

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014

Domiciled in Malaysia
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18 Jalan Tun Perak
50050 Kuala Lumpur

Company No. 295400-W

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(Incorporated in Malaysia)

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

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

	Note	Group		Bank	
		30 June	31 December	30 June	31 December
		2014	2013	2014	2013
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and cash equivalents	13	12,324,198	8,926,484	11,823,806	9,102,977
Deposits and placements with banks and other financial institutions	14	2,090,900	1,849,809	2,795,299	2,716,940
Financial assets held-for-trading	15	704,894	354,973	704,894	354,973
Financial investments available-for-sale	16	12,538,225	11,659,590	10,578,978	9,679,761
Loans, advances and financing	17	59,786,530	55,698,871	51,715,699	48,935,917
Derivative financial assets	19	670,744	818,196	670,731	818,186
Other assets	20	230,504	326,848	429,583	523,579
Statutory deposits with Bank Negara Malaysia		2,087,892	1,867,892	1,774,092	1,597,092
Investments in subsidiary companies		-	-	496,617	376,617
Property, plant and equipment		238,058	252,529	231,229	244,480
Prepaid lease payments		874	892	874	892
Investment properties		8,597	12,082	8,597	12,082
Non-current assets held for sale		4,042	3,191	4,042	3,191
Deferred tax assets		4,385	29,050	3,474	26,041
Current tax assets		6,322	1,682	-	-
Total assets		90,696,165	81,802,089	81,237,915	74,392,728
LIABILITIES					
Deposits from customers	21	69,810,945	63,011,206	61,020,796	56,429,044
Deposits and placements of banks and other financial institutions	22	11,842,381	9,623,764	11,493,215	9,075,490
Bills and acceptances payable		200,726	243,459	185,944	229,780
Subordinated term loan/bonds	23	1,692,198	1,693,720	1,692,198	1,693,720
Derivative financial liabilities	19	638,911	728,533	638,912	728,531
Other liabilities	24	754,742	783,476	720,207	748,865
Current tax liabilities and zakat		61,924	55,584	61,856	55,532
Total Liabilities		85,001,827	76,139,742	75,813,128	68,960,962
EQUITY					
Share capital		291,500	291,500	291,500	291,500
Reserves		5,402,838	5,370,847	5,133,287	5,140,266
Total equity		5,694,338	5,662,347	5,424,787	5,431,766
Total liabilities and equity		90,696,165	81,802,089	81,237,915	74,392,728
Commitments and contingencies	34	90,888,951	83,123,255	89,139,463	81,601,403

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 2013 and the accompanying explanatory notes on pages 12 to 56 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

Group	Note	Quarter ended		Year to date ended	
		30 June 2014 RM'000	30 June 2013 RM'000 Restated	30 June 2014 RM'000	30 June 2013 RM'000 Restated
Interest income	25	811,376	696,270	1,567,204	1,378,801
Interest expense	25	(476,791)	(389,006)	(904,471)	(752,804)
Net interest income	25	334,585	307,264	662,733	625,997
Income from Islamic banking operations	26	109,615	88,579	215,459	171,807
Net fee and commission income	27	69,971	75,709	146,688	135,988
Net trading income	28	43,820	70,191	81,999	105,763
Other operating income	29	7,167	26,443	12,552	34,599
Operating income		565,158	568,186	1,119,431	1,074,154
Operating expenses	30	(231,843)	(218,524)	(448,086)	(419,432)
Operating profit before impairment allowance and provision		333,315	349,662	671,345	654,722
Impairment allowance on loans, advances and financing	31	(51,050)	(30,115)	(100,572)	(23,244)
Write back of impairment allowance on investment properties		-	-	427	-
Provision for commitments and contingencies		-	-	(1,717)	-
Profit before income tax expense and zakat		282,265	319,547	569,483	631,478
Income tax expense	32	(64,755)	(79,070)	(135,871)	(156,539)
Zakat		(9)	(7)	(18)	(15)
Profit for the period		217,501	240,470	433,594	474,924
Other comprehensive income/(loss), net of income tax expense					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		21,848	(57,766)	51,104	(50,741)
- Amount transferred to profit or loss		10,808	(23,846)	9,721	(31,256)
Income tax expense relating to components of other comprehensive income		(8,791)	17,566	(15,782)	18,385
Other comprehensive income/(loss) for the period, net of tax		23,865	(64,046)	45,043	(63,612)
Total comprehensive income for the period		241,366	176,424	478,637	411,312
Profit attributable to shareholder of the Bank		217,501	240,470	433,594	474,924
Total comprehensive income attributable to shareholder of the Bank		241,366	176,424	478,637	411,312
Basic earnings per ordinary share (sen)		75.7	83.6	147.7	162.1

