Islamic Treasury Bills	572	-
Foreign Government Debt Securities	29,842	49,638
Bank Negara Malaysia Monetary Notes	128,593	-
Islamic Private Debt Securities	401,156	407,114
Islamic Negotiable Instruments of Deposit	103,839	173,985
Sanadat Mudharabah Cagamas	<u>4,967</u>	<u>64,969</u>
	<u>2,022,183</u>	<u>2,061,763</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (continued)****14. FINANCING AND ADVANCES**

(i) By type and Shariah contracts

	Sale based contracts					Lease based contracts			Equity based contracts	Others	Total RM'000
	Bai'		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma Al- Bai RM'000	Ijarah Bi Al-Tamlik RM'000	Musharakah Mutanaqisah RM'000	Wakalah and Qard RM'000		
	Bai' Inah RM'000	Bithaman Ajil RM'000									
<b>30 June 2014</b>											
Term Financing											
- Cash line financing	57,211	56,120	-	-	-	-	33,230	-	-	663	147,224
- House financing	-	22,552	-	-	-	-	-	843,738	126,026	-	992,316
- Syndicated term financing	-	-	-	-	-	-	-	160,221	-	-	160,221
- Hire purchase receivables	-	-	-	-	-	683,319	-	168,838	-	-	852,157
- Other term financing	1,919,366	271,812	210,838	-	-	-	-	1,679,005	151,935	-	4,232,956
Bills receivable	-	-	-	-	12,545	-	-	-	-	22,045	34,590
Trust receipts	-	-	-	4,633	-	-	-	-	-	-	4,633
Revolving credit	-	13,258	1,521,193	-	-	-	-	-	-	-	1,534,451
Claims on customers under acceptance credits	-	-	-	196,595	47,017	-	-	-	-	-	243,612
Other financing	-	-	-	16,003	-	-	-	-	-	-	16,003
Gross financing and advances	1,976,577	363,742	1,732,031	217,231	59,562	683,319	33,230	2,851,802	277,961	22,708	8,218,163
Allowance for financing and advances											
- Individual impairment											(49,306)
- Collective impairment											(98,026)
Net financing and advances											8,070,831

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (continued)****14. FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contracts (continued)

	Sale based contracts					Lease based contracts			Equity based	Others	Total
	Bai'		Tawarruq	Murabahah	Bai' Dayn	Ijarah Thumma Al- Bai	Ijarah	Ijarah Muntahiah Bi Al-Tamlik	Musharakah Mutanaqisah	Wakalah and Qard	
	Bai' Inah	Bithaman Ajil									
<b>31 December 2013</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term Financing											
- Cash line financing	51,564	58,300	-	-	-	-	3,997	-	-	123	113,984
- 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	1,626,760	301,364	-	-	-	-	-	1,203,615	151,368	-	3,283,107
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 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  
- 30 JUNE 2014 (continued)****14. FINANCING AND ADVANCES (continued)**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
(ii) By type of customer		
Domestic banking institutions	22,045	30,589
Domestic non-bank financial institutions		
- Others	303	130,208
Domestic business enterprises		
- Small and medium enterprises	2,645,065	2,261,736
- Others	2,566,088	2,127,805
Individuals	1,821,168	1,352,278
Foreign entities	1,163,494	965,335
	<u>8,218,163</u>	<u>6,867,951</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	31,812	34,643
- Hire purchase receivables	683,320	632,403
- Other fixed rate financing	2,826,034	2,279,353
Variable rate		
- BFR plus	1,338,088	901,850
- Cost plus	3,338,909	3,019,702
	<u>8,218,163</u>	<u>6,867,951</u>
(iv) By sector		
Agriculture	194,120	216,921
Mining and quarrying	63,192	178,872
Manufacturing	1,424,741	1,309,598
Electricity, gas and water	268,207	71,540
Construction	274,324	215,064
Real Estate	670,710	658,347
Wholesale & retail trade and restaurants & hotels	1,421,650	1,050,877
Transport, storage and communication	277,543	234,930
Finance, insurance and business services	324,932	399,239
Community, social and personal services	312,742	262,370
Household		
- Purchase of residential properties	986,700	651,853
- Purchase of non-residential properties	31,753	25,129
- Others	849,135	715,497
Others	1,118,414	877,714
	<u>8,218,163</u>	<u>6,867,951</u>
(v) By geographical distribution		
Malaysia	7,379,560	6,045,469
Singapore	11,604	5,337
Rest of the world	826,999	817,145
	<u>8,218,163</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  
- 30 JUNE 2014 (continued)****14. FINANCING AND ADVANCES (continued)**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
(vi) By residual contractual maturity		
Within one year	1,985,600	2,077,386
One year to five years	3,143,459	2,656,952
Over five years	3,089,104	2,133,613
	<u>8,218,163</u>	<u>6,867,951</u>

