

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)

and its subsidiaries

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

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

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

CONTENTS	PAGE
STATEMENTS OF FINANCIAL POSITION	2 - 3
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4 - 5
STATEMENTS OF CHANGES IN EQUITY	6 - 7
STATEMENTS OF CASH FLOWS	8 - 9
EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	10 - 62

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

Group	Note	30 June 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and cash equivalents	13	9,827,774	7,759,574	11,004,041
Deposits and placements with banks and other financial institutions	14	2,496,916	1,868,584	1,935,632
Financial assets held-for-trading	15	1,055,829	466,302	505,657
Financial investments available-for-sale	16	11,283,273	9,602,189	5,964,308
Loans, advances and financing	17	44,206,759	42,368,410	35,299,340
Derivative financial assets	19	856,525	617,269	499,772
Other assets	20	284,605	244,435	203,813
Statutory deposits with Bank Negara Malaysia		1,518,092	1,400,992	79,342
Property, plant and equipment		228,511	207,905	210,647
Prepaid lease payments		946	964	1,000
Investment properties		14,010	16,439	20,731
Non-current assets held for sale		106	-	-
Deferred tax assets		18,706	23,502	7,909
Current tax assets		-	558	54,063
Total assets		71,792,052	64,577,123	55,786,255
Liabilities				
Deposits from customers	21	55,263,985	48,934,661	43,236,933
Deposits and placements of banks and other financial institutions	22	7,792,825	7,411,880	5,013,388
Bills and acceptances payable		321,157	351,990	281,944
Recourse obligation on loans sold to Cagamas Berhad		26,618	65,611	329,988
Subordinated term loan/bonds	23	1,511,393	1,514,672	1,504,132
Derivative financial liabilities	19	774,109	489,637	485,177
Other liabilities	24	1,006,875	878,751	472,329
Current tax liabilities and zakat		136,611	89,498	-
Total Liabilities		66,833,573	59,736,700	51,323,891
Equity				
Share capital		291,500	291,500	291,500
Reserves		4,666,979	4,548,923	4,170,864
Total equity		4,958,479	4,840,423	4,462,364
Total liabilities and equity		71,792,052	64,577,123	55,786,255
Commitments and contingencies	34	95,358,872	77,924,155	64,496,086

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 62 of these unaudited condensed interim financial statements.

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

Bank	Note	30 June 2012 RM'000	31 December 2011 RM'000	1 January 2011 RM'000
Assets				
Cash and cash equivalents	13	10,136,142	7,589,329	10,616,038
Deposits and placements with banks and other financial institutions	14	2,750,729	2,144,699	2,235,614
Financial assets held-for-trading	15	1,055,829	466,302	505,657
Financial investments available-for-sale	16	8,596,460	7,768,300	4,904,779
Loans, advances and financing	17	40,529,538	39,179,097	32,799,446
Derivative financial assets	19	856,425	616,021	492,132
Other assets	20	471,649	431,709	395,030
Statutory deposits with Bank Negara Malaysia		1,327,592	1,241,592	52,592
Investments in subsidiary companies		256,611	256,611	256,611
Property, plant and equipment		222,730	201,813	202,825
Prepaid lease payments		946	964	1,000
Investment properties		14,010	16,439	20,731
Non-current assets held for sale		106	-	-
Deferred tax assets		16,390	20,677	3,119
Current tax assets		-	-	52,703
Total assets		66,235,157	59,933,553	52,538,277
Liabilities				
Deposits from customers	21	50,184,296	44,555,869	40,381,661
Deposits and placements of banks and other financial institutions	22	7,482,076	7,323,838	4,734,425
Bills and acceptances payable		302,327	315,440	270,837
Recourse obligation on loans sold to Cagamas Berhad		26,618	65,611	329,988
Subordinated term loan/bonds	23	1,511,393	1,514,672	1,504,132
Derivative financial liabilities	19	774,015	488,409	477,549
Other liabilities	24	970,455	825,305	440,166
Current tax liabilities and zakat		132,372	89,478	-
Total Liabilities		61,383,552	55,178,622	48,138,758
Equity				
Share capital		291,500	291,500	291,500
Reserves		4,560,105	4,463,431	4,108,019
Total equity		4,851,605	4,754,931	4,399,519
Total liabilities and equity		66,235,157	59,933,553	52,538,277
Commitments and contingencies	34	92,423,274	76,075,749	63,390,651

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 62 of these unaudited condensed interim financial statements.

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

Group	Note	Quarter ended		Year to date ended	
		30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Interest income	25	696,233	592,122	1,346,186	1,144,686
Interest expense	25	(395,898)	(295,553)	(745,086)	(559,097)
Net interest income	25	300,335	296,569	601,100	585,589
Income from Islamic banking operations	26	55,474	44,307	112,668	88,672
Net fee and commission income	27	83,159	76,537	153,849	141,720
Net trading income	28	83,172	34,484	123,191	83,809
Other operating income	29	11,121	30,047	35,601	34,019
Operating income		533,261	481,944	1,026,409	933,809
Personnel and operating expenses	30	(202,166)	(177,479)	(393,826)	(346,428)
Operating profit before allowance for impairment loss and provision		331,095	304,465	632,583	587,381
Impairment allowance on loans, advances and financing	31	(33,687)	(28,411)	(38,994)	(57,890)
Reversal of impairment allowance on investment properties		-	-	1,301	-
Profit before income tax expense and zakat		297,408	276,054	594,890	529,491
Income tax expense	32	(74,444)	(64,090)	(149,290)	(129,009)
Zakat		(6)	5	(12)	(10)
Profit for the period		222,958	211,969	445,588	400,472
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		(17,079)	31,887	36,878	9,767
- Amount transferred to profit or loss		8,077	(7,028)	(29,431)	(10,545)
Income tax expense relating to components of other comprehensive income		3,231	(7,316)	(2,547)	(194)
Other comprehensive (expense)/income for the period, net of tax		(5,771)	17,543	4,900	(972)
Total comprehensive income for the period		217,187	229,512	450,488	399,500
Profit attributable to shareholder of the Bank		222,958	211,969	445,588	400,472
Total comprehensive income attributable to shareholder of the Bank		217,187	229,512	450,488	399,500
Basic earnings per ordinary share (sen)		77.6	73.7	151.9	136.2

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 62 of these unaudited condensed interim financial statements.

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

Bank	Note	Quarter ended		Year to date ended	
		30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Interest income	25	699,415	597,770	1,355,794	1,157,413
Interest expense	25	(395,905)	(295,547)	(745,099)	(559,109)
Net interest income	25	303,510	302,223	610,695	598,304
Net fee and commission income	27	83,159	76,537	153,849	141,720
Net trading income	28	83,172	34,484	123,191	83,809
Other operating income	29	24,828	42,541	62,734	58,215
Operating income		494,669	455,785	950,469	882,048
Personnel and operating expenses	30	(186,754)	(163,340)	(361,669)	(319,744)
Operating profit before allowance for impairment loss and provision		307,915	292,445	588,800	562,304
Impairment allowance on loans, advances and financing	31	(18,180)	(25,466)	(18,484)	(48,777)
Reversal of impairment allowance on investment properties		-	-	1,301	-
Profit before income tax expense and zakat		289,735	266,979	571,617	513,527
Income tax expense	32	(72,609)	(61,700)	(143,664)	(124,825)
Profit for the period		217,126	205,279	427,953	388,702
Other comprehensive income, net of tax					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		(12,626)	31,019	31,883	9,035
- Amount transferred to profit or loss		8,077	(7,333)	(29,431)	(8,408)
Income tax expense relating to components of other comprehensive income		2,118	(7,413)	(1,299)	(389)
Other comprehensive (expense)/income for the period, net of tax		(2,431)	16,273	1,153	238
Total comprehensive income for the period		214,695	221,552	429,106	388,940
Profit attributable to shareholder of the Bank		217,126	205,279	427,953	388,702
Total comprehensive income attributable to shareholder of the Bank		214,695	221,552	429,106	388,940
Basic earnings per ordinary share (sen)		75.5	71.4	145.7	132.1

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 62 of these unaudited condensed interim financial statements.

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

	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Group							
Balance at 1 January 2012	291,500	858,500	352,596	56,619	131,078	3,150,130	4,840,423
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	36,878	-	36,878
- Amount transferred to profit or loss	-	-	-	-	(29,431)	-	(29,431)
Income tax expense relating to components of other comprehensive income	-	-	-	-	(2,547)	-	(2,547)
Other comprehensive income for the period	-	-	-	-	4,900	-	4,900
Profit for the period	-	-	-	-	-	445,588	445,588
Total comprehensive income for the period	-	-	-	-	4,900	445,588	450,488
Dividends paid on ordinary shares in respect of:							
- Final 2011	-	-	-	-	-	(323,438)	(323,438)
Dividends to preference shareholders	-	-	-	-	-	(8,994)	(8,994)
Balance at 30 June 2012	<u>291,500</u>	<u>858,500</u>	<u>352,596</u>	<u>56,619</u>	<u>135,978</u>	<u>3,263,286</u>	<u>4,958,479</u>
Balance at 1 January 2011	291,500	858,500	330,660	56,619	125,915	2,799,170	4,462,364
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	9,767	-	9,767
- Amount transferred to profit or loss	-	-	-	-	(10,545)	-	(10,545)
Income tax expense relating to components of other comprehensive income	-	-	-	-	(194)	-	(194)
Other comprehensive expense for the period	-	-	-	-	(972)	-	(972)
Profit for the period	-	-	-	-	-	400,472	400,472
Total comprehensive (loss)/ income for the period	-	-	-	-	(972)	400,472	399,500
Transfer to statutory reserve	-	-	11,922	-	-	(11,922)	-
Dividends paid on ordinary shares in respect of:							
- Final 2010	-	-	-	-	-	(323,437)	(323,437)
Dividends to preference shareholders	-	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2011	<u>291,500</u>	<u>858,500</u>	<u>342,582</u>	<u>56,619</u>	<u>124,943</u>	<u>2,855,337</u>	<u>4,529,481</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 62 of these unaudited condensed interim financial statements.

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

	<i>Non-distributable</i>			<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Bank						
Balance at 1 January 2012	291,500	858,500	322,000	128,533	3,154,398	4,754,931
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	31,883	-	31,883
- Amount transferred to profit or loss	-	-	-	(29,431)	-	(29,431)
Income tax expense relating to components of other comprehensive income	-	-	-	(1,299)	-	(1,299)
Other comprehensive income for the period	-	-	-	1,153	-	1,153
Profit for the period	-	-	-	-	427,953	427,953
Total comprehensive income for the period	-	-	-	1,153	427,953	429,106
Dividends paid on ordinary shares in respect of:						
- Final 2011	-	-	-	-	(323,438)	(323,438)
Dividends to preference shareholders	-	-	-	-	(8,994)	(8,994)
Balance at 30 June 2012	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>129,686</u>	<u>3,249,919</u>	<u>4,851,605</u>
Balance at 1 January 2011	291,500	858,500	322,000	124,058	2,803,461	4,399,519
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	9,035	-	9,035
- Amount transferred to profit or loss	-	-	-	(8,408)	-	(8,408)
Income tax expense relating to components of other comprehensive income	-	-	-	(389)	-	(389)
Other comprehensive income for the period	-	-	-	238	-	238
Profit for the period	-	-	-	-	388,702	388,702
Total comprehensive income for the period	-	-	-	238	388,702	388,940
Dividends paid on ordinary shares in respect of:						
- Final 2010	-	-	-	-	(323,437)	(323,437)
Dividends to preference shareholders	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2011	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>124,296</u>	<u>2,859,780</u>	<u>4,456,076</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 62 of these unaudited condensed interim financial statements.