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 2013 and the accompanying explanatory notes on pages 12 to 56 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014**

Bank	Note	Quarter ended		Year to date ended	
		30 June 2014 RM'000	30 June 2013 RM'000 Restated	30 June 2014 RM'000	30 June 2013 RM'000 Restated
Interest income	25	825,606	706,088	1,594,270	1,400,082
Interest expense	25	(482,529)	(391,626)	(913,967)	(758,171)
Net interest income	25	343,077	314,462	680,303	641,911
Net fee and commission income	27	69,971	75,709	146,688	135,988
Net trading income	28	43,820	70,191	81,999	105,763
Other operating income	29	34,684	44,075	63,087	68,312
Operating income		491,552	504,437	972,077	951,974
Operating expenses	30	(213,721)	(207,715)	(413,373)	(394,431)
Operating profit before impairment allowance and provision		277,831	296,722	558,704	557,543
Impairment allowance on loans, advances and financing	31	(12,860)	(15,110)	(31,525)	(454)
Write back of impairment allowance on investment properties		-	-	427	-
Provision for commitments and contingencies		-	-	(1,717)	-
Profit before income tax expense and zakat		264,971	281,612	525,889	557,089
Income tax expense	32	(61,507)	(71,540)	(127,154)	(141,283)
Profit for the period		203,464	210,072	398,735	415,806
Other comprehensive income/(loss), net of income tax expense					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		21,097	(48,978)	45,506	(43,367)
- Amount transferred to profit or loss		10,792	(22,472)	9,705	(25,163)
Income tax expense relating to components of other comprehensive income		(8,499)	15,025	(14,279)	15,018
Other comprehensive income/(loss) for the period, net of tax		23,390	(56,425)	40,932	(53,512)
Total comprehensive income for the period		226,854	153,647	439,667	362,294
Profit attributable to shareholder of the Bank		203,464	210,072	398,735	415,806
Total comprehensive income attributable to shareholder of the Bank		226,854	153,647	439,667	362,294
Basic earnings per ordinary share (sen)		70.8	73.1	135.6	141.5

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 2013 and the accompanying explanatory notes on pages 12 to 56 of these unaudited condensed interim financial statements.

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

<u>Group</u>	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000		
Balance at 1 January 2014	291,500	858,500	429,390	-	56,619	29,610	3,996,728	5,662,347
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	51,104	-	51,104
- Amount transferred to profit or loss	-	-	-	-	-	9,721	-	9,721
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	(15,782)	-	(15,782)
Total other comprehensive income for the period	-	-	-	-	-	45,043	-	45,043
Profit for the period	-	-	-	-	-	-	433,594	433,594
Total comprehensive income for the period	-	-	-	-	-	45,043	433,594	478,637
Transfer to regulatory reserve	-	-	-	130,000	-	-	(130,000)	-
<i>Contributions by and distributions to owners of the Bank</i>								
Dividends paid								
- Final 2013 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2014	291,500	858,500	429,390	130,000	56,619	74,653	3,853,676	5,694,338

Pursuant to Bank Negara Malaysia's Guidelines on Classification and Impairment Provision for Loans/Financing, the Group and the Bank are required to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.2% of gross loans, advances and financing, net of individual impairment allowance.

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 2013 and the accompanying explanatory notes on pages 12 to 56 of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014 (continued)

<u>Group</u>	<i>Non-distributable</i>					<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Balance at 1 January 2013	291,500	858,500	375,643	-	56,619	142,702	3,532,204	5,257,168
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	(50,741)	-	(50,741)
- Amount transferred to profit or loss	-	-	-	-	-	(31,256)	-	(31,256)
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	18,385	-	18,385
Total other comprehensive loss for the period	-	-	-	-	-	(63,612)	-	(63,612)
Profit for the period	-	-	-	-	-	-	474,924	474,924
Total comprehensive income for the period	-	-	-	-	-	(63,612)	474,924	411,312
Transfer to regulatory reserve	-	-	-	-	-	-	-	-
<i>Contributions by and distributions to owners of the Bank</i>								
Dividends paid								
- Final 2012 ordinary	-	-	-	-	-	-	(345,000)	(345,000)
- Preference	-	-	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2013	291,500	858,500	375,643	-	56,619	79,090	3,653,182	5,314,534

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 2013 and the accompanying explanatory notes on pages 12 to 56 of these unaudited condensed interim financial statements.