**15. IMPAIRED FINANCING AND ADVANCES**

## (a) Movements in impaired financing and advances

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Balance at 1 January	107,359	54,938
Impaired during the period / year	115,084	170,811
Reclassified as unimpaired	(10,991)	(18,322)
Amount recovered	(63,659)	(66,671)
Amount written off	(31,728)	(33,397)
Balance at 30 June / 31 December	<u>116,065</u>	<u>107,359</u>
Individual impairment allowance	(49,306)	(44,846)
Collective impairment allowance	(801)	(551)
Net impaired financing and advances	<u>65,958</u>	<u>61,962</u>

## (i) By sector

Agriculture	416	524
Manufacturing	59,839	54,932
Construction	1,168	1,949
Real Estate	1,283	1,340
Wholesale & retail trade and restaurants & hotels	15,755	14,474
Transport, storage and communication	5,371	2,269
Finance, insurance and business services	2,876	2,814
Community, social and personal services	1,286	1,350
Household		
- Purchase of residential properties	2,615	2,289
- Purchase of non-residential properties	73	74
- Others	24,701	24,694
Others	682	650
	<u>116,065</u>	<u>107,359</u>

## (ii) By geographical distribution

Malaysia	<u>116,065</u>	<u>107,359</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 2014 (continued)****15. IMPAIRED FINANCING AND ADVANCES (continued)**

## (a) Movements in impaired financing and advances (continued)

## (iii) By period overdue

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Less than 3 months	70,021	63,245
3 months to less than 6 months	23,100	20,701
6 months to less than 9 months	3,655	3,297
Over 9 months	19,289	20,116
	<u>116,065</u>	<u>107,359</u>

## (iv) By collateral type

Property	11,911	8,987
Fixed deposits	131	143
Machinery	8,525	6,441
Secured - others	7,626	7,793
Unsecured - corporate and other guarantees	1,940	3,210
Unsecured - clean	85,932	80,785
	<u>116,065</u>	<u>107,359</u>

## (b) Movements in allowance on financing and advances

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<b>Individual impairment allowance</b>		
Balance at 1 January	44,846	32,333
Made during the period / year	53,491	74,672
Amount written back	(17,262)	(28,650)
Amount written off	(31,728)	(33,371)
Financing income earned on impaired financing	(41)	(138)
Balance at 30 June / 31 December	<u>49,306</u>	<u>44,846</u>
<b>Collective impairment allowance</b>		
Balance at 1 January	60,151	41,191
Made during the period / year	37,875	18,960
Balance at 30 June / 31 December	<u>98,026</u>	<u>60,151</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 JUNE 2014 (continued)****15. IMPAIRED FINANCING AND ADVANCES (continued)**