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

	Group		Bank	
	Year to date ended		Year to date ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before income tax expense and zakat	594,890	529,491	571,617	513,527
Adjustments for:				
Net (gains)/losses from disposal of:				
- Financial investments available-for-sale	(29,431)	(10,336)	(29,431)	(10,336)
- Property, plant and equipment	86	2	86	2
Dividends on financial investments available-for-sale	(655)	(640)	(655)	(640)
Depreciation of property, plant and equipment	18,193	19,050	17,215	17,743
Depreciation of investment properties	102	525	102	525
Amortisation of prepaid lease payments	18	18	18	18
Reversal of impairment allowance				
on investment properties	(1,301)	-	(1,301)	-
Impairment allowance on loans, advances and financing	38,994	57,890	18,484	48,777
Equity compensation benefits	3,216	4,316	3,106	4,203
Unrealised (losses)/gains on revaluation of:				
- Financial assets held-for-trading	(922)	10,208	(922)	10,208
- Trading derivatives	32,977	24,199	32,977	24,199
- Hedging derivatives	(125)	603	(125)	603
Operating profit before changes in working capital	656,042	635,326	611,171	608,829
<i>(Increase)/Decrease in operating assets and Increase/(Decrease) in operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(628,332)	(218,606)	(606,030)	46,938
Financial assets held-for-trading	(588,605)	(493,801)	(588,605)	(493,801)
Loans, advances and financing	(1,877,343)	(3,340,523)	(1,368,925)	(3,303,562)
Other assets	(40,171)	(32,015)	(39,940)	(105,861)
Statutory deposits with Bank Negara Malaysia	(117,100)	(506,750)	(86,000)	(444,500)
Derivative financial assets and liabilities	3,038	83,767	3,024	83,770
Deposits from customers	6,329,324	4,141,561	5,628,427	3,627,729
Deposits and placements of banks and other financial institutions	380,945	2,006,538	158,238	2,033,097
Bills and acceptances payable	(30,833)	25,543	(13,113)	12,385
Recourse obligation on loans sold to Cagamas Berhad	(38,993)	(15,923)	(38,993)	(15,923)
Other liabilities	124,890	26,808	142,026	(13,747)
Cash generated from operations	4,172,862	2,311,925	3,801,280	2,035,354
Income tax and zakat paid	(99,381)	(97,304)	(97,781)	(95,318)
Net cash generated from operating activities	4,073,481	2,214,621	3,703,499	1,940,036

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2012 (CONTINUED)

	Group		Bank	
	Year to date ended		Year to date ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Proceeds from disposal of financial investments available-for-sale (net)	8,024,701	4,685,155	5,803,216	2,913,294
Acquisition of financial investments available-for-sale	(9,662,842)	(5,166,701)	(6,593,429)	(3,299,995)
Acquisition of property, plant and equipment	(62,277)	(10,760)	(61,456)	(9,946)
Proceeds from disposal of property, plant and equipment	23,392	1,212	26,760	589
Acquisition of investment properties	-	-	-	-
Proceeds from disposal of non-current assets held for sale	3,522	-	-	-
Dividends received from financial investments available-for-sale	655	640	655	640
Net cash used in investing activities	(1,672,849)	(490,454)	(824,254)	(395,418)
Cash flows from financing activities				
Dividends paid to preference shareholders	(8,994)	(8,946)	(8,994)	(8,946)
Dividends paid to shareholder of the Bank	(323,438)	(323,437)	(323,438)	(323,437)
Net cash used in financing activities	(332,432)	(332,383)	(332,432)	(332,383)
Net increase in cash and cash equivalents	2,068,200	1,391,784	2,546,813	1,212,235
Cash and cash equivalents at beginning of the period	7,759,574	11,004,041	7,589,329	10,616,038
Cash and cash equivalents at end of the period	9,827,774	12,395,825	10,136,142	11,828,273

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 10 to 62 of these unaudited condensed interim financial statements.

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

1 GENERAL INFORMATION

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

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

2 REVIEW OF PERFORMANCE OF THE GROUP

The Bank and its subsidiaries ("Group") recorded a net profit of RM446 million for the first six months of 2012, registering an increase of RM45 million or 11% compared with the corresponding period for 2011. The increase in net profit was mainly due to the higher operating profits of RM45 million or 8% to RM633 million and decreased impairment allowances on loans, advances and financing by RM19 million or 33% to RM39 million.

Total operating income for the Group grew by RM93 million or 10%, rising to RM1 billion. Net interest income increased by RM16 million. Islamic banking income continued to grow steadily by RM24 million or 27% to RM113 million. Net trading income grew by 47% to RM123 million principally on derivatives and securities which grew by RM115 million and RM9 million respectively; but this was offset by lower foreign exchange gains by RM85 million. Overhead expenses for the Group rose by RM47 million or 14% to RM394 million from increased investment in headcount and branch expansion to support business reach and expansion.

Individual and collective impairment allowances for the Group declined by RM3 million and RM16 million

Gross loans outstanding grew by RM1.8 billion to RM45 billion in the first six months of 2012. Asset quality improved with net impaired loans, advances and financing as a percentage of gross loans, advances and financing reducing from 1.84% in December 2011 to 1.67% in June 2012.

Shareholders' funds strengthened to RM5 billion while the Group's and Bank's risk weighted capital ratio as at 30 June 2012 stood at 15.59% and 15.73% respectively.

3 ECONOMIC PERFORMANCE AND PROSPECTS

The sovereign debt crisis affecting the eurozone and the unrest in the Middle East represent a real concern that suggests the pace of global recovery might be slowing down. The economies outside these regions are not totally immune either to spill-over effects. Despite this, the Malaysian economy continued to grow in the early part of this year and outperformed expectations by recording 4.7% growth for the first quarter of 2012. Malaysia will continue to rely on its export and private consumption growth to sustain and support the economy. Further, on the investment front, the progress of the Economic Transformation Programme would also lend a positive note to the country's longer term growth outlook.

Against the backdrop of the ongoing domestic economic conditions, the Group will remain cautious in preserving its asset quality while improving its capital position to meet the challenges ahead. The Group will also continue to expand its customer reach by improving the effectiveness of its sales and delivery channels, opening more Islamic branches in order to strengthen its capabilities and meet customer demand. Three new Islamic branches have been opened to date in 2012 with a further two expected to be opened by end of 2012.

We will continue to maintain a prudent stance and strive for balanced growth in both consumer and business segments through an increase in loan assets amid the stiff competition from new entrants. The Group will also continue to introduce more innovative financial products and services that meet our customers' needs and expand the reach to our customers.

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

4 BASIS OF PREPARATION

The unaudited condensed interim financial statements of the Group and the Bank for the period ended 30 June 2012 have been prepared in accordance with MFRS 134, *Interim Financial Reporting* in Malaysia and IAS 34, *Interim Financial Reporting*.

The Group's and the Bank's unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2011.

Since the previous annual audited financial statements as at 31 December 2011 were issued, the Group and the Bank have adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the Malaysian Accounting Standards Board ("MASB") with effect from 1 January 2012 in preparing the unaudited condensed interim financial statements. MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRS issued under the previous FRS framework were equivalent to the MFRS issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain FRS. An explanation of how the transition to MFRS has affected the reported financial position, financial performance and cash flows of the Group and the Bank is provided in Note 38.

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

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

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

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

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

Effective for annual periods commencing on or after 1 January 2013

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

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

4 BASIS OF PREPARATION (continued)

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

Effective for annual periods commencing on or after 1 January 2014

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

Effective for annual periods commencing on or after 1 January 2015

MFRS9 Financial Instruments (IFRS 9 issued by IASB in November 2009)

MFRS9 Financial Instruments (IFRS 9 issued by IASB in October 2010)

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

The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

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

i) Impairment of loans, advances and financing

Collective assessment of impairment loss

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

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

This change in accounting policy has been accounted for retrospectively as disclosed in Note 38.

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (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 2011 was not qualified.

6 SEASONAL OR CYCLICAL FACTORS

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

7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

8 CHANGES IN ACCOUNTING ESTIMATES

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

9 DEBT AND EQUITY SECURITIES

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

10 DIVIDEND

A net cash dividend of 4.51% (on issue price) amounting to RM9.0 million was paid to preference shareholders on 20 March 2012 and final gross dividend of 150.0 sen per ordinary share less tax at 25% amounting to RM323.44 million was paid on 2 May 2012 in respect of the financial year ended 31 December 2011.

The Directors proposed a net cash dividend of 4.51% (on the issue price) amounting to RM9.1 million to the preference shareholders payable in September 2012 and an interim dividend of 30.0 sen per ordinary share less tax in respect of the current financial period amounting to RM64.69 million on the fully issued and paid up ordinary shares of the Bank.

11 SUBSEQUENT EVENTS

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

There were no other material events subsequent to the end of the reporting period that requires disclosure or adjustments to the unaudited condensed interim financial statements.

12 CHANGES IN THE COMPOSITION OF THE GROUP

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

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****13 CASH AND CASH EQUIVALENTS**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Cash and balances with banks and other financial institutions	202,077	205,948	173,603	178,209
Money at call and deposit placements with financial institutions maturing within one month	9,625,697	7,553,626	9,962,539	7,411,120
	9,827,774	7,759,574	10,136,142	7,589,329
i) By geographical distribution				
Malaysia	8,966,597	7,238,927	9,284,431	7,075,238
Singapore	418,632	235,014	418,001	234,461
Other ASEAN	3,049	3,925	2,935	3,776
Rest of the world	439,496	281,708	430,775	275,854
	9,827,774	7,759,574	10,136,142	7,589,329

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

14 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Licensed banks	1,746,916	1,868,584	2,000,729	2,144,699
Bank Negara Malaysia	750,000	-	750,000	-
	2,496,916	1,868,584	2,750,729	2,144,699
i) By geographical distribution				
Malaysia	1,950,032	1,044,959	2,203,845	1,321,074
Singapore	227,619	357,789	227,619	357,789
Other ASEAN	-	52,719	-	52,719
Rest of the world	319,265	413,117	319,265	413,117
	2,496,916	1,868,584	2,750,729	2,144,699

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

ii) By residual contractual maturity

Maturity within one year	2,496,916	1,868,584	2,600,233	1,975,222
One year to five years	-	-	150,496	169,477
	2,496,916	1,868,584	2,750,729	2,144,699

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****14 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)**

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

As at 30 June 2012, the RPSIA placements amounted to RM254 million (31 December 2011: RM276 million) for tenure of more than 1 year at profit rates ranging from 2.02% to 5.03% per annum (31 December 2011: 2.08% to 5.03%).

15 FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<u>At fair value</u>	RM'000	RM'000	RM'000	RM'000
Malaysia Government treasury bills	-	9,969	-	9,969
Malaysia Government securities	145,710	133,346	145,710	133,346
Government investment certificate	459,656	15,687	459,656	15,687
Bank Negara Malaysia monetary notes	241,911	-	241,911	-
Private debt securities	195,264	296,266	195,264	296,266
Quoted shares in Malaysia	13,288	11,034	13,288	11,034
	1,055,829	466,302	1,055,829	466,302

16 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
<u>At fair value</u>	RM'000	RM'000	RM'000	RM'000
Malaysia Government securities	2,600,988	3,054,048	2,600,988	3,054,048
Government investment certificate	1,619,455	1,760,443	391,528	743,759
Bank Negara Malaysia monetary notes	1,125,500	646,125	802,363	546,249
Private debt securities	2,458,521	2,377,853	1,944,411	1,944,761
Negotiable instruments of deposit	3,304,190	1,643,050	2,682,551	1,358,813
Foreign Government debt securities	51,309	-	51,309	-
Quoted shares outside Malaysia	14,586	11,946	14,586	11,946
Unquoted shares in Malaysia	108,546	108,546	108,546	108,546
Debentures	190	190	190	190
	11,283,285	9,602,201	8,596,472	7,768,312
Impairment allowance:				
- Debentures	(12)	(12)	(12)	(12)
	11,283,273	9,602,189	8,596,460	7,768,300

The movement in impairment allowance for financial investments available-for-sale is as follows:

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

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****17 LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
<u>At amortised cost</u>				
i) By type				
Overdrafts	3,939,330	3,840,440	3,026,643	2,973,679
Term loans/financing:				
- Housing loans/financing	13,947,825	12,472,884	13,766,218	12,310,453
- Syndicated term loans/financing	2,845,355	2,893,114	2,659,214	2,691,712
- Hire purchase receivables	656,783	624,920	54	72
- Lease receivables	120	294	120	294
- Other term loans	18,060,086	17,197,367	16,872,299	16,276,746
Credit/charge card receivables	402,918	413,884	402,918	413,884
Bills receivable	313,309	1,446,312	295,159	1,415,809
Trust receipts	46,683	44,481	46,683	44,481
Claims on customers under acceptance credits	1,948,567	1,891,209	1,754,310	1,687,484
Loans to banks and other financial institutions	149,566	179,854	149,566	179,854
Revolving credit	2,538,306	1,965,861	1,751,224	1,371,973
Staff loans	102,974	106,836	102,974	106,836
Other loans	432,666	448,566	414,091	418,956
	<u>45,384,488</u>	<u>43,526,022</u>	<u>41,241,473</u>	<u>39,892,233</u>
Less: Unearned interest and income	(394,494)	(384,207)	(101)	(106)
Gross loans, advances and financing	<u>44,989,994</u>	<u>43,141,815</u>	<u>41,241,372</u>	<u>39,892,127</u>
Allowance for loans, advances and financing:				
- Individual impairment	(308,861)	(318,091)	(273,478)	(289,280)
- Collective impairment	(474,374)	(455,314)	(438,356)	(423,750)
Net loans, advances and financing	<u>44,206,759</u>	<u>42,368,410</u>	<u>40,529,538</u>	<u>39,179,097</u>
ii) By type of customer				
Domestic non-bank financial institutions	520,968	521,383	265,491	521,383
Domestic business enterprises:				
- Small medium enterprises	8,180,453	7,098,872	7,451,775	6,519,800
- Others	17,478,637	17,245,616	15,589,297	15,392,580
Individuals	18,406,716	16,769,545	17,533,882	15,968,785
Other domestic entities	8,433	646	8,433	646
Foreign entities	394,787	1,505,753	392,494	1,488,933
	<u>44,989,994</u>	<u>43,141,815</u>	<u>41,241,372</u>	<u>39,892,127</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****17 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
iii) By interest/profit rate sensitivity				
Fixed rate				
Housing loans/financing	454,280	513,431	408,733	475,784
Hire purchase receivables	598,095	567,861	54	72
Other fixed rate loans/financing	2,757,208	3,022,988	1,450,238	1,730,365
Variable rate				
BLR plus	27,093,794	26,546,536	26,874,229	26,373,222
Cost-plus	13,415,699	11,849,960	11,837,200	10,671,645
Other variable rates	670,918	641,039	670,918	641,039
	<u>44,989,994</u>	<u>43,141,815</u>	<u>41,241,372</u>	<u>39,892,127</u>
iv) By sector				
Agriculture, hunting and related activities	2,364,308	2,228,595	2,029,119	1,864,465
Mining and quarrying	805,856	741,082	554,912	446,485
Manufacturing	5,707,454	5,420,134	4,819,926	4,575,040
Electricity, gas and water	851,262	669,365	765,238	569,048
Construction	1,320,166	1,301,651	1,205,342	1,202,375
Real estate	6,158,766	5,956,177	5,794,500	5,705,044
Wholesale & retail trade and restaurants & hotels	5,021,036	4,793,238	4,771,751	4,587,946
Transport, storage and communication	1,696,343	1,660,805	1,522,745	1,479,358
Finance, insurance and business services	1,188,588	1,244,583	877,224	1,185,844
Community, social and personal services	704,880	643,832	659,371	597,491
Household, of which:				
- Purchase of residential properties	15,145,087	13,614,391	14,972,224	13,471,507
- Purchase of non-residential properties	1,108,471	1,020,900	1,102,296	1,015,574
- Others	2,297,164	2,232,955	1,601,075	1,577,876
Others	620,613	1,614,107	565,649	1,614,074
	<u>44,989,994</u>	<u>43,141,815</u>	<u>41,241,372</u>	<u>39,892,127</u>
v) By geographical distribution				
Malaysia	44,832,453	43,016,216	41,083,831	39,780,819
Singapore	135,030	65,943	135,030	65,943
Other ASEAN	5,552	17,920	5,552	3,629
Rest of the world	16,959	41,736	16,959	41,736
	<u>44,989,994</u>	<u>43,141,815</u>	<u>41,241,372</u>	<u>39,892,127</u>

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

vi) By residual contractual maturity

Maturity within one year	20,065,936	18,181,143	18,174,504	16,590,319
One year to five years	9,534,741	9,741,422	8,430,197	8,628,264
Over five years	15,389,317	15,219,250	14,636,671	14,673,544
	<u>44,989,994</u>	<u>43,141,815</u>	<u>41,241,372</u>	<u>39,892,127</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****18 IMPAIRED LOANS, ADVANCES AND FINANCING**

a) Movements in impaired loans, advances and financing:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Balance at 1 January	1,105,135	1,006,464	1,057,651	961,020
Classified as impaired during the period/year	500,253	678,046	464,294	628,061
Reclassified as unimpaired	(292,811)	(156,162)	(287,228)	(147,809)
Amount recovered	(210,776)	(294,973)	(202,008)	(281,391)
Amount written off	(47,417)	(128,636)	(34,157)	(102,626)
Effect of foreign exchange difference	51	396	51	396
Balance at 30 June/31 December	<u>1,054,435</u>	<u>1,105,135</u>	<u>998,603</u>	<u>1,057,651</u>
Individual impairment allowance	(308,861)	(318,091)	(273,478)	(289,280)
Collective impairment allowance	<u>(7,978)</u>	<u>(8,421)</u>	<u>(7,759)</u>	<u>(8,222)</u>
Net impaired loans, advances and financing	<u>737,596</u>	<u>778,623</u>	<u>717,366</u>	<u>760,149</u>

i) Impaired loans, advances and financing by sector:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Agriculture, hunting and related activities	8,844	9,677	8,769	9,551
Manufacturing	260,729	293,113	238,669	271,727
Construction	230,446	264,435	226,612	259,967
Real estate	39,456	38,133	39,207	38,133
Wholesale & retail trade and restaurants & hotels	135,964	142,616	129,767	137,661
Transport, storage and communication	23,229	25,004	22,479	24,651
Finance, insurance and business services	23,533	24,984	21,244	23,343
Community, social and personal services	7,238	5,843	6,216	4,810
Household, of which:				
- Purchase of residential properties	235,334	218,112	232,894	216,025
- Purchase of non-residential properties	18,224	18,778	18,183	18,778
- Others	62,073	60,978	45,198	49,543
Others	9,365	3,462	9,365	3,462
	<u>1,054,435</u>	<u>1,105,135</u>	<u>998,603</u>	<u>1,057,651</u>

ii) Impaired loans, advances and financing by geographical distribution:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Malaysia	<u>1,054,435</u>	<u>1,105,135</u>	<u>998,603</u>	<u>1,057,651</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

iii) Impaired loans, advances and financing by period overdue:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Over 270 days	532,867	587,506	512,028	567,166
Over 180 days to 270 days	224,588	44,703	222,773	42,357
Over 90 days to 180 days	100,565	84,609	86,622	73,209
Up to 90 days	196,415	388,317	177,180	374,919
	1,054,435	1,105,135	998,603	1,057,651

iv) Impaired loans, advances and financing by collateral type:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Property	509,793	658,575	506,860	656,017
Fixed deposits	1,265	1,806	1,265	1,394
Stock and shares	186,229	216,784	186,229	216,784
Secured - others	96,237	121,739	83,021	94,175
Unsecured - corporate and other guarantee	95,712	41,751	84,846	39,094
Unsecured - clean	165,199	64,480	136,382	50,187
	1,054,435	1,105,135	998,603	1,057,651

b) Movements in allowance on loans, advances and financing are as follows:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
<u>Individual impairment allowance</u>				
Balance at 1 January	318,091	389,872	289,280	358,784
Allowance made during the period	98,396	180,375	68,486	142,795
Amount written back	(58,995)	(118,136)	(48,962)	(104,335)
Amount written off	(47,110)	(128,636)	(33,805)	(102,626)
Discount unwind	(1,537)	(6,013)	(1,537)	(5,967)
Effect of foreign exchange difference	16	629	16	629
Balance at 30 June/31 December	308,861	318,091	273,478	289,280
<u>Collective impairment allowance</u>				
Balance at 1 January	455,314	379,506	423,750	354,750
Allowance made during the period	19,060	75,808	14,606	69,000
Balance at 30 June/31 December	474,374	455,314	438,356	423,750

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

i) Individual impairment allowance by sector:

	Cumulative impairment allowance		Impairment allowance charged to profit or loss		Impairment allowance written off	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Group						
Agriculture, hunting and related activities	435	604	12	418	181	758
Manufacturing	82,404	93,598	15,721	27,467	9,499	47,247
Electricity, gas and water	-	-	-	-	-	48
Construction	29,905	30,517	1,326	12,182	117	3,390
Real Estate	4,158	4,498	42	457	109	2,935
Wholesale & retail trade and restaurants & hotels	48,902	52,663	14,522	20,705	7,323	13,137
Transport, storage and communication	8,538	8,706	636	788	243	741
Finance, insurance and business services	2,663	2,486	986	1,357	313	1,251
Community, social and personal services	2,178	2,335	827	1,054	149	116
Household, of which:						
- Purchase of residential properties	71,188	75,269	18,483	39,482	5,502	14,101
- Purchase of non- residential properties	5,299	5,326	1,657	1,589	798	1,111
- Others	47,521	39,443	43,184	74,811	22,166	43,568
Others	5,670	2,646	1,000	65	710	233
	308,861	318,091	98,396	180,375	47,110	128,636

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

i) Individual impairment allowance by sector (continued):

	Cumulative impairment allowance		Impairment allowance charged to profit or loss		Impairment allowance written off	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Bank						
Agriculture, hunting and related activities	388	478	5	366	95	707
Manufacturing	69,453	80,640	10,135	23,076	6,576	39,847
Electricity, gas and water	-	-	-	-	-	48
Construction	28,538	29,153	1,123	10,938	87	2,442
Real Estate	4,158	4,498	42	456	109	2,935
Wholesale & retail trade and restaurants & hotels	47,263	51,832	13,398	20,353	7,202	13,089
Transport, storage and communication	8,365	8,593	471	723	243	437
Finance, insurance and business services	1,992	2,017	750	1,200	289	1,251
Community, social and personal services	2,099	1,695	789	196	138	116
Household, of which:						
- Purchase of residential properties	70,561	74,564	18,182	38,866	5,422	13,628
- Purchase of non- residential properties	5,296	5,326	1,620	1,589	783	1,111
- Others	29,760	27,838	21,019	44,967	12,152	26,781
Others	5,605	2,646	952	65	709	234
	273,478	289,280	68,486	142,795	33,805	102,626

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

ii) Collective impairment allowance by sector:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Agriculture, hunting and related activities	24,958	23,512	21,707	19,945
Mining and quarrying	8,372	7,664	5,938	4,777
Manufacturing	59,313	56,245	50,830	48,090
Electricity, gas and water	9,022	7,072	8,188	6,089
Construction	13,693	13,513	12,592	12,553
Real Estate	65,490	63,457	61,957	60,996
Wholesale & retail trade and restaurants & hotels	52,954	50,540	50,552	48,536
Transport, storage and communication	17,886	17,514	16,204	15,737
Finance, insurance and business services	12,379	13,238	9,365	12,667
Community, social and personal services	7,474	6,823	7,033	6,375
Household, of which:				
- Purchase of residential properties	161,119	129,782	159,448	128,389
- Purchase of non-residential properties	11,798	16,362	11,738	16,310
- Others	23,393	32,349	16,813	26,043
Others	6,523	17,243	5,991	17,243
	474,374	455,314	438,356	423,750

iii) Allowance on loans, advances and financing by geographical distribution:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
<u>Individual impairment</u>				
Malaysia	308,861	318,091	273,478	289,280
<u>Collective impairment</u>				
Malaysia	472,688	453,983	436,671	422,559
Singapore	1,445	706	1,445	706
Other ASEAN	59	179	59	39
Rest of the world	182	446	181	446
	474,374	455,314	438,356	423,750

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****19 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