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

	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
<u>Bank</u>							
Balance at 1 January 2014	291,500	858,500	322,000	-	36,308	3,923,458	5,431,766
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	45,506	-	45,506
- Amount transferred to profit or loss	-	-	-	-	9,705	-	9,705
Income tax expense relating to components of other comprehensive income	-	-	-	-	(14,279)	-	(14,279)
Total other comprehensive income for the period	-	-	-	-	40,932	-	40,932
Profit for the period	-	-	-	-	-	398,735	398,735
Total comprehensive income for the period	-	-	-	-	40,932	398,735	439,667
Transfer to regulatory reserve	-	-	-	130,000	-	(130,000)	-
<i>Contributions by and distributions to owners of the Bank</i>							
Dividends paid							
- Final 2013 ordinary	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2014	291,500	858,500	322,000	130,000	77,240	3,745,547	5,424,787

Pursuant to Bank Negara Malaysia's Guidelines on Classification and Impairment Provision for Loans/Financing, the Group and the Bank are required to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.2% of gross loans, advances and financing, net of individual impairment allowance.

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 2013 and the accompanying explanatory notes on pages 12 to 56 of these unaudited condensed interim financial statements.

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

	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
<u>Bank</u>							
Balance at 1 January 2013	291,500	858,500	322,000	-	137,027	3,512,908	5,121,935
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	(43,367)	-	(43,367)
- Amount transferred to profit or loss	-	-	-	-	(25,163)	-	(25,163)
Income tax expense relating to components of other comprehensive income	-	-	-	-	15,018	-	15,018
Total other comprehensive loss for the period	-	-	-	-	(53,512)	-	(53,512)
Profit for the period	-	-	-	-	-	415,806	415,806
Total comprehensive (loss)/income for the period	-	-	-	-	(53,512)	415,806	362,294
Transfer to regulatory reserve	-	-	-	-	-	-	-
<i>Contributions by and distributions to owners of the Bank</i>							
Dividends paid							
- Final 2012 ordinary	-	-	-	-	-	(345,000)	(345,000)
- Preference	-	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2013	291,500	858,500	322,000	-	83,515	3,574,768	5,130,283

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 2013 and the accompanying explanatory notes on pages 12 to 56 of these unaudited condensed interim financial statements.

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

	Group		Bank	
	Year to date ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from operating activities				
Profit before income tax expense and zakat	569,483	631,478	525,889	557,089
<i>Adjustments for:</i>				
Net loss/(gain) from disposal of:				
- Financial investments available-for-sale	9,721	(31,256)	9,705	(25,163)
- Investment properties	(14,171)	(1,258)	(14,171)	(1,258)
- Property, plant and equipment	114	275	114	275
Dividends on financial investments available-for-sale	(450)	(410)	(450)	(410)
Depreciation of property, plant and equipment	23,488	25,851	22,182	24,048
Depreciation of investment properties	91	86	91	86
Amortisation of prepaid lease payments	18	18	18	18
Write back of allowance on investment properties	(427)	-	(427)	-
Impairment allowance on				
loans, advances and financing	100,572	23,244	31,525	454
Share-based expenses	3,646	1,781	3,534	1,739
Unrealised (gain)/loss on:				
- Financial assets held-for-trading	(2,656)	(744)	(2,656)	(744)
- Trading derivatives	50,723	(95,758)	50,723	(95,758)
- Hedging derivatives	381	180	381	180
Operating profit before changes in working capital	740,533	553,487	626,458	460,556
<i>(Increase)/Decrease in operating assets and</i>				
<i>Increase/(Decrease) in operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(241,091)	(682,810)	(78,359)	(879,391)
Financial assets held-for-trading	(347,265)	(781,390)	(347,265)	(781,390)
Loans, advances and financing	(4,188,231)	(4,067,760)	(2,811,307)	(3,052,837)
Other assets	67,677	30,468	65,329	27,230
Statutory deposits with Bank Negara Malaysia	(220,000)	(188,000)	(177,000)	(159,000)
Derivative financial assets and liabilities	3,231	6,229	3,237	6,053
Deposits from customers	6,799,739	4,637,381	4,591,752	3,358,714
Deposits and placements of banks and other financial institutions	2,218,617	(2,942,898)	2,417,725	(2,810,279)
Bills and acceptances payable	(42,733)	(77,260)	(43,836)	(82,393)
Recourse obligation on loans sold to Cagamas Berhad	-	(974)	-	(974)
Other liabilities	(32,311)	29,715	(32,123)	232,734
Cash generated from/(used in) operations	4,758,166	(3,483,812)	4,214,611	(3,680,977)
Income tax and zakat paid	(125,306)	(127,523)	(112,542)	(119,023)
Net cash generated from/(used in) operating activities	4,632,860	(3,611,335)	4,102,069	(3,800,000)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2014 (CONTINUED)