## (c) Impairment allowances by sector

<b>30 June 2014</b>	<b>Collective impairment allowance RM'000</b>	<b>Individual impairment allowance RM'000</b>	<b>Individual impairment allowance charged to profit or loss RM'000</b>	<b>Individual impairment allowance written off RM'000</b>
Agriculture	2,329	77	-	103
Mining and quarrying	758	-	-	-
Manufacturing	16,985	9,296	5,074	2,672
Electricity, gas and water	3,218	-	-	-
Construction	3,289	251	413	879
Real estate	8,045	322	-	-
Wholesale & retail trade and restaurants & hotels	16,951	9,027	8,299	6,651
Transport, storage and communication	3,299	2,649	2,133	522
Finance, insurance and business services	3,878	1,747	1,331	692
Community, social and personal services	3,745	695	1,002	793
Household				
- Purchase of residential properties	11,832	672	205	5
- Purchase of non-residential properties	381	-	-	-
- Others	9,896	24,486	34,979	19,411
Others	13,420	84	55	-
	<b>98,026</b>	<b>49,306</b>	<b>53,491</b>	<b>31,728</b>
<b>31 December 2013</b>				
Agriculture	1,911	180	7	5
Mining and quarrying	1,577	-	-	-
Manufacturing	11,482	7,158	2,245	1,007
Electricity, gas and water	631	-	-	-
Construction	1,889	773	909	243
Real estate	5,800	394	411	-
Wholesale & retail trade and restaurants & hotels	9,193	8,085	6,894	2,547
Transport, storage and communication	2,060	1,304	995	9
Finance, insurance and business services	3,509	1,181	1,437	500
Community, social and personal services	2,307	689	672	97
Household				
- Purchase of residential properties	5,741	643	234	161
- Purchase of non-residential properties	222	-	-	-
- Others	6,093	24,389	60,798	28,557
Others	7,736	50	70	245
	<b>60,151</b>	<b>44,846</b>	<b>74,672</b>	<b>33,371</b>

## (d) Impairment allowances by geographical distribution

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<b>Individual impairment allowance</b>		
Malaysia	49,306	44,846
<b>Collective impairment allowance</b>		
Malaysia	87,963	52,900
Singapore	139	47
Rest of the world	9,924	7,204
	<b>98,026</b>	<b>60,151</b>

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



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 JUNE 2014 (continued)****16. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	30 June 2014			31 December 2013		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
	<b>Trading</b>					
Foreign exchange derivatives						
- Forward	21,049	35	21	10,358	16	36
- Swaps	258,519	1,757	1,757	815	28	-
	<u>279,568</u>	<u>1,792</u>	<u>1,778</u>	<u>11,173</u>	<u>44</u>	<u>36</u>

**17. OTHER ASSETS**

	30 June 2014 RM'000	31 December 2013 RM'000
Profit receivable	18,640	18,417
Other receivables, deposits and prepayments	1,356	1,160
Shared service fees receivable from holding company	357	372
Amount due from holding company	55,905	34,767
	<u>76,258</u>	<u>54,716</u>

**18. DEPOSITS FROM CUSTOMERS**

	30 June 2014 RM'000	31 December 2013 RM'000
(i) By type of deposit		
<b>Non-Mudharabah Fund</b>		
Demand deposits (Wadiah)	2,262,153	2,229,073
Savings deposits (Wadiah)	335,582	314,132
General investment deposits (Commodity Murabahah)	4,720,459	2,795,065
Negotiable instruments of deposit (Bai' Inah)	468,522	89,527
Wakalah short term deposits	876,058	716,976
	<u>8,662,774</u>	<u>6,144,773</u>
<b>Mudharabah Fund</b>		
General investment deposits	202,493	530,815
	<u>8,865,267</u>	<u>6,675,588</u>
(ii) By type of customer		
Government and statutory bodies	217,319	9,642
Business enterprises	4,155,526	3,390,844
Individuals	1,779,347	1,081,941
Foreign entities	40,959	33,992
Others	2,672,116	2,159,169
	<u>8,865,267</u>	<u>6,675,588</u>
(iii) By maturity structure		
Maturity within six months	7,791,018	5,789,788
Six months to one year	1,010,998	824,025
One year to three years	2,061	1,876
Three years to five years	5	4
Over five years	61,185	59,895
	<u>8,865,267</u>	<u>6,675,588</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (continued)****19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<b>Non-Mudharabah Fund</b>		
Licensed banks	1,553,576	1,905,966
<b>Mudharabah Fund</b>		
Licensed banks	990,241	649,162
	<u>2,543,817</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 RM990 million (31 December 2013 : RM649 million) at profit rates ranging from 1.53% to 5.27% per annum (2013: 1.51% to 4.68% 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**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Profit payable	56,188	36,979
Other accruals and charges	44,819	43,668
Shared service fees payable to holding company	8,814	5,409
	<u>109,821</u>	<u>86,056</u>