Group	30 June 2012			31 December 2011		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading:						
Foreign exchange derivatives						
- Forwards	7,249,334	47,525	35,561	4,843,690	52,688	13,519
- Swaps	26,738,974	380,976	303,496	19,851,860	239,522	179,658
- Options	1,610,800	13,246	10,184	1,935,305	22,126	5,957
- Others	39,469	13,859	13,859	39,469	6,725	6,725
Interest rate derivatives						
- Swaps	32,382,569	175,302	175,110	30,257,100	185,580	167,195
- Options	2,177,053	657	16,390	2,181,473	1,438	17,873
- Swaptions	1,950,000	2,721	6,440	450,000	4,560	2,562
- Futures	1,124,097	72	708	-	-	-
- Others	64,781	3,588	-	304,781	4,496	5,313
Equity and other derivatives						
- Swaps	69,740	806	806	71,340	512	512
- Exchange traded futures	13,102	13	-	11,009	1	100
- Options	1,086,039	41,667	38,788	1,195,090	67,934	67,004
- Commodity futures	44,011	1,375	1,346	45,621	2,502	2,502
- Warrants	4,055,781	78,170	75,044	42,542	2,487	2,913
- Credit linked notes	2,582,600	83,824	78,104	455,000	10,734	5,492
	81,188,350	843,801	755,836	61,684,280	601,305	477,325
Hedging:						
Interest rate derivatives						
- Swaps	1,332,889	12,724	18,273	1,325,928	15,964	12,312
	82,521,239	856,525	774,109	63,010,208	617,269	489,637

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****19 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	30 June 2012			31 December 2011		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Bank						
Trading:						
Foreign exchange derivatives						
- Forwards	6,243,008	46,896	34,255	4,334,877	40,670	13,518
- Swaps	27,743,876	381,610	304,811	19,851,801	251,522	179,658
- Options	1,599,253	13,140	10,080	1,846,942	20,896	4,730
- Others	39,469	13,859	13,859	39,469	6,725	6,725
Interest rate derivatives						
- Swaps	32,382,569	175,302	175,110	30,257,100	185,580	167,195
- Options	2,177,053	658	16,391	2,181,473	1,438	17,873
- Swaptions	1,950,000	2,721	6,440	450,000	4,560	2,562
- Futures	1,124,097	72	708	-	-	-
- Others	64,781	3,588	-	304,781	4,496	5,313
Equity and other derivatives						
- Swaps	69,740	806	806	71,340	512	512
- Exchange traded futures	13,102	13	-	11,009	1	100
- Options	1,086,039	41,667	38,788	1,195,090	67,934	67,004
- Commodity futures	44,011	1,375	1,346	45,621	2,502	2,502
- Warrants	4,055,781	78,170	75,044	42,542	2,487	2,913
- Credit linked notes	2,582,600	83,824	78,104	455,000	10,734	5,492
	81,175,379	843,701	755,742	61,087,045	600,057	476,097
Hedging:						
Interest rate derivatives						
- Swaps	1,332,889	12,724	18,273	1,325,928	15,964	12,312
	82,508,268	856,425	774,015	62,412,973	616,021	488,409

20 OTHER ASSETS

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
	Interest receivable	121,680	114,827	106,635
Unquoted Islamic Subordinated Bonds of subsidiary	-	-	200,000	200,000
Other receivables, deposits and prepayments	162,925	129,608	165,014	128,939
	284,605	244,435	471,649	431,709

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****21 DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
i) By type of deposits				
Demand deposits	7,357,423	7,145,686	5,854,157	5,806,142
Savings deposits	3,218,571	3,146,779	2,867,491	2,818,034
Fixed deposits	38,384,711	32,694,716	35,400,150	30,329,200
Negotiable instruments of deposits	51,704	51,875	37,131	38,282
Short-term money market deposits	3,649,782	4,542,632	3,469,894	4,258,466
Structured investments	2,591,661	1,345,744	2,545,340	1,298,516
Others	10,133	7,229	10,133	7,229
	55,263,985	48,934,661	50,184,296	44,555,869
ii) By type of customers				
Government and statutory bodies	556,904	791,048	7,123	6,716
Business enterprises	23,651,807	22,629,361	21,000,422	19,920,293
Individuals	24,721,376	20,518,986	23,292,336	19,965,945
Foreign entities	1,186,295	1,194,313	1,167,024	1,182,729
Others	5,147,603	3,800,953	4,717,391	3,480,186
	55,263,985	48,934,661	50,184,296	44,555,869
iii) By maturity structure				
Maturity within six months	47,008,524	39,683,557	42,938,951	36,043,782
Six months to one year	5,721,086	7,880,910	4,752,995	7,184,118
One year to three years	1,590,754	823,399	1,548,896	781,340
Three years to five years	943,621	546,795	943,454	546,629
	55,263,985	48,934,661	50,184,296	44,555,869

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Licensed banks	7,379,424	6,967,557	7,068,675	6,879,515
Other financial institutions	413,401	444,323	413,401	444,323
	7,792,825	7,411,880	7,482,076	7,323,838

23 SUBORDINATED TERM LOAN / BONDS

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
RM200 million redeemable Islamic subordinated bonds 2006/2021	200,000	200,000
RM400 million redeemable subordinated bonds 2007/2017	402,062	405,003
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
RM500 million redeemable subordinated bonds 2010/2020	509,331	509,669
	1,511,393	1,514,672

24 OTHER LIABILITIES

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Accruals for personnel costs	40,810	65,724	40,787	65,685
Equity compensation benefits	11,058	13,413	11,058	13,413
Obligations under finance lease	-	-	323	384
Provision for commitments and contingencies	7,704	7,704	7,704	7,704
Interest payable	383,820	259,230	345,922	242,023
Other accruals and charges	286,357	238,738	287,535	202,154
Liabilities arising from structured investment	277,126	293,942	277,126	293,942
	1,006,875	878,751	970,455	825,305

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****25 NET INTEREST INCOME**

	Quarter ended		Year to date ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Group				
Interest income				
Loans, advances and financing				
- Other than recoveries from impaired loans, advances and financing	497,753	453,851	989,437	884,404
- Recoveries from impaired loans, advances and financing	15,655	2,673	27,686	5,922
- Discount unwind from impaired loans, advances and financing	368	1,149	1,537	2,814
Money at call and deposit placements with banks and other financial institutions	97,581	89,201	165,036	163,928
Financial assets held-for-trading	6,263	4,066	11,018	6,288
Financial investments available-for-sale	73,383	40,084	142,223	79,332
Others	5,230	1,098	9,249	1,998
	696,233	592,122	1,346,186	1,144,686
Interest expense				
Deposits from customers	357,221	248,567	663,273	475,238
Deposits and placements of banks and other financial institutions	17,146	25,227	38,698	40,751
Recourse obligation on loans sold to Cagamas Berhad	279	3,243	704	6,524
Subordinated term loan/bonds	17,186	16,976	34,436	33,521
Others	4,066	1,540	7,975	3,063
	395,898	295,553	745,086	559,097
Net interest income	300,335	296,569	601,100	585,589

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****25 NET INTEREST INCOME (continued)**

	Quarter ended		Year to date ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Bank				
Interest income				
Loans, advances and financing				
- Other than recoveries from impaired loans, advances and financing	497,754	453,851	989,438	884,404
- Recoveries from impaired loans, advances and financing	15,655	2,673	27,686	5,922
- Interest earned from impaired loans, advances and financing	368	1,149	1,537	2,814
Money at call and deposit placements with banks and other financial institutions	95,038	91,702	165,036	170,394
Financial assets held-for-trading	6,263	4,066	11,018	6,288
Financial investments available-for-sale	73,383	40,084	142,223	79,332
Unquoted Islamic Subordinated Bonds of subsidiary	5,724	3,148	9,607	6,261
Others	5,230	1,097	9,249	1,998
	699,415	597,770	1,355,794	1,157,413
Interest expense				
Deposits from customers	357,221	248,567	663,273	475,238
Deposits and placements of banks and other financial institutions	17,146	25,227	38,698	40,751
Recourse obligation on loans sold to Cagamas Berhad	279	3,243	704	6,524
Subordinated term loan/bonds	17,186	16,976	34,436	33,521
Others	4,073	1,534	7,988	3,075
	395,905	295,547	745,099	559,109
Net interest income	303,510	302,223	610,695	598,304

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****26 INCOME FROM ISLAMIC BANKING OPERATIONS**

	Quarter ended		Year to date ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Group	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	86,685	53,535	166,311	105,021
Income derived from investment of shareholder's funds	11,318	9,244	22,064	18,463
Income attributable to depositors	(42,529)	(18,472)	(75,707)	(34,812)
	55,474	44,307	112,668	88,672

27 NET FEE AND COMMISSION INCOME

	Quarter ended		Year to date ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Group and Bank	RM'000	RM'000	RM'000	RM'000
Commission	21,020	23,285	41,062	46,935
Service charges and fees	53,377	44,831	96,142	78,441
Guarantee fees	6,560	5,832	12,064	10,643
Other fee income	2,202	2,589	4,581	5,701
	83,159	76,537	153,849	141,720

28 NET TRADING INCOME

	Quarter ended		Year to date ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
Group and Bank	RM'000	RM'000	RM'000	RM'000
(Losses)/gains on foreign exchange	(22,485)	45,080	34,533	119,481
Realised gains on financial assets held-for-trading	5,003	13,522	17,008	18,945
Realised (losses)/gains on trading derivatives	(178)	(14,320)	103,705	(20,210)
Unrealised gains/(losses) on financial assets held-for-trading	987	(24,180)	922	(10,208)
Unrealised gains/(losses) on trading derivatives	99,845	14,382	(32,977)	(24,199)
	83,172	34,484	123,191	83,809

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****29 OTHER OPERATING INCOME**

	Quarter ended		Year to date ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Group				
Gains/(losses) on hedging derivatives	146	(208)	125	(603)
Gross dividends from financial investments available-for-sale				
- Malaysia	365	365	605	606
- Outside Malaysia	25	17	50	34
Gross dividends from financial assets held-for-trading				
- Malaysia	33	17,937	295	18,542
Rental of premises	1,811	1,595	3,380	3,248
Rental of safe deposit box	927	845	1,934	1,617
Realised gains on financial investments available-for-sale	8,076	9,261	29,431	10,336
Losses on disposal of property, plant and equipment	(105)	(1)	(86)	(2)
Others	(157)	236	(133)	241
	11,121	30,047	35,601	34,019
Bank				
Gains/(losses) on hedging derivatives	146	(208)	125	(603)
Gross dividends from financial investments available-for-sale				
- Malaysia	365	365	605	606
- Outside Malaysia	25	17	50	34
Gross dividends from financial assets held-for-trading				
- Malaysia	33	17,937	295	18,542
Rental of premises	1,777	1,615	3,413	3,293
Rental of safe deposit box	927	845	1,934	1,617
Realised gains on financial investments available-for-sale	8,076	9,261	29,431	10,336
Losses on disposal of property, plant and equipment	(105)	(1)	(86)	(2)
Shared services income received from subsidiary	13,741	12,474	27,100	24,151
Others	(157)	236	(133)	241
	24,828	42,541	62,734	58,215

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

	Quarter ended		Year to date ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Group				
Personnel expenses (i)	107,531	92,987	207,895	183,526
Establishment expenses (ii)	26,137	20,945	49,369	41,221
Marketing expenses (iii)	8,277	7,152	15,228	12,496
Administration and general expenses (iv)	60,221	56,395	121,334	109,185
	202,166	177,479	393,826	346,428
Bank				
Personnel expenses (i)	98,732	84,494	188,409	167,953
Establishment expenses (ii)	24,615	19,640	46,415	38,709
Marketing expenses (iii)	7,745	6,713	14,315	11,809
Administration and general expenses (iv)	55,662	52,493	112,530	101,273
	186,754	163,340	361,669	319,744

(i) Personnel expenses

	Quarter ended		Year to date ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Group				
Wages, salaries and bonus	85,876	72,239	164,088	142,459
Defined contribution plan (EPF)	12,192	11,212	25,565	22,322
Equity compensation benefits	1,185	2,128	3,216	4,316
Other personnel costs	8,278	7,408	15,026	14,429
	107,531	92,987	207,895	183,526
Bank				
Wages, salaries and bonus	78,734	65,542	148,992	130,176
Defined contribution plan (EPF)	11,328	10,221	22,837	20,427
Equity compensation benefits	1,118	2,069	3,106	4,203
Other personnel costs	7,552	6,662	13,474	13,147
	98,732	84,494	188,409	167,953