	Group		Bank	
	Year to date ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from investing activities				
Proceeds from disposal of financial investments available-for-sale	7,098,137	4,741,324	6,107,173	3,278,361
Acquisition of financial investments available-for-sale	(7,923,764)	(4,941,626)	(6,958,980)	(3,635,584)
Acquisition of property, plant and equipment	(9,160)	(35,870)	(9,056)	(34,232)
Proceeds from disposal of investment properties	45,808	4,080	45,808	4,080
Proceeds from disposal of property, plant and equipment	29	766	11	1,146
Dividends received from financial investments available-for-sale	450	410	450	410
Increase in investment in subsidiary company	-	-	(120,000)	-
Net cash used in investing activities	(788,500)	(230,916)	(934,594)	(385,819)
Cash flows from financing activities				
Dividends paid to preference shareholders	(8,946)	(8,946)	(8,946)	(8,946)
Dividends paid to shareholder of the Bank	(437,700)	(345,000)	(437,700)	(345,000)
Net cash used in financing activities	(446,646)	(353,946)	(446,646)	(353,946)
Net increase/(decrease) in cash and cash equivalents	3,397,714	(4,196,197)	2,720,829	(4,539,765)
Cash and cash equivalents at 1 January	8,926,484	11,250,208	9,102,977	11,850,982
Cash and cash equivalents at 30 June	12,324,198	7,054,011	11,823,806	7,311,217

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 2013 and the accompanying explanatory notes on pages 12 to 56 of these unaudited condensed interim financial statements.

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

1 GENERAL INFORMATION

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

The unaudited condensed interim financial statements of the Bank as at and for the six months ended 30 June 2014 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

2 REVIEW OF PERFORMANCE

The Bank and its subsidiary companies ("the Group") recorded a net profit of RM433 million for the first six months of 2014, registering a decrease of RM42 million or 9% compared to the corresponding period for 2013. Whilst operating profit rose by RM16 million or 2% to RM671 million, higher allowances on loans, advances and financing was recorded in tandem with loan growth and on account of lower bad debt recoveries.

Compared to the corresponding period in 2013, operating income decreased by RM45 million or 4% to RM1.1 billion resulted from lower trading income and realised loss on disposal of financial investments available-for-sale, mitigated by better income from Islamic banking (+RM43 million or 25%), net interest income (+RM37 million or 6%) and gain on disposal of investment properties (+RM12.9 million). Operating expenses increased by RM29 million or 7% to RM448 million as a result of continued investments in people and infrastructure to support business growth.

The Group's total assets grew by RM8.9 billion to RM90.7 billion mainly contributed by loans, advances and financing which grew by RM4.1 billion or 7% to RM59.8 billion. Loans growth continue to be from housing loans (+RM2.1 billion) and business financing in particular to SMEs (+RM1.2 billion) funded mainly from higher customer deposits of RM6.8 billion.

The Group and Bank remain well capitalised with Common Equity Tier 1 (CET 1) capital ratios of 12.390% and 13.430%, Tier 1 Capital ratios of 13.987% and 15.288% and Total Capital ratios of 16.630% and 16.600% respectively.

3 ECONOMIC PERFORMANCE AND PROSPECTS

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

The financial sector will be more competitive following the announcement of further liberalisation measures to boost investments and encourage a stable and inclusive financial system in the country. OCBC will continue to focus on building its core products to better serve its customers and at the same time, increase its market share. The bank will also continue to improve the quality of its assets as well as to strengthen its capital in order to meet future regulatory requirements and support business growth.

OCBC Malaysia and OCBC Al-Amin received several awards in 2014, including Best Trade Finance Solution, Best SME Bank for Working Capital, Best Islamic Project Finance, Best Islamic Structured Financing, and more recently Islamic Bank of the Year 2014 for Malaysia; as well as Best SME Bank in Malaysia, from renowned publications such as *The Asset*, *The Banker*, *Asian Banking & Finance* and *Global Banking & Finance*.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)

4 BASIS OF PREPARATION

The unaudited condensed interim financial statements of the Group and the Bank for the period ended 30 June 2014 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), and the International Accounting Standards ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

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 2013. 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 2013.