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

	<u>Quarter Ended</u>		<u>Year-To-Date Ended</u>	
	<b>30 June 2014 RM'000</b>	<b>30 June 2013 RM'000</b>	<b>30 June 2014 RM'000</b>	<b>30 June 2013 RM'000</b>
Income derived from investment of:				
(i) General investment deposits	62,455	31,239	120,508	67,345
(ii) Other deposits	82,288	75,503	162,041	140,429
	<u>144,743</u>	<u>106,742</u>	<u>282,549</u>	<u>207,774</u>
(i) Income derived from investment of general investment deposits				
<b>Finance income and hibah</b>				
Financing and advances	52,624	25,240	100,949	52,341
Financing income earned on impaired financing	6	10	16	26
Financial investments available-for-sale	6,775	4,826	13,899	11,278
Deposits and placements with banks and other financial institutions	3,100	866	5,715	1,805
	<u>62,505</u>	<u>30,942</u>	<u>120,579</u>	<u>65,450</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (continued)****22. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
(i) Income derived from investment of general investment deposits (continued)				
<b>Other operating income</b>				
Net gain from sale of financial assets held-for-trading	-	-	1	-
Net (loss)/gain from sale of financial investments available-for-sale	(105)	265	(167)	1,846
Others	55	32	95	49
	<u>62,455</u>	<u>31,239</u>	<u>120,508</u>	<u>67,345</u>
(ii) Income derived from investment of other deposits				
<b>Finance income and hibah</b>				
Financing and advances	69,333	60,407	135,721	109,142
Financing income earned on impaired financing	9	27	23	55
Financial investments available-for-sale	8,928	11,916	18,716	23,517
Deposits and placements with banks and other financial institutions	4,084	2,076	7,677	3,764
	<u>82,354</u>	<u>74,426</u>	<u>162,137</u>	<u>136,478</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	(138)	1,006	(224)	3,850
Others	72	71	126	101
	<u>82,288</u>	<u>75,503</u>	<u>162,041</u>	<u>140,429</u>

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

	Quarter Ended		Year-To-Date Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
<b>Finance income and hibah</b>				
Financing and advances	8,056	6,225	15,246	11,241
Financing income earned on impaired financing	1	3	2	6
Financial investments available-for-sale	1,037	1,228	2,097	2,422
Deposits and placements with banks and other financial institutions	474	214	863	388
	<u>9,568</u>	<u>7,670</u>	<u>18,208</u>	<u>14,057</u>
<b>Other operating income</b>				
Net (loss)/gain from sale of financial investments available-for-sale	(16)	104	(25)	397
Others	8	7	14	10
<b>Other trading income</b>				
Net trading gain/(loss)				
- Foreign currency	53	46	185	(16)
- Trading derivatives	2,956	2,645	5,043	4,380
- Revaluation of derivatives	(11)	(173)	6	(169)
<b>Fee and commission income</b>				
Commission	4,161	3,934	8,300	7,907
Service charges and fees	6,471	4,690	9,166	8,023
	<u>23,190</u>	<u>18,923</u>	<u>40,897</u>	<u>34,589</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (continued)****24. IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES**

	Quarter Ended		Year-To-Date Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Individual impairment allowance				
- Made during the period	28,448	17,077	53,491	33,283
- Written back	(9,240)	(7,281)	(17,262)	(13,508)
Collective impairment allowance				
- Made during the period	21,586	7,370	37,875	7,370
Impaired financing recovered	(2,604)	(2,161)	(5,057)	(4,355)
	<u>38,190</u>	<u>15,005</u>	<u>69,047</u>	<u>22,790</u>

**25. INCOME ATTRIBUTABLE TO DEPOSITORS**

	Quarter Ended		Year-To-Date Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Deposits from customers				
- Mudharabah Fund	2,048	15,732	5,905	32,040
- Non-Mudharabah Fund	50,449	18,541	92,113	31,526
	<u>52,497</u>	<u>34,273</u>	<u>98,018</u>	<u>63,566</u>
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	5,745	2,787	9,514	6,399
- Non-Mudharabah Fund	5,424	4,195	11,393	10,461
Subordinated bond	2,717	2,717	5,405	5,405
	<u>66,383</u>	<u>43,972</u>	<u>124,330</u>	<u>85,831</u>