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

	Quarter ended		Year to date ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Group				
Rental of premises	3,260	2,930	6,343	5,971
Rental of equipment	319	479	591	967
Depreciation of property, plant and equipment	10,050	9,504	18,193	19,050
Depreciation of investment properties	49	263	102	525
Amortisation of prepaid lease payments	9	9	18	18
Repair and maintenance	649	1,416	2,140	2,512
Others	11,801	6,344	21,982	12,178
	26,137	20,945	49,369	41,221
Bank				
Rental of premises	2,831	2,558	5,535	5,229
Rental of equipment	319	479	591	967
Depreciation of property, plant and equipment	9,630	8,847	17,215	17,743
Depreciation of investment properties	49	263	102	525
Amortisation of prepaid lease payments	9	9	18	18
Repair and maintenance	572	1,342	1,960	2,391
Others	11,205	6,142	20,994	11,836
	24,615	19,640	46,415	38,709

(iii) Marketing expenses

	Quarter ended		Year to date ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Group				
Transport and travelling	1,503	1,755	2,732	2,882
Advertisement and business promotion	6,519	5,121	11,828	8,886
Others	255	276	668	728
	8,277	7,152	15,228	12,496
Bank				
Transport and travelling	1,341	1,611	2,468	2,665
Advertisement and business promotion	6,162	4,838	11,205	8,437
Others	242	264	642	707
	7,745	6,713	14,315	11,809

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

	Quarter ended		Year to date ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Group				
Printing and stationery	1,939	1,855	3,203	3,295
Postage and courier	1,757	1,558	3,257	3,096
Telephone, telex and fax	2,794	2,354	5,320	4,467
Legal and consultancy fees	898	2,350	2,367	3,699
Transaction processing fees*	43,497	37,580	88,567	72,176
Other administrative and general expenses	9,336	10,698	18,620	22,452
	<u>60,221</u>	<u>56,395</u>	<u>121,334</u>	<u>109,185</u>
Bank				
Printing and stationery	1,788	1,710	2,921	3,016
Postage and courier	1,600	1,476	3,032	2,906
Telephone, telex and fax	2,564	2,236	4,916	4,216
Legal and consultancy fees	818	2,219	2,127	3,473
Transaction processing fees*	39,683	34,367	81,094	65,592
Other administrative and general expenses	9,209	10,485	18,440	22,070
	<u>55,662</u>	<u>52,493</u>	<u>112,530</u>	<u>101,273</u>

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

31 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	Quarter ended		Year to date ended	
	30 June 2012 RM'000	30 June 2011 RM'000	30 June 2012 RM'000	30 June 2011 RM'000
Group				
Allowance on loans, advances and financing:				
i) Individual impairment				
- Made during the period	56,738	37,233	98,396	94,585
- Written back	(31,065)	(23,178)	(58,995)	(52,118)
ii) Collective impairment				
- Made during the period	17,885	27,492	19,060	35,462
Impaired loans, advances and financing				
- Recovered during the period	(9,920)	(13,151)	(19,581)	(20,054)
Others	49	15	114	15
	<u>33,687</u>	<u>28,411</u>	<u>38,994</u>	<u>57,890</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****31 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING (continued)**

	Quarter ended		Year to date ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Bank				
Allowance on loans, advances and financing:				
i) Individual impairment				
- Made during the period	36,685	28,646	68,486	74,693
- Written back	(25,591)	(19,879)	(48,962)	(44,371)
ii) Collective impairment				
- Made during the period	15,087	28,005	14,606	35,202
Impaired loans, advances and financing				
- Recovered during the period	(8,050)	(11,321)	(15,760)	(16,747)
Others	49	15	114	-
	18,180	25,466	18,484	48,777

32 INCOME TAX EXPENSE

	Quarter ended		Year to date ended	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Group				
Malaysian income tax:				
- Current period	82,004	78,908	147,040	134,360
Deferred tax:				
- Origination and reversal of temporary differences	(7,560)	(14,818)	2,250	(5,351)
	74,444	64,090	149,290	129,009

Bank

Malaysian income tax:				
- Current period	79,244	76,215	140,675	130,426
Deferred tax:				
- Origination and reversal of temporary differences	(6,635)	(14,515)	2,989	(5,601)
	72,609	61,700	143,664	124,825

33 CAPITAL COMMITMENTS

	Group		Bank	
	30 June 2012	31 December 2011	30 June 2012	31 December 2011
	RM'000	RM'000	RM'000	RM'000
Capital expenditure in respect of property, plant and equipment:				
- Authorised and contracted for	38,636	24,106	31,601	23,015
- Authorised but not contracted for	80,433	164,799	69,211	153,559
	119,069	188,905	100,812	176,574

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)**34 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	30 June 2012				31 December 2011			
	Principal amount	Positive fair value of derivative contracts	Credit equivalent amount*	Risk weighted amount	Principal amount	Positive fair value of derivative contracts	Credit equivalent amount*	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group								
Direct credit substitutes	757,126		757,126	549,248	805,801		805,801	766,688
Transaction-related contingent items	1,497,531		748,766	643,063	1,633,406		816,703	793,910
Short-term self-liquidating trade-related contingencies	477,053		95,410	69,698	442,553		88,511	60,075
Commitments with certain drawdowns	154,293		154,293	5,856	45,000		45,000	41,831
Obligations under underwriting agreement	-		-	-	5,000		2,500	2,500
Foreign exchange related contracts:								
- Less than one year	32,049,271	249,072	609,468	162,652	22,077,986	206,684	442,706	135,860
- One year to less than five years	3,188,390	126,872	435,626	297,923	2,873,262	44,192	313,613	174,182
- Five years and above	1,566,427	66,300	368,244	260,307	1,437,339	63,171	323,649	271,847
Interest rate contracts:								
- Less than one year	12,309,914	58,988	80,250	30,781	12,543,838	55,868	75,568	29,862
- One year to less than five years	22,337,701	133,923	630,135	298,115	18,074,636	171,110	505,009	245,661
- Five years and above	1,861,195	31,998	156,697	116,755	1,862,870	32,986	151,572	115,492
Equity and commodity related contracts	1,455,472	383,006	486,604	432,993	458,949	184,700	199,608	153,690
Formal standby facilities and credit lines:								
- Maturity not exceeding one year	23,660		23,660	9,370	22,885		22,885	8,413
- Maturity exceeding one year	3,389,537		3,388,208	565,354	2,922,095		2,920,671	482,119
Other unconditionally cancellable commitments	14,291,302		1,832,270	376,676	12,718,535		1,800,676	375,119
Total	95,358,872	1,050,159	9,766,757	3,818,791	77,924,155	758,711	8,514,472	3,657,249

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

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)**34 COMMITMENTS AND CONTINGENCIES (continued)**

	30 June 2012				31 December 2011			
	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
Bank								
Direct credit substitutes	752,751		752,751	547,420	805,801		805,801	766,688
Transaction-related contingent items	1,431,872		715,936	614,686	1,533,234		766,617	755,250
Short-term self-liquidating trade-related contingencies	425,818		85,164	60,122	413,308		82,662	56,812
Commitments with certain drawdowns	154,293		154,293	5,856	15,000		15,000	13,944
Obligations under underwriting agreement	-		-	-	5,000		2,500	2,500
Foreign exchange related contracts:								
- Less than one year	29,989,471	246,248	582,282	156,551	21,071,907	194,465	419,171	127,568
- One year to less than five years	3,187,865	126,452	435,158	297,455	2,869,456	41,613	310,692	171,260
- Five years and above	1,566,428	66,300	368,244	260,307	1,437,339	63,171	323,649	271,847
Interest rate contracts:								
- Less than one year	12,309,914	58,988	80,250	30,781	12,543,838	55,868	75,568	29,862
- One year to less than five years	22,337,701	133,923	630,135	298,115	18,074,636	171,110	505,009	245,661
- Five years and above	1,861,194	31,998	156,697	116,755	1,862,870	32,986	151,572	115,492
Equity and commodity related contracts	1,455,470	383,006	486,605	432,993	458,949	184,700	199,608	153,690
Formal standby facilities and credit lines:								
- Maturity not exceeding one year	22,351		22,351	8,601	20,991		20,991	7,429
- Maturity exceeding one year	3,317,683		3,316,354	541,414	2,894,996		2,893,573	474,759
Other unconditionally cancellable commitments	13,610,463		1,830,656	375,691	12,068,424		1,786,982	368,250
Total	92,423,274	1,046,915	9,616,876	3,746,747	76,075,749	743,913	8,359,395	3,561,012

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

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****35 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

The following disclosure is made pursuant to the Bank Negara Malaysia Guidelines on Credit Transactions and Exposure with Connected Parties:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Aggregate value of outstanding credit exposure with connected parties [^] :				
Credit facility and leasing (except guarantee)	401,463	280,022	400,851	279,568
Off statements of financial position exposures*	1,131,656	1,281,795	1,671,751	1,765,620
Total credit exposures	1,533,119	1,561,817	2,072,602	2,045,188
Percentage of outstanding credit exposures to connected parties				
- as a proportion of total credit exposures	2.66%	3.26%	3.89%	4.55%
- which is impaired or in default	0.00%	0.00%	0.00%	0.00%

[^] Comprises total outstanding balance and unutilised limit.

* Off-statements of financial position transactions that give rise to credit and/or counterparty risk.

36 CREDIT RISKS

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Cash and cash equivalents	9,827,774	7,759,574	10,136,142	7,589,329
Deposits and placements with banks and other financial institutions	2,496,916	1,868,584	2,750,729	2,144,699
Financial assets held-for-trading	1,055,829	466,302	1,055,829	466,302
Financial investments available-for-sale	11,283,273	9,602,189	8,596,460	7,768,300
Loans, advances and financing	44,206,759	42,368,410	40,529,538	39,179,097
Derivative financial assets	856,525	617,269	856,425	616,021
Other assets	284,605	244,435	471,649	431,709
Contingent liabilities and commitments	43,979,311	38,465,583	43,784,879	38,277,174
	113,990,992	101,392,346	108,181,651	96,472,631

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****36 CREDIT RISKS (continued)*****Collateral***

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

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

As at 31 December 2011 and 30 June 2012, there were no assets repossessed by the Group and the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Fair value of collateral held against the covered portion of financing and advances	1,005,230	1,791,254	988,988	1,750,671
Covered portion of loans, advances and financing	792,196	999,977	776,822	969,443
Uncovered portion of loans, advances and financing	262,239	105,158	221,781	88,208
	1,054,435	1,105,135	998,603	1,057,651

Credit quality

a) *Credit quality of loans, advances and financing*

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Neither past due nor impaired	43,647,744	41,765,921	40,013,696	38,582,876
Past due loans	1,210,146	1,056,610	1,107,818	996,896
- Unimpaired	287,815	270,759	229,073	251,600
- Impaired	922,331	785,851	878,745	745,296
Impaired but not past due	132,104	319,284	119,858	312,355
Gross loans, advances and financing	44,989,994	43,141,815	41,241,372	39,892,127

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****36 CREDIT RISKS (continued)*****Credit quality (continued)***a) *Credit quality of loans, advances and financing (continued)*Loans, advances and financing neither past due nor impaired

Loans, advances and financing are categorised according to the Group's and the Bank's customer classification grades as Passed, Special Mention, Substandard, Doubtful and Bad. Loans classified as Substandard, Doubtful and Bad are impaired loans, advances and financing.

Analysis of loans, advances and financing that are neither past due nor impaired analysed based on the Group's and the Bank's internal grading system is as follows:

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Passed	42,357,610	40,581,600	38,777,059	37,439,132
Special mention	1,290,134	1,184,321	1,236,637	1,143,744
	43,647,744	41,765,921	40,013,696	38,582,876

Loans, advances and financing past due but not impaired

i) By period overdue				
Over 60 days to 90 days	244,051	234,412	203,728	219,625
Over 30 days to 60 days	43,764	36,347	25,345	31,975
	287,815	270,759	229,073	251,600
ii) By geographical distribution				
Malaysia	287,815	270,759	229,073	251,600
iii) By sector				
Agriculture, hunting and related activities	668	124	668	92
Mining and quarrying	670	-	-	-
Manufacturing	25,892	13,425	10,979	11,535
Construction	6,808	2,316	1,946	1,595
Real estate	426	1,642	426	-
Wholesale & retail trade and restaurants & hotels	22,804	17,037	17,662	15,874
Transport, storage and communication	13,638	2,071	2,140	2,071
Finance, insurance and business services	2,643	3,364	1,662	3,008
Community, social and personal services	1,367	2,226	1,367	2,226
Household, of which:				
- Purchase of residential properties	193,732	174,839	190,561	171,543
- Purchase of non-residential properties	-	2,427	-	2,427
- Others	17,990	51,288	485	41,229
Others	1,177	-	1,177	-
	287,815	270,759	229,073	251,600

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****36 CREDIT RISKS (continued)*****Credit quality (continued)***a) *Credit quality of loans, advances and financing (continued)*Impaired loans, advances and financing

Refer to Note 18 for detailed analysis.