The accounting policies applied by the Group and the Bank in these unaudited condensed interim financial statements are consistent with those applied by the Group and the Bank in its annual financial statements for the year ended 31 December 2013, except for the adoption of the following Amendments to MFRS that have been adopted during the current financial period:

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

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

The initial application of the above Amendments to MFRS and IC Interpretations do not have any impact on the financial statements upon their first time adoption, as they mainly provide clarification on the requirements of or provide further explanations to existing MFRS.

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

Effective for annual periods commencing on or after 1 July 2014

Amendments to MFRS 1, MFRS 3, MFRS 13 and MFRS 140 contained in the documents entitled "Annual Improvements 2011 - 2013 Cycle"

Amendments to MFRS 2, MFRS 3, MFRS 8, MFRS 13, MFRS 116, MFRS 124 and MFRS 138 contained in the documents entitled "Annual Improvements 2010 - 2012 Cycle"

Amendments to MFRS 119, Employee Benefits - Defined Benefit Plans: Employee Contributions

Effective for annual periods commencing on or after 1 January 2016

Amendments to MFRS 116 and MFRS 138, Clarification of acceptable methods of depreciation and amortisation

Amendments to MFRS 11, Accounting for acquisitions of interests in joint operations

MFRS 14, Regulatory Deferral Accounts

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)

4 BASIS OF PREPARATION (continued)

Effective for annual periods commencing on a date to be confirmed

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

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

MFRS 9, Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139

Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

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

MFRS 9, Financial Instruments

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

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

5 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

6 SEASONAL OR CYCLICAL FACTORS

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

7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 30 June 2014.

8 CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 June 2014.

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 2014.

The Bank subscribed for 40 million ordinary shares of RM1 each at RM3 per ordinary share amounting to RM120 million issued by its subsidiary, OCBC Al-Amin Bank Berhad on 13 June 2014.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**10 DIVIDEND**

A net cash dividend of 4.51% (on issue price) amounting to RM8.9 million was paid to preference shareholders on 20 March 2014. The final dividend in respect of the financial year ended 31 December 2013 amounting to RM437.7 million was paid on 15 April 2014.

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 2014 and a single tier interim dividend of 22.5 sen per ordinary share in respect of the current financial period amounting to RM 64.69 million on the fully issued and paid up ordinary shares of the Bank.

11 SUBSEQUENT EVENTS

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

12 CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group during the financial period ended 30 June 2014.

13 CASH AND CASH EQUIVALENTS

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Cash and balances with banks and other financial institutions	744,986	346,278	704,952	290,698
Money at call and deposit placements with financial institutions maturing within one month	<u>11,579,212</u>	<u>8,580,206</u>	<u>11,118,854</u>	<u>8,812,279</u>
	<u>12,324,198</u>	<u>8,926,484</u>	<u>11,823,806</u>	<u>9,102,977</u>
i) <u>By geographical distribution</u>				
Malaysia	11,747,896	8,529,606	11,265,728	8,740,957
Singapore	490,240	303,322	489,317	298,584
Other ASEAN	3,091	4,043	2,028	3,087
Rest of the world	<u>82,971</u>	<u>89,513</u>	<u>66,733</u>	<u>60,349</u>
	<u>12,324,198</u>	<u>8,926,484</u>	<u>11,823,806</u>	<u>9,102,977</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**14 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2014 RM'000</u>	<u>31 December 2013 RM'000</u>	<u>30 June 2014 RM'000</u>	<u>31 December 2013 RM'000</u>
Licensed banks	2,090,900	1,149,809	2,795,299	2,016,940
Bank Negara Malaysia	-	700,000	-	700,000
	<u>2,090,900</u>	<u>1,849,809</u>	<u>2,795,299</u>	<u>2,716,940</u>

i) By geographical distribution

Malaysia	377,071	1,127,965	1,081,470	1,995,096
Singapore	997,220	328,111	997,220	328,111
Rest of the world	716,609	393,733	716,609	393,733
	<u>2,090,900</u>	<u>1,849,809</u>	<u>2,795,299</u>	<u>2,716,940</u>

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

ii) By residual contractual maturity

Maturity within one year	1,780,977	1,734,462	2,485,376	2,601,593
One year to five years	309,923	115,347	309,923	115,347
	<u>2,090,900</u>	<u>1,849,809</u>	<u>2,795,299</u>	<u>2,716,940</u>

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

As at 30 June 2014, the RPSIA placements amounted to RM990 million (31 December 2013: RM649 million) at profit rates ranging from 1.53% to 5.27% per annum (31 December 2013: 1.51% to 4.68% per annum).