**26. OPERATING EXPENSES**

	Quarter Ended		Year-To-Date Ended	
	30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
<b>Personnel expenses</b>				
Wages, salaries and bonus	6,579	2,170	13,282	8,001
Employees Provident Fund contributions	1,079	273	2,164	1,207
Share-based expenses	68	(13)	112	42
Others	651	594	1,116	689
	<u>8,377</u>	<u>3,024</u>	<u>16,674</u>	<u>9,939</u>
<b>Establishment expenses</b>				
Depreciation of property, plant and equipment	609	921	1,306	1,803
Rental of premises	592	712	1,183	1,406
Repair and maintenance	170	125	250	204
Information technology costs	30	3	48	(11)
Others	698	412	1,217	872
	<u>2,099</u>	<u>2,173</u>	<u>4,004</u>	<u>4,274</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (continued)****26. OPERATING EXPENSES (continued)**

	<b>Quarter Ended</b>		<b>Year-To-Date Ended</b>	
	<b>30 June 2014 RM'000</b>	<b>30 June 2013 RM'000</b>	<b>30 June 2014 RM'000</b>	<b>30 June 2013 RM'000</b>
<b>Marketing expenses</b>				
Advertising and business promotion	1,105	356	1,283	138
Transport and travelling	244	172	432	302
Others	17	22	36	38
	<u>1,366</u>	<u>550</u>	<u>1,751</u>	<u>478</u>
<b>General administrative expenses</b>				
Shared service fees to holding company	27,417	17,619	50,421	33,691
Transaction processing fees	5,808	4,275	11,276	8,842
Others	1,630	1,205	3,077	2,256
	<u>34,855</u>	<u>23,099</u>	<u>64,774</u>	<u>44,789</u>
<b>Operating expenses</b>	<u>46,697</u>	<u>28,846</u>	<u>87,203</u>	<u>59,480</u>

**27. INCOME TAX EXPENSE**

	<b>Quarter Ended</b>		<b>Year-To-Date Ended</b>	
	<b>30 June 2014 RM'000</b>	<b>30 June 2013 RM'000</b>	<b>30 June 2014 RM'000</b>	<b>30 June 2013 RM'000</b>
Malaysian income tax				
- Current period	3,255	8,316	7,934	15,213
Deferred tax				
- Origination and reversal of temporary differences	(168)	(813)	596	7
	<u>3,087</u>	<u>7,503</u>	<u>8,530</u>	<u>15,220</u>

**28. CAPITAL COMMITMENTS**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Capital expenditure in respect of property, plant and equipment		
- Authorised and contracted for	21	708
- Authorised but not contracted for	-	8,990
	<u>21</u>	<u>9,698</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (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 2014				31 December 2013			
	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	40,701		40,701	41,098	44,485		44,485	47,783
Transaction-related contingent items	227,851		113,925	97,876	190,666		95,333	76,996
Short-term self-liquidating trade-related contingencies	30,258		6,052	2,931	59,166		11,833	6,214
Forward asset purchases	31,858		31,858	5,084	-		-	-
Foreign exchange related contracts								
- Less than one year	279,618	1,792	1,823	90	11,160	44	74	11
Formal standby facilities and credit lines								
- Maturity not exceeding one year	3,707		3,707	3,102	1,920		1,920	1,036
- Maturity exceeding one year	491,250		419,516	108,564	383,432		326,611	88,239
Other unconditionally cancellable commitments	834,883		2,738	2,103	858,806		2,908	1,523
	<b>1,940,126</b>	<b>1,792</b>	<b>620,320</b>	<b>260,848</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  
- 30 JUNE 2014 (continued)****30. CREDIT EXPOSURE TO CONNECTED PARTIES**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<b>Aggregate value of outstanding credit exposures with connected parties</b>		
Credit facility and leasing (except guarantee)	2,459	4,439
Commitments and contingencies	44,381	4,074
	<u>46,840</u>	<u>8,513</u>
Percentage of outstanding credit exposures to connected parties		
- As a proportion of total credit exposures	<u>0.49%</u>	<u>0.11%</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.