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

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

	Group and Bank	
	30 June 2012 RM'000	31 December 2011 RM'000
i) By geography		
Malaysia	<u>1,055,829</u>	<u>466,302</u>
ii) By credit rating		
Malaysian Government issued notes	847,277	159,002
Investment grade (AAA to BBB)	179,908	296,266
Unrated	28,644	11,034
	<u>1,055,829</u>	<u>466,302</u>
iii) By industry		
Agriculture, hunting and related activities	1,275	160
Manufacturing	1,006	-
Electricity, gas and water	28,355	-
Wholesale & retail trade and restaurants & hotels	12,186	22,221
Transport, storage and communication	415	1,029
Financial, insurance, real estate and business services	295,840	298,445
Others	716,752	144,447
	<u>1,055,829</u>	<u>466,302</u>
iv) By issuer		
Government	605,366	159,002
Public sector	-	5,015
Banks	51,637	61,846
Other financial institutions	-	35,139
Corporates	398,826	205,300
	<u>1,055,829</u>	<u>466,302</u>
v) By residual contractual maturity		
Maturity within one year	255,200	31,064
One year to five years	91,225	254,883
Over five years	709,404	180,355
	<u>1,055,829</u>	<u>466,302</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****36 CREDIT RISKS (continued)*****Credit quality (continued)***c) *Credit quality of financial investments available-for-sale*

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
i) By geography				
Malaysia	10,762,844	9,081,716	8,134,228	7,275,731
Other ASEAN countries	133,040	60,043	81,436	38,656
Rest of the world	387,389	460,430	380,796	453,913
	11,283,273	9,602,189	8,596,460	7,768,300
ii) By credit rating				
Malaysian Government issued notes	5,345,943	5,460,616	3,794,879	4,344,056
Other government securities	204,913	90,277	51,309	-
Investment grade (AAA to BBB)	1,890,164	1,843,639	1,610,299	1,581,513
Unrated	3,842,253	2,207,657	3,139,973	1,842,731
	11,283,273	9,602,189	8,596,460	7,768,300
iii) By industry				
Agriculture, hunting and related activities	36,626	4,997	36,626	4,997
Manufacturing	70,568	310,687	-	240,071
Construction	30,428	161,925	-	132,393
Wholesale & retail trade and restaurants & hotels	103,818	136,199	93,804	70,271
Transport, storage and communication	67,576	62,924	52,502	47,847
Financial, insurance, real estate and business services	4,835,974	7,138,643	4,181,018	6,747,364
Others	6,138,283	1,786,814	4,232,510	525,357
	11,283,273	9,602,189	8,596,460	7,768,300
iv) By issuer				
Government	3,043,825	4,344,056	3,043,825	4,344,056
Public sector	1,653,064	1,295,877	-	89,040
Banks	3,986,185	2,265,440	3,349,512	1,966,165
Other financial institutions	96,722	318,935	96,722	318,935
Corporates	2,503,059	1,377,703	2,105,983	1,049,926
Others	418	178	418	178
	11,283,273	9,602,189	8,596,460	7,768,300
v) By residual contractual maturity				
Maturity within one year	4,814,621	2,627,527	3,684,012	2,053,706
One year to five years	4,644,408	5,151,693	3,347,014	4,004,898
Over five years	1,824,244	1,822,969	1,565,434	1,709,696
	11,283,273	9,602,189	8,596,460	7,768,300

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****36 CREDIT RISKS (continued)*****Credit quality (continued)****d) Credit quality of derivative financial assets*

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
i) Analysed by geography				
Malaysia	830,389	587,152	831,046	599,137
Singapore	20,529	16,186	20,515	16,185
Other ASEAN countries	668	12,023	31	21
Rest of the world	4,939	1,908	4,833	678
	856,525	617,269	856,425	616,021
ii) By industry				
Agriculture, hunting and related activities	25,947	4,704	25,947	4,657
Manufacturing	46,373	50,497	46,373	50,494
Construction	43,912	73,616	43,912	73,616
Wholesale & retail trade and restaurants & hotels	4,423	10,030	4,421	10,030
Transport, storage and communication	63,216	2,056	63,216	2,056
Financial, insurance, real estate and business services	603,994	397,060	603,896	395,862
Others	68,660	79,306	68,660	79,306
	856,525	617,269	856,425	616,021
iii) Analysed by counterparty				
Banks	608,880	393,007	608,796	391,841
Other financial institutions	16,886	3,727	16,872	3,726
Corporates	227,460	215,930	227,458	215,849
Individuals	2,861	2,840	2,861	2,840
Others	438	1,765	438	1,765
	856,525	617,269	856,425	616,021
iv) By residual contractual maturity				
Maturity within one year	378,076	239,402	377,976	238,154
One year to five years	382,842	284,546	382,842	284,546
Over five years	95,607	93,321	95,607	93,321
	856,525	617,269	856,425	616,021

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****36 CREDIT RISKS (continued)*****Credit quality (continued)****e) Credit quality of contingent liabilities and commitments*

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
i) Analysed by geography				
Malaysia	36,484,169	29,066,172	36,289,737	28,877,763
Singapore	3,955,999	5,791,848	3,955,999	5,791,848
Other ASEAN countries	952	6,748	952	6,748
Rest of the world	3,538,191	3,600,815	3,538,191	3,600,815
	<u>43,979,311</u>	<u>38,465,583</u>	<u>43,784,879</u>	<u>38,277,174</u>
ii) By industry				
Agriculture, hunting and related activities	481,168	652,708	480,849	650,647
Mining and quarrying	337,731	309,670	337,731	309,207
Manufacturing	724,375	695,886	673,387	669,311
Construction	744,289	748,792	683,592	669,718
Wholesale & retail trade and restaurants & hotels	413,165	349,225	401,870	338,981
Transport, storage and communication	52,599	56,953	48,679	52,232
Financial, insurance, real estate and business services	37,977,678	32,233,845	37,970,952	32,231,760
Others	3,248,306	3,418,504	3,187,819	3,355,318
	<u>43,979,311</u>	<u>38,465,583</u>	<u>43,784,879</u>	<u>38,277,174</u>
iii) Analysed by counterparty				
Banks	34,889,731	30,455,195	34,889,731	30,455,195
Other financial institutions	26,290	451,450	25,425	451,203
Corporates	4,431,814	3,566,968	4,260,221	3,388,637
Small medium enterprises	769,584	848,929	769,584	848,929
Individuals	3,370,276	2,935,258	3,348,345	2,925,463
Others	491,616	207,783	491,573	207,747
	<u>43,979,311</u>	<u>38,465,583</u>	<u>43,784,879</u>	<u>38,277,174</u>
iv) By residual contractual maturity				
Maturity within one year	14,015,531	14,274,181	13,931,454	14,172,323
One year to five years	24,848,314	19,376,196	24,784,808	19,341,915
Over five years	5,115,466	4,815,206	5,068,617	4,762,936
	<u>43,979,311</u>	<u>38,465,583</u>	<u>43,784,879</u>	<u>38,277,174</u>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****37 CAPITAL ADEQUACY**

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
<u>Tier-1 capital</u>				
Paid-up share capital	287,500	287,500	287,500	287,500
Paid-up non-cumulative, non-convertible perpetual preference shares	4,000	4,000	4,000	4,000
Share premium	858,500	858,500	858,500	858,500
Retained earnings	3,263,286	3,150,130	3,249,919	3,154,398
Other reserves	352,596	352,596	322,000	322,000
Innovative Tier 1 Capital	400,000	400,000	400,000	400,000
Capital reserves	56,619	56,619	-	-
	<u>5,222,501</u>	<u>5,109,345</u>	<u>5,121,919</u>	<u>5,026,398</u>
Less: Deferred tax assets	(32,939)	(35,189)	(28,903)	(31,892)
Eligible Tier-1 capital	<u>5,189,562</u>	<u>5,074,156</u>	<u>5,093,016</u>	<u>4,994,506</u>
<u>Tier-2 capital</u>				
Collective impairment allowance under Standardised Approach	24,727	23,294	15,472	14,476
Subordinated debt capital	1,060,530	1,060,569	898,669	898,708
Total Tier-2 capital	<u>1,085,257</u>	<u>1,083,863</u>	<u>914,141</u>	<u>913,184</u>
Less:				
Investments in subsidiary companies	-	-	(256,617)	(256,617)
Excess of Expected Loss over Eligible Provisions under the IRB approach	(153,741)	(248,071)	(147,160)	(238,803)
Eligible Tier-2 capital	<u>931,516</u>	<u>835,792</u>	<u>510,364</u>	<u>417,764</u>
Capital base	<u>6,121,078</u>	<u>5,909,948</u>	<u>5,603,380</u>	<u>5,412,270</u>
<u>Before payment of dividend</u>				
Core capital ratio	13.38%	13.62%	14.49%	14.71%
Risk-weighted capital ratio	<u>15.78%</u>	<u>15.86%</u>	<u>15.94%</u>	<u>15.94%</u>
<u>After payment of dividend</u>				
Core capital ratio	13.19%	12.73%	14.28%	13.73%
Risk-weighted capital ratio	<u>15.59%</u>	<u>14.97%</u>	<u>15.73%</u>	<u>14.96%</u>

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

	Group		Bank	
	30 June 2012 RM'000	31 December 2011 RM'000	30 June 2012 RM'000	31 December 2011 RM'000
Credit risk RWA	33,955,962	32,762,323	30,599,927	29,650,155
Market risk RWA	1,362,372	1,279,477	1,347,373	1,272,885
Operational risk RWA	3,481,520	3,211,131	3,212,345	3,033,959
Total RWA	<u>38,799,854</u>	<u>37,252,931</u>	<u>35,159,645</u>	<u>33,956,999</u>

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

37 CAPITAL ADEQUACY (continued)

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

With effect from 1 January 2010, the capital ratios are computed in accordance with Bank Negara Malaysia's Risk Weighted Capital Adequacy Framework (RWCAF) which is based on the Basel Committee on Banking Supervision's "International Convergence of Capital Measurement and Capital Standards", commonly known as Basel II. The Group and the Bank have adopted the Internal Ratings-Based Approach for Credit Risk for the major credit portfolios whilst the other credit portfolios are on Standardised Approach. For market risk and operational risk, the Group and Bank have adopted the Standardised Approach and the Basic Indicator Approach, respectively.

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

	OCBC Al-Amin Bank Berhad	
	30 June 2012 RM'000	31 December 2011 RM'000
Core capital ratio	8.29%	9.27%
Risk-weighted capital ratio	<u>12.29%</u>	<u>13.61%</u>

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

The comparative capital adequacy ratios and components of the capital base have been restated as disclosed in Note 38 due to effects of the change in accounting policy on collective impairment allowance for loans, advances and financing.