15 FINANCIAL ASSETS HELD-FOR-TRADING

	<u>Group and Bank</u>	
	<u>30 June 2014 RM'000</u>	<u>31 December 2013 RM'000</u>
At fair value		
Malaysian Government Treasury Bills	17,876	19,462
Malaysian Government Securities	418,576	236,637
Bank Negara Malaysia Monetary Notes	110,039	68,827
Malaysian State Government Securities	30,107	-
Private Debt Securities	80,814	17,832
Quoted shares in Malaysia	47,482	12,215
	<u>704,894</u>	<u>354,973</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**16 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Securities	3,591,726	3,649,859	3,591,726	3,649,859
Malaysian Government Investment Issues	1,876,983	1,836,604	657,235	586,366
Malaysian Government Debt Securities	241,694	212,856	107,656	97,037
Bank Negara Malaysia Monetary Notes	672,812	361,255	544,219	361,255
Private Debt Securities	3,112,157	3,324,684	2,706,034	2,852,601
Negotiable Instruments of Deposit	2,500,909	1,768,104	2,460,006	1,676,053
Foreign Government Debt Securities	433,220	397,504	403,378	347,866
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
Debentures	190	190	190	190
	<u>12,538,237</u>	<u>11,659,602</u>	<u>10,578,990</u>	<u>9,679,773</u>
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	<u>12,538,225</u>	<u>11,659,590</u>	<u>10,578,978</u>	<u>9,679,761</u>

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

17 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	3,122,027	3,045,594	2,974,803	3,045,594
Term loans/financing:				
- Housing loans/financing	22,014,875	19,869,714	21,022,559	19,210,090
- Syndicated term loans/financing	2,045,218	2,139,506	1,884,997	1,989,469
- Hire purchase receivables	852,211	763,753	54	73
- Lease receivables	2	25	2	25
- Other term loans/financing	24,745,015	22,556,349	20,512,059	19,159,242
Credit card receivable/charge card	526,704	522,861	526,704	522,861
Bills receivable	465,830	797,385	431,240	755,053
Trust receipts	32,282	35,911	27,649	25,354
Claims on customers under				
acceptance credits	1,936,051	1,913,405	1,692,439	1,722,195
Revolving credit	4,167,961	4,199,311	2,633,510	2,569,642
Staff loans/financing	88,452	94,085	88,452	94,085
Other loans/financing	637,997	548,621	621,994	524,886
Gross loans, advances and financing	<u>60,634,625</u>	<u>56,486,520</u>	<u>52,416,462</u>	<u>49,618,569</u>
Allowance for loans, advances and financing				
- Individual impairment	(248,786)	(254,480)	(199,480)	(209,634)
- Collective impairment	(599,309)	(533,169)	(501,283)	(473,018)
Net loans, advances and financing	<u>59,786,530</u>	<u>55,698,871</u>	<u>51,715,699</u>	<u>48,935,917</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**17 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
i) <u>By type of customer</u>				
Domestic banking institutions	22,045	30,589	-	-
Domestic non-bank financial institutions				
- Stockbroking companies	4,227	1,046	4,227	1,046
- Others	785,050	391,232	784,747	261,024
Domestic business enterprises				
- Small medium enterprises	13,595,103	12,351,356	10,950,038	10,089,620
- Others	16,659,731	16,465,434	14,093,643	14,337,629
Individuals	27,028,775	24,807,729	25,207,607	23,455,451
Foreign entities	2,539,694	2,439,134	1,376,200	1,473,799
	60,634,625	56,486,520	52,416,462	49,618,569
ii) <u>By interest/profit rate sensitivity</u>				
Fixed rate				
- Housing loans/financing	237,520	299,301	205,708	264,658
- Hire purchase receivables	683,374	632,476	54	73
- Other fixed rate loans/financing	6,022,645	5,982,050	3,196,611	3,702,697
Variable rate				
- BLR/BFR plus	39,124,574	35,952,582	37,786,486	35,050,732
- Cost plus	13,855,284	12,882,306	10,516,375	9,862,604
- Other variable rates	711,228	737,805	711,228	737,805
	60,634,625	56,486,520	52,416,462	49,618,569
iii) <u>By sector</u>				
Agriculture, hunting, forestry and fishing	2,903,219	3,072,686	2,709,099	2,855,765
Mining and quarrying	476,662	849,687	413,470	670,815
Manufacturing	7,127,051	6,833,798	5,702,310	5,524,200
Electricity, gas and water	577,808	384,030	309,601	312,490
Construction	1,152,889	957,138	878,565	742,074
Real estate	6,429,441	6,276,489	5,758,731	5,618,142
Wholesale & retail trade and restaurants & hotels	7,341,375	6,613,232	5,919,725	5,562,355
Transport, storage and communication	1,821,084	1,729,924	1,543,541	1,494,994
Finance, insurance and business services	2,042,618	1,863,703	1,717,686	1,464,464
Community, social and personal services	1,431,020	1,316,031	1,118,278	1,053,661
Household				
- Purchase of residential properties	23,150,203	21,075,756	22,163,503	20,423,903
- Purchase of non-residential properties	1,452,981	1,419,972	1,421,228	1,394,843
- Others	3,142,870	2,856,423	2,293,735	2,140,926
Others	1,585,404	1,237,651	466,990	359,937
	60,634,625	56,486,520	52,416,462	49,618,569