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Cash and cash equivalents	1,990,644	963,230
Financial investments available-for-sale	2,022,183	2,061,763
Financing and advances	8,218,163	6,867,951
Derivative financial assets	1,792	44
Other assets	76,258	54,716
Contingent liabilities and credit commitments	825,625	679,669
	<u>13,134,665</u>	<u>10,627,373</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 2013 and 30 June 2014, 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.

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Fair value of collateral held against the covered portion of financing and advances	<u>36,863</u>	<u>29,705</u>
Covered portion of financing and advances	28,251	23,617
Uncovered portion of financing and advances	<u>87,814</u>	<u>83,742</u>
	<u>116,065</u>	<u>107,359</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (continued)****31. CREDIT RISK (continued)****Credit quality**

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

Financing and advances classified as Passed and Special Mention are neither past due nor impaired whereas Substandard, Doubtful and Bad 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.

**(a) Credit quality of financing and advances**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Neither past due nor impaired	8,008,559	6,704,436
Past due financing	147,206	106,870
- Unimpaired	93,539	56,156
- Impaired	53,667	50,714
Impaired but not past due	62,398	56,645
Gross financing and advances	8,218,163	6,867,951
<u>Neither past due nor impaired</u>		
By the Bank's internal grading system		
Passed	7,701,599	6,466,112
Special mention	306,960	238,324
	8,008,559	6,704,436
<u>Past due but not impaired</u>		
(i) By period overdue		
1 day to less than 1 month	76,749	44,547
1 month to less than 2 months	16,790	11,609
	93,539	56,156
(ii) By sector		
Agriculture	319	-
Mining and quarrying	896	-
Manufacturing	16,266	14,734
Construction	1,939	508
Wholesale & retail trade and restaurants & hotels	15,807	9,086
Transport, storage and communication	4,754	2,482
Finance, insurance and business services	8,144	1,901
Household		
- Purchase of residential properties	8,781	3,936
- Others	31,522	21,871
Others	5,111	1,638
	93,539	56,156
(iii) By geographical distribution		
Malaysia	93,539	56,156

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



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (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.

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
(i) By issuer		
Government and Central Bank	1,482,379	1,366,057
Foreign government	29,842	49,638
Banks	103,839	173,985
Corporates	406,123	472,083
	<u>2,022,183</u>	<u>2,061,763</u>
(ii) By geographical distribution		
Malaysia	1,992,341	2,012,125
Other ASEAN countries	29,823	49,638
Rest of the world	19	-
	<u>2,022,183</u>	<u>2,061,763</u>
(iii) By credit rating		
Government and Central Bank (unrated)	148,898	19,985
Government (A)	1,333,481	1,346,072
Foreign government (unrated)	19	-
Foreign government (BBB)	29,823	49,638
Investment grade (AAA to BBB)	295,579	303,643
Unrated	214,383	342,425
	<u>2,022,183</u>	<u>2,061,763</u>
(iv) By industry		
Agriculture	47,655	19,122
Manufacturing	-	70,172
Transport, storage and communication	-	10,009
Finance, insurance and business services	188,343	298,765
Others	1,786,185	1,663,695
	<u>2,022,183</u>	<u>2,061,763</u>
(v) By residual contractual maturity		
Within one year	671,690	726,116
One year to five years	1,221,141	1,205,244
More than five years	129,352	130,403
	<u>2,022,183</u>	<u>2,061,763</u>
<b>(c) Credit quality of derivative financial assets</b>		
	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
(i) By counterparty		
Banks	1,758	28
Corporates	34	16
	<u>1,792</u>	<u>44</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 30 JUNE 2014 (continued)****31. CREDIT RISK (continued)****Credit quality (continued)****(c) Credit quality of derivative financial assets (continued)**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
(ii) By geographical distribution		
Malaysia	<u>1,792</u>	<u>44</u>
The analysis by geography is determined based on where the credit risk resides.		
(iii) By industry		
Manufacturing	1	12
Wholesale & retail trade and restaurant & hotels	5	4
Finance, insurance and business services	<u>1,786</u>	<u>28</u>
	<u>1,792</u>	<u>44</u>
(iv) By residual contractual maturity		
Within one year	<u>1,792</u>	<u>44</u>