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS**

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

i) Statements of Financial Position

	Note	1 January 2011			30 June 2011			31 December 2011		
		FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
Group										
Assets										
Cash and cash equivalents		11,004,041	-	11,004,041	12,395,825	-	12,395,825	7,759,574	-	7,759,574
Deposits and placements with banks and other financial institutions		1,935,632	-	1,935,632	2,154,238	-	2,154,238	1,868,584	-	1,868,584
Financial assets held-for-trading		505,657	-	505,657	989,250	-	989,250	466,302	-	466,302
Financial investments available-for-sale		5,964,308	-	5,964,308	6,463,714	-	6,463,714	9,602,189	-	9,602,189
Loans, advances and financing	38 iv) a)	35,143,119	156,221	35,299,340	38,411,626	170,347	38,581,973	42,181,029	187,381	42,368,410
Derivative financial assets		499,772	-	499,772	463,315	-	463,315	617,269	-	617,269
Other assets		203,813	-	203,813	235,827	-	235,827	244,435	-	244,435
Statutory deposits with Bank Negara Malaysia		79,342	-	79,342	586,092	-	586,092	1,400,992	-	1,400,992
Property, plant and equipment		210,647	-	210,647	201,143	-	201,143	207,905	-	207,905
Prepaid lease payments		1,000	-	1,000	982	-	982	964	-	964
Investment properties		20,731	-	20,731	20,149	-	20,149	16,439	-	16,439
Non-current assets held for sale		-	-	-	58	-	58	-	-	-
Deferred tax assets	38 iv) b)	137,896	(129,987)	7,909	146,792	(133,518)	13,274	31,292	(7,790)	23,502
Current tax assets		-	54,063	54,063	-	16,997	16,997	3,858	(3,300)	558
Total assets		55,705,958	80,297	55,786,255	62,069,011	53,826	62,122,837	64,400,832	176,291	64,577,123

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

38 TRANSITION TO MFRS (continued)

i) Statements of Financial Position (continued)

	Note	1 January 2011			30 June 2011			31 December 2011		
		FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group Liabilities										
Deposits from customers		43,236,933	-	43,236,933	47,378,494	-	47,378,494	48,934,661	-	48,934,661
Deposits and placements of banks and other financial institutions		5,013,388	-	5,013,388	7,019,926	-	7,019,926	7,411,880	-	7,411,880
Bills and acceptances payable		281,944	-	281,944	307,487	-	307,487	351,990	-	351,990
Recourse obligation on loans sold to Cagamas Berhad		329,988	-	329,988	314,065	-	314,065	65,611	-	65,611
Subordinated term loan/bonds		1,504,132	-	1,504,132	1,501,237	-	1,501,237	1,514,672	-	1,514,672
Derivative financial liabilities		485,177	-	485,177	568,694	-	568,694	489,637	-	489,637
Other liabilities		472,329	-	472,329	503,453	-	503,453	878,751	-	878,751
Current tax liabilities and zakat		30,022	(30,022)	-	67,088	(67,088)	-	53,742	35,756	89,498
Total liabilities		51,353,913	(30,022)	51,323,891	57,660,444	(67,088)	57,593,356	59,700,944	35,756	59,736,700
Equity										
Share capital		291,500	-	291,500	291,500	-	291,500	291,500	-	291,500
Share premium		858,500	-	858,500	858,500	-	858,500	858,500	-	858,500
Statutory reserve		330,660	-	330,660	342,582	-	342,582	352,596	-	352,596
Capital reserve		56,619	-	56,619	56,619	-	56,619	56,619	-	56,619
Fair value reserve		125,915	-	125,915	124,943	-	124,943	131,078	-	131,078
Retained earnings	38 iv) c)	2,688,851	110,319	2,799,170	2,734,423	120,914	2,855,337	3,009,595	140,535	3,150,130
Total equity		4,352,045	110,319	4,462,364	4,408,567	120,914	4,529,481	4,699,888	140,535	4,840,423
Total liabilities and equity		55,705,958	80,297	55,786,255	62,069,011	53,826	62,122,837	64,400,832	176,291	64,577,123

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

38 TRANSITION TO MFRS (continued)

i) Statements of Financial Position (continued)

	Note	1 January 2011			30 June 2011			31 December 2011		
		FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank Assets										
Cash and cash equivalents		10,616,038	-	10,616,038	11,828,273	-	11,828,273	7,589,329	-	7,589,329
Deposits and placements with banks and other financial institutions		2,235,614	-	2,235,614	2,188,676	-	2,188,676	2,144,699	-	2,144,699
Financial assets held-for-trading		505,657	-	505,657	989,250	-	989,250	466,302	-	466,302
Financial investments available-for-sale		4,904,779	-	4,904,779	5,311,174	-	5,311,174	7,768,300	-	7,768,300
Loans, advances and financing	38 iv) a)	32,656,423	143,023	32,799,446	35,897,159	157,072	36,054,231	39,008,465	170,632	39,179,097
Derivative financial assets		492,132	-	492,132	461,531	-	461,531	616,021	-	616,021
Other assets		395,030	-	395,030	500,670	-	500,670	431,709	-	431,709
Statutory deposits with Bank Negara Malaysia		52,592	-	52,592	497,092	-	497,092	1,241,592	-	1,241,592
Investments in subsidiary companies		256,611	-	256,611	256,611	-	256,611	256,611	-	256,611
Property, plant and equipment		202,825	-	202,825	194,436	-	194,436	201,813	-	201,813
Prepaid lease payments		1,000	-	1,000	982	-	982	964	-	964
Investment properties		20,731	-	20,731	20,149	-	20,149	16,439	-	16,439
Non-current assets held for sale		-	-	-	58	-	58	-	-	-
Deferred tax assets	38 iv) b)	127,725	(124,606)	3,119	136,449	(128,118)	8,331	27,579	(6,902)	20,677
Current tax assets		-	52,703	52,703	-	17,595	17,595	-	-	-
Total assets		52,467,157	71,120	52,538,277	58,282,510	46,549	58,329,059	59,769,823	163,730	59,933,553

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

38 TRANSITION TO MFRS (continued)

i) Statements of Financial Position (continued)

	Note	1 January 2011			30 June 2011			31 December 2011		
		FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
Bank Liabilities										
Deposits from customers		40,381,661	-	40,381,661	44,009,390	-	44,009,390	44,555,869	-	44,555,869
Deposits and placements of banks and other financial institutions		4,734,425	-	4,734,425	6,767,522	-	6,767,522	7,323,838	-	7,323,838
Bills and acceptances payable		270,837	-	270,837	283,222	-	283,222	315,440	-	315,440
Recourse obligation on loans sold to Cagamas Berhad		329,988	-	329,988	314,065	-	314,065	65,611	-	65,611
Subordinated term loan/bonds		1,504,132	-	1,504,132	1,501,237	-	1,501,237	1,514,672	-	1,514,672
Derivative financial liabilities		477,549	-	477,549	566,925	-	566,925	488,409	-	488,409
Other liabilities		440,166	-	440,166	430,622	-	430,622	825,305	-	825,305
Current tax liabilities and zakat		28,124	(28,124)	-	63,232	(63,232)	-	53,722	35,756	89,478
Total liabilities		48,166,882	(28,124)	48,138,758	53,936,215	(63,232)	53,872,983	55,142,866	35,756	55,178,622
Equity										
Share capital		291,500	-	291,500	291,500	-	291,500	291,500	-	291,500
Share premium		858,500	-	858,500	858,500	-	858,500	858,500	-	858,500
Statutory reserve		322,000	-	322,000	322,000	-	322,000	322,000	-	322,000
Fair value reserve		124,058	-	124,058	124,296	-	124,296	128,533	-	128,533
Retained earnings	38 iv) c)	2,704,217	99,244	2,803,461	2,749,999	109,781	2,859,780	3,026,424	127,974	3,154,398
Total equity		4,300,275	99,244	4,399,519	4,346,295	109,781	4,456,076	4,626,957	127,974	4,754,931
Total liabilities and equity		52,467,157	71,120	52,538,277	58,282,510	46,549	58,329,059	59,769,823	163,730	59,933,553

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS (continued)**

ii) Statements of Profit or Loss and Other Comprehensive Income

	Note	Quarter ended 30 June 2011			Year to date ended 30 June 2011			Year to date ended 31 December 2011		
		FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
Interest income		592,122	-	592,122	1,144,686	-	1,144,686	2,446,088	-	2,446,088
Interest expense		(295,553)	-	(295,553)	(559,097)	-	(559,097)	(1,232,882)	-	(1,232,882)
Net interest income		296,569	-	296,569	585,589	-	585,589	1,213,206	-	1,213,206
Income from Islamic banking operations		44,307	-	44,307	88,672	-	88,672	188,056	-	188,056
Net fee and commission income		77,570	(1,033)	76,537	143,525	(1,805)	141,720	272,034	-	272,034
Net trading income		34,276	208	34,484	83,206	603	83,809	146,858	-	146,858
Other operating income		29,299	748	30,047	32,897	1,122	34,019	56,270	-	56,270
Operating income		482,021	(77)	481,944	933,889	(80)	933,809	1,876,424	-	1,876,424
Personnel and operating expenses		(177,631)	152	(177,479)	(346,508)	80	(346,428)	(746,218)	-	(746,218)
Operating profit before allowance for impairment loss and provision		304,390	75	304,465	587,381	-	587,381	1,130,206	-	1,130,206
Impairment allowance on loans, advances and financing	38 iv) d)	(38,821)	10,410	(28,411)	(72,016)	14,126	(57,890)	(129,068)	31,160	(97,908)
Impairment allowance on investment properties		-	-	-	-	-	-	(2,205)	-	(2,205)
Reversal of impairment allowance on property, plant and equipment		-	-	-	-	-	-	3,836	-	3,836
Profit before income tax expense and zakat		265,569	10,485	276,054	515,365	14,126	529,491	1,002,769	31,160	1,033,929
Income tax expense	38 iv) e)	(62,232)	(1,858)	(64,090)	(125,478)	(3,531)	(129,009)	(253,904)	(944)	(254,848)
Zakat		5	-	5	(10)	-	(10)	(20)	-	(20)
Profit for the period		203,342	8,627	211,969	389,877	10,595	400,472	748,845	30,216	779,061

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

38 TRANSITION TO MFRS (continued)

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

	Quarter ended 30 June 2011			Year to date ended 30 June 2011			Year to date ended 31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Other comprehensive income, net of tax									
Items that may be reclassified subsequently to profit or loss									
Fair value (available-for-sale) reserve									
- Change in fair value	31,887	-	31,887	9,767	-	9,767	27,467	-	27,467
- Amount transferred to profit or loss	(7,028)	-	(7,028)	(10,545)	-	(10,545)	(17,721)	-	(17,721)
Income tax expense relating to components of other comprehensive income	(7,316)	-	(7,316)	(194)	-	(194)	(4,583)	-	(4,583)
Other comprehensive income/ (expense) for the period, net of tax	17,543	-	17,543	(972)	-	(972)	5,163	-	5,163
Total comprehensive income for the period	220,885	8,627	229,512	388,905	10,595	399,500	754,008	30,216	784,224
Profit attributable to shareholder of the Bank	203,342	8,627	211,969	389,877	10,595	400,472	748,845	30,216	779,061
Total comprehensive income attributable to shareholder of the Bank	220,885	8,627	229,512	388,905	10,595	399,500	754,008	30,216	784,224
Basic earnings per ordinary share (sen)	70.8	2.9	73.7	132.5	3.7	136.2	254.2	10.5	264.7

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS (continued)**

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

	Note	Quarter ended 30 June 2011			Year to date ended 30 June 2011			Year to date ended 31 December 2011		
		FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000	FRS RM'000	Effect of transition to MFRS RM'000	MFRS RM'000
Bank										
Interest income		597,770	-	597,770	1,157,413	-	1,157,413	2,469,750	-	2,469,750
Interest expense		(295,547)	-	(295,547)	(559,109)	-	(559,109)	(1,232,907)	-	(1,232,907)
Net interest income		302,223	-	302,223	598,304	-	598,304	1,236,843	-	1,236,843
Net fee and commission income		90,044	(13,507)	76,537	167,676	(25,956)	141,720	272,034	-	272,034
Net trading income		34,276	208	34,484	83,206	603	83,809	146,858	-	146,858
Other operating income		29,319	13,222	42,541	32,942	25,273	58,215	107,669	-	107,669
Operating income		455,862	(77)	455,785	882,128	(80)	882,048	1,763,404	-	1,763,404
Personnel and operating expenses		(163,492)	152	(163,340)	(319,824)	80	(319,744)	(685,184)	-	(685,184)
Operating profit before allowance for impairment loss and provision		292,370	75	292,445	562,304	-	562,304	1,078,220	-	1,078,220
Impairment allowance on loans, advances and financing	38 iv) d)	(36,036)	10,570	(25,466)	(62,826)	14,049	(48,777)	(101,477)	27,609	(73,868)
Impairment allowance on investment properties		-	-	-	-	-	-	(2,205)	-	(2,205)
Reversal of impairment allowance on property, plant and equipment		-	-	-	-	-	-	3,836	-	3,836
Profit before income tax expense and zakat		256,334	10,645	266,979	499,478	14,049	513,527	978,374	27,609	1,005,983
Income tax expense	38 iv) e)	(59,802)	(1,898)	(61,700)	(121,313)	(3,512)	(124,825)	(250,002)	1,121	(248,881)
Profit for the period		196,532	8,747	205,279	378,165	10,537	388,702	728,372	28,730	757,102