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**17 LOANS, ADVANCES AND FINANCING (continued)**

	<u>Group</u>		<u>Bank</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
iv) <u>By geographical distribution</u>				
Malaysia	58,419,153	54,189,884	51,039,593	48,144,415
Singapore	276,443	185,746	264,839	180,409
Other ASEAN	282,549	81,184	282,549	81,184
Rest of the world	1,656,480	2,029,706	829,481	1,212,561
	<u>60,634,625</u>	<u>56,486,520</u>	<u>52,416,462</u>	<u>49,618,569</u>

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

v) By residual contractual maturity

Within one year	12,912,330	12,777,072	10,926,730	10,699,686
One year to five years	9,313,624	9,104,383	6,170,165	6,447,431
Over five years	38,408,671	34,605,065	35,319,567	32,471,452
	<u>60,634,625</u>	<u>56,486,520</u>	<u>52,416,462</u>	<u>49,618,569</u>

18 IMPAIRED LOANS, ADVANCES AND FINANCING

a) Movements in impaired loans, advances and financing

	<u>Group</u>		<u>Bank</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance at 1 January	1,307,531	952,805	1,200,172	897,867
Impaired during the period/year	552,833	1,158,157	437,749	987,346
Reclassified as unimpaired	(115,033)	(204,424)	(104,042)	(186,102)
Amount recovered	(376,493)	(487,309)	(312,834)	(420,638)
Amount written off	(58,359)	(114,171)	(26,631)	(80,774)
Effect of foreign exchange difference	(1,132)	2,473	(1,132)	2,473
Balance at 30 June/31 December	<u>1,309,347</u>	<u>1,307,531</u>	<u>1,193,282</u>	<u>1,200,172</u>
Individual impairment allowance	(248,786)	(254,480)	(199,480)	(209,634)
Collective impairment allowance	<u>(10,341)</u>	<u>(10,034)</u>	<u>(9,540)</u>	<u>(9,483)</u>
Net impaired loans, advances and financing	<u>1,050,220</u>	<u>1,043,017</u>	<u>984,262</u>	<u>981,055</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
i) <u>By sector</u>				
Agriculture, hunting, forestry and fishing	17,536	20,880	17,120	20,356
Manufacturing	581,440	597,083	521,601	542,151
Construction	55,740	57,612	54,572	55,663
Real estate	67,329	68,491	66,046	67,151
Wholesale & retail trade and restaurants & hotels	141,094	144,806	125,339	130,332
Transport, storage and communication	80,359	74,352	74,988	72,083
Finance, insurance and business services	14,643	14,144	11,767	11,330
Community, social and personal services	11,259	10,085	9,973	8,735
Household				
- Purchase of residential properties	245,619	221,893	243,004	219,604
- Purchase of non-residential properties	22,217	22,320	22,144	22,246
- Others	67,811	68,815	43,110	44,121
Others	4,300	7,050	3,618	6,400
	<u>1,309,347</u>	<u>1,307,531</u>	<u>1,193,282</u>	<u>1,200,172</u>
ii) <u>By geographical distribution</u>				
Malaysia	1,306,683	1,303,989	1,190,618	1,196,630
Singapore	345	416	345	416
Rest of the world	2,319	3,126	2,319	3,126
	<u>1,309,347</u>	<u>1,307,531</u>	<u>1,193,282</u>	<u>1,200,172</u>