**(d) Credit quality of contingent liabilities and credit commitments**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
(i) By counterparty		
Banks	12,032	12,139
Other financial institutions	236	235
Corporates	341,213	304,931
Small medium enterprises	132,963	133,552
Individuals	317,323	228,812
Others	<u>21,858</u>	<u>-</u>
	<u>825,625</u>	<u>679,669</u>
(ii) By geographical distribution		
Malaysia	825,416	679,444
Singapore	<u>209</u>	<u>225</u>
	<u>825,625</u>	<u>679,669</u>

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

(iii) By industry		
Agriculture	4,011	4,389
Mining and quarrying	-	397
Manufacturing	104,125	114,121
Electricity, gas and water	10,000	-
Construction	144,007	149,865
Real estate	28,141	11,885
Wholesale & retail trade and restaurants & hotels	73,119	83,864
Transport, storage and communication	35,047	8,375
Finance, insurance and business services	27,893	9,780
Community, social and personal services	6,835	3,672
Household	317,323	228,811
Others	<u>75,124</u>	<u>64,510</u>
	<u>825,625</u>	<u>679,669</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 30 JUNE 2014 (continued)****31. CREDIT RISK (continued)****Credit quality (continued)****(d) Credit quality of contingent liabilities and credit commitments (continued)**

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
(iv) By residual contractual maturity		
Within one year	180,050	165,979
One year to five years	154,317	169,943
Over five years	491,258	343,747
	<u>825,625</u>	<u>679,669</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 2014 (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 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 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 2014 (continued)****32. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>30 June 2014</b>			
<b>Financial assets</b>			
Available-for-sale	1,670,143	352,040	2,022,183
Derivative financial assets	4	1,788	1,792
	<u>1,670,147</u>	<u>353,828</u>	<u>2,023,975</u>
<b>Financial liabilities</b>			
Derivative financial liabilities	20	1,758	1,778
	<u>20</u>	<u>1,758</u>	<u>1,778</u>
<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
	<u>1,546,614</u>	<u>515,193</u>	<u>2,061,807</u>
<b>Financial liabilities</b>			
Derivative financial liabilities	6	30	36
	<u>6</u>	<u>30</u>	<u>36</u>

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.

In terms of fair value hierarchy, the financial instruments not carried at fair value are classified under Level 3.

	<b>30 June 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	8,070,831	8,140,081	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**  
**- 30 JUNE 2014 (continued)****33. 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>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
<u>Common Equity Tier 1 (CET1) capital</u>		
Paid-up share capital	165,000	125,000
Share premium	330,000	250,000
Retained earnings	152,506	118,188
Other reserves	107,389	107,389
Unrealised loss on financial investments available-for-sale	(1,276)	(5,410)
CET1 capital	<u>753,619</u>	<u>595,167</u>
Regulatory adjustment for CET1	(22,287)	(38,768)
Eligible CET1 / Tier 1 capital	<u>731,332</u>	<u>556,399</u>
<u>Tier 2 capital</u>		
Collective impairment allowance under the Standardised Approach*	9,525	8,556
Subordinated bond	160,000	180,000
Eligible Tier 2 capital	<u>169,525</u>	<u>188,556</u>
Capital base	<u>900,857</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	11.457%	9.977%
Risk-weighted capital ratio	<u>14.113%</u>	<u>13.358%</u>
<u>After the effects of PSIA</u>		
CET1 / Tier 1 capital ratio	12.576%	10.549%
Risk-weighted capital ratio	<u>15.491%</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 30 June 2014, credit risks relating to RPSIA assets excluded from the RWCR calculation amounted to RM568 million (31 December 2013: RM302 million).

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

	<b>30 June 2014 RM'000</b>	<b>31 December 2013 RM'000</b>
Credit risk	5,290,086	4,826,824
Market risk	3,861	4,175
Operational risk	521,503	443,178
	<u>5,815,450</u>	<u>5,274,177</u>