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

38 TRANSITION TO MFRS (continued)

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

	Quarter ended 30 June 2011			Year to date ended 30 June 2011			Year to date ended 31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank									
Other comprehensive income, net of tax									
Items that may be reclassified subsequently to profit or loss									
Fair value (available-for-sale) reserve									
- Change in fair value	31,019		31,019	9,035	-	9,035	25,717	-	25,717
- Amount transferred to profit or loss	(7,333)		(7,333)	(8,408)	-	(8,408)	(17,097)	-	(17,097)
Income tax expense relating to components of other comprehensive (expense)/income	(7,413)		(7,413)	(389)	-	(389)	(4,145)	-	(4,145)
Other comprehensive income for the period, net of tax	16,273	-	16,273	238	-	238	4,475	-	4,475
Total comprehensive income for the period	212,805	8,747	221,552	378,403	10,537	388,940	732,847	28,730	761,577
Profit attributable to shareholder of the Bank	196,532	8,747	205,279	378,165	10,537	388,702	728,372	28,730	757,102
Total comprehensive income attributable to shareholder of the Bank	212,805	8,747	221,552	378,403	10,537	388,940	732,847	28,730	761,577
Basic earnings per ordinary share (sen)	68.4	3.0	71.4	131.5	0.6	132.1	247.1	10.0	257.1

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS (continued)**

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

iv) Explanatory Notes

a) Loans, advances and financing

	1 January 2011			30 June 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Gross loans, advances and financing	36,068,718	-	36,068,718	39,386,051	-	39,386,051	43,141,815	-	43,141,815
Allowance for loans, advances and financing:									
- Individual impairment	(389,872)	-	(389,872)	(389,110)	-	(389,110)	(318,091)	-	(318,091)
- Collective impairment	(535,727)	156,221	(379,506)	(585,315)	170,347	(414,968)	(642,695)	187,381	(455,314)
Net loans, advances and financing	<u>35,143,119</u>	<u>156,221</u>	<u>35,299,340</u>	<u>38,411,626</u>	<u>170,347</u>	<u>38,581,973</u>	<u>42,181,029</u>	<u>187,381</u>	<u>42,368,410</u>
Bank									
Gross loans, advances and financing	33,512,980	-	33,512,980	36,798,854	-	36,798,854	39,892,127	-	39,892,127
Allowance for loans, advances and financing:									
- Individual impairment	(358,784)	-	(358,784)	(354,671)	-	(354,671)	(289,280)	-	(289,280)
- Collective impairment	(497,773)	143,023	(354,750)	(547,024)	157,072	(389,952)	(594,382)	170,632	(423,750)
Net loans, advances and financing	<u>32,656,423</u>	<u>143,023</u>	<u>32,799,446</u>	<u>35,897,159</u>	<u>157,072</u>	<u>36,054,231</u>	<u>39,008,465</u>	<u>170,632</u>	<u>39,179,097</u>

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS (continued)**

iv) Explanatory Notes (continued)

a) Loans, advances and financing (continued)

Movements in allowance for loans, advances and financing are as follows:

Collective impairment allowance

	30 June 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Group</u>						
Balance at 1 January	535,727	(156,221)	379,506	535,727	(156,221)	379,506
Allowance made during the period	49,588	(14,126)	35,462	106,968	(31,160)	75,808
Balance at 30 June/31 December	585,315	(170,347)	414,968	642,695	(187,381)	455,314
<u>Bank</u>						
Balance at 1 January	497,773	(143,023)	354,750	497,773	(143,023)	354,750
Allowance made during the period	49,251	(14,049)	35,202	96,609	(27,609)	69,000
Balance at 30 June/31 December	547,024	(157,072)	389,952	594,382	(170,632)	423,750

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS (continued)**

iv) Explanatory Notes (continued)

b) Deferred tax assets

	1 January 2011			30 June 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Impairment allowance on financial investments available-for-sale	190	-	190	165	-	165	165	-	165
Temporary differences arising from leasing business	4,317	-	4,317	4,438	-	4,438	5,015	-	5,015
Excess of capital allowance over depreciation	(14,886)	(324) #	(15,210)	(12,067)	(324) #	(12,391)	(13,015)	-	(13,015)
Collective impairment allowance on loans, advances and financing	133,773	(133,769) #	4	146,173	(137,300) ^	8,873	26,753	(7,790)	18,963
Changes in fair value of financial instruments	(7,103)	-	(7,103)	(7,298)	-	(7,298)	(11,686)	-	(11,686)
Other temporary differences	21,605	4,106 #	25,711	15,381	4,106 #	19,487	24,060	-	24,060
	137,896	(129,987)	7,909	146,792	(133,518)	13,274	31,292	(7,790)	23,502

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

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

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS (continued)**

iv) Explanatory Notes (continued)

b) Deferred tax assets (continued)

	1 January 2011			30 June 2011			31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank									
Impairment allowance on financial investments available-for-sale	190	-	190	165	-	165	165	-	165
Temporary differences arising from leasing business	4,322	-	4,322	4,438	-	4,438	4,967	-	4,967
Excess of capital allowance over depreciation	(13,878)	(322) #	(14,200)	(11,140)	(322) #	(11,462)	(12,145)	-	(12,145)
Collective impairment allowance on loans, advances and financing	124,284	(124,284) #	-	136,596	(127,796) ^	8,800	24,152	(6,902)	17,250
Changes in fair value of financial instruments	(7,070)	-	(7,070)	(7,459)	-	(7,459)	(11,215)	-	(11,215)
Other temporary differences	19,877	-	19,877	13,849	-	13,849	21,655	-	21,655
	127,725	(124,606)	3,119	136,449	(128,118)	8,331	27,579	(6,902)	20,677

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

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

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS (continued)**

iv) Explanatory Notes (continued)

c) Retained earnings

	Group			Bank		
	1 January 2011 RM'000	30 June 2011 RM'000	31 December 2011 RM'000	1 January 2011 RM'000	30 June 2011 RM'000	31 December 2011 RM'000
Collective impairment allowance on loans, advances and financing	156,221	170,347	187,381	143,023	157,072	170,632
Tax effect of collective impairment allowance on loans, advances and financing	(39,056)	(42,587)	(46,846)	(35,756)	(39,268)	(42,658)
Adjustment for underprovision of deferred tax in prior year [#]	(129,987)	(129,987)	-	(124,606)	(124,606)	-
Adjustment for overprovision of current tax in prior year [#]	123,141	123,141	-	116,583	116,583	-
	<u>110,319</u>	<u>120,914</u>	<u>140,535</u>	<u>99,244</u>	<u>109,781</u>	<u>127,974</u>

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

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS (continued)**

iv) Explanatory Notes (continued)

d) Impairment allowance on loans, advances and financing

Group	Note	Quarter ended 30 June 2011			Year to date ended 30 June 2011			Year to date ended 31 December 2011		
		FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Allowance on loans, advances and financing:										
i) Individual impairment										
- Made during the period		37,233	-	37,233	94,585	-	94,585	180,375	-	180,375
- Written back		(23,178)	-	(23,178)	(52,118)	-	(52,118)	(118,136)	-	(118,136)
ii) Collective impairment										
- Made during the period	38 iv) a)	37,977	(10,485)	27,492	49,588	(14,126)	35,462	106,968	(31,160)	75,808
Impaired loans, advances and financing										
- Recovered during the period		(13,136)	(15)	(13,151)	(20,054)	-	(20,054)	(40,203)	-	(40,203)
Others		(75)	90	15	15	-	15	64	-	64
		38,821	(10,410)	28,411	72,016	(14,126)	57,890	129,068	(31,160)	97,908
Bank										
Allowance on loans, advances and financing:										
i) Individual impairment										
- Made during the period		28,646	-	28,646	74,693	-	74,693	142,795	-	142,795
- Written back		(19,879)	-	(19,879)	(44,371)	-	(44,371)	(104,335)	-	(104,335)
ii) Collective impairment										
- Made during the period	38 iv) a)	38,650	(10,645)	28,005	49,251	(14,049)	35,202	96,609	(27,609)	69,000
Impaired loans, advances and financing										
- Recovered during the period		(11,306)	(15)	(11,321)	(16,747)	-	(16,747)	(33,641)	-	(33,641)
Others		(75)	90	15	-	-	-	49	-	49
		36,036	(10,570)	25,466	62,826	(14,049)	48,777	101,477	(27,609)	73,868

EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2012 (continued)**38 TRANSITION TO MFRS (continued)**

iv) Explanatory Notes (continued)

e) Income tax expense

	Quarter ended 30 June 2011			Year to date ended 30 June 2011			Year to date ended 31 December 2011		
	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS	FRS	Effect of transition to MFRS	MFRS
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group									
Malaysian income tax:									
- Current period	78,908	-	78,908	134,360	-	134,360	274,817	-	274,817
- Overprovision in prior years	-	-	-	-	-	-	(123,141)	123,141 #	-
	78,908	-	78,908	134,360	-	134,360	151,676	123,141	274,817
Deferred tax:									
- Origination and reversal of temporary differences	(16,676)	1,858	(14,818)	(8,882)	3,531	(5,351)	(27,759)	7,790	(19,969)
- Underprovision in prior years	-	-	-	-	-	-	129,987	(129,987) #	-
	(16,676)	1,858	(14,818)	(8,882)	3,531	(5,351)	102,228	(122,197)	(19,969)
	62,232	1,858	64,090	125,478	3,531	129,009	253,904	944	254,848
Bank									
Malaysian income tax:									
- Current period	76,215	-	76,215	130,426	-	130,426	270,584	-	270,584
- Overprovision in prior years	-	-	-	-	-	-	(116,583)	116,583 #	-
	76,215	-	76,215	130,426	-	130,426	154,001	116,583	270,584
Deferred tax:									
- Origination and reversal of temporary differences	(16,413)	1,898	(14,515)	(9,113)	3,512	(5,601)	(28,605)	6,902	(21,703)
- Underprovision in prior years	-	-	-	-	-	-	124,606	(124,606) #	-
	(16,413)	1,898	(14,515)	(9,113)	3,512	(5,601)	96,001	(117,704)	(21,703)
	59,802	1,898	61,700	121,313	3,512	124,825	250,002	(1,121)	248,881

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

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

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****38 TRANSITION TO MFRS (continued)**

iv) Explanatory Notes (continued)

f) Capital Adequacy

The Group and the Bank has restated its comparatives for collective impairment allowances and the consequent changes to other comparatives are shown below.

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

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2012 (continued)****38 TRANSITION TO MFRS (continued)**

iv) Explanatory Notes (continued)

g) Change of comparative figures (continued)

Certain comparative figures have been restated to conform with current presentation as follows :

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 June</u>		<u>30 June</u>	
	<u>2011</u>		<u>2011</u>	
	As previously reported	As restated	As previously reported	As restated
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Statements of Profit or Loss and Other Comprehensive Income				
Net fee and commission income	77,570	76,537	143,525	141,720
Net trading income	34,276	34,484	83,206	83,809
Other operating income	29,299	30,047	32,897	34,019
Personnel and operating expenses	(177,631)	(177,479)	(346,508)	(346,428)
Impairment allowance on loans, advances and financing				
i) Impaired loans, advances and financing				
- Recovered during the period	(13,136)	(13,151)	-	-
ii) Others	(75)	15	-	-
<u>Bank</u>				
Statements of Profit or Loss and Other Comprehensive Income				
Net fee and commission income	90,044	76,537	167,676	141,720
Net trading income	34,276	34,484	83,206	83,809
Other operating income	29,319	42,541	32,942	58,215
Personnel and operating expenses	(163,492)	(163,340)	(319,824)	(319,744)
Impairment allowance on loans, advances and financing				
i) Impaired loans, advances and financing				
- Recovered during the period	(11,306)	(11,321)	-	-
ii) Others	(75)	15	-	-