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

iii) By period overdue

Less than 3 months	497,898	656,140	427,877	592,895
3 months to less than 6 months	189,460	179,958	166,360	159,257
6 months to less than 9 months	148,494	145,968	144,839	142,671
Over 9 months	473,495	325,465	454,206	305,349
	<u>1,309,347</u>	<u>1,307,531</u>	<u>1,193,282</u>	<u>1,200,172</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
iv) <u>By collateral type</u>				
Property	693,027	654,714	681,116	645,727
Fixed deposits	933	912	802	769
Stock and shares	66	35	66	35
Machinery	8,525	6,441	-	-
Secured - others	106,467	115,630	98,841	107,837
Unsecured - corporate and other guarantee	40,543	47,655	38,603	44,445
Unsecured - clean	459,786	482,144	373,854	401,359
	<u>1,309,347</u>	<u>1,307,531</u>	<u>1,193,282</u>	<u>1,200,172</u>

b) Movements in impairment allowance for loans, advances and financing

	Group		Bank	
	30 June	31 December	30 June	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Individual impairment allowance</u>				
Balance at 1 January	254,480	264,575	209,634	232,242
Made during the period/year	109,490	205,850	55,999	131,178
Amount written back	(55,440)	(100,676)	(38,178)	(72,026)
Amount written off	(58,358)	(113,724)	(26,630)	(80,353)
Discount unwind	(1,386)	(2,044)	(1,345)	(1,906)
Effect of foreign exchange difference	-	499	-	499
Balance at 30 June/31 December	<u>248,786</u>	<u>254,480</u>	<u>199,480</u>	<u>209,634</u>
<u>Collective impairment allowance</u>				
Balance at 1 January	533,169	508,247	473,018	467,056
Made during the period/year	66,140	24,922	28,265	5,962
Balance at 30 June/31 December	<u>599,309</u>	<u>533,169</u>	<u>501,283</u>	<u>473,018</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

b) Movements in impairment allowance for loans, advances and financing (continued)

i) By sector

<u>Group</u>	Individual impairment allowance		Individual impairment charged to profit or loss		Individual impairment written off		Collective impairment allowance	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	253	334	143	260	211	198	28,335	29,249
Mining and quarrying	-	-	-	-	-	-	4,727	7,999
Manufacturing	52,644	56,314	8,630	29,694	6,926	19,286	71,311	63,897
Electricity, gas and water	-	-	-	-	-	-	6,190	3,623
Construction	8,434	9,511	1,689	3,680	1,094	4,776	11,645	8,910
Real estate	1,552	1,561	256	1,521	-	85	63,317	66,775
Wholesale & retail trade and restaurants & hotels	44,718	45,729	23,385	34,129	14,281	28,378	73,438	62,084
Transport, storage and communication	10,655	8,059	3,604	3,230	1,066	2,674	18,040	16,308
Finance, insurance and business services	3,558	3,156	2,712	3,065	1,082	1,141	20,350	17,510
Community, social and personal services	3,387	3,875	1,388	3,526	984	245	14,455	12,364
Household								
- Purchase of residential properties	63,018	64,226	15,589	30,315	3,429	8,362	224,003	200,895
- Purchase of non-residential properties	3,327	3,633	300	1,510	399	1,266	13,993	13,596
- Others	53,747	53,885	51,311	94,000	28,513	46,359	31,635	26,017
Others	3,493	4,197	483	920	373	954	17,870	3,942
	248,786	254,480	109,490	205,850	58,358	113,724	599,309	533,169

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

b) Movements in impairment allowance for loans, advances and financing (continued)

i) By sector

	Individual impairment allowance		Individual impairment charged to profit or loss		Individual impairment written off		Collective impairment allowance	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	176	154	143	253	108	193	26,006	27,338
Mining and quarrying	-	-	-	-	-	-	3,969	6,422
Manufacturing	43,348	49,156	3,556	27,449	4,254	18,279	54,326	52,415
Electricity, gas and water	-	-	-	-	-	-	2,972	2,992
Construction	8,183	8,738	1,276	2,771	215	4,533	8,356	7,021
Real estate	1,230	1,167	256	1,110	-	85	55,272	53,774
Wholesale & retail trade and restaurants & hotels	35,691	37,644	15,086	27,235	7,630	25,831	56,487	52,891
Transport, storage and communication	8,006	6,755	1,471	2,235	544	2,665	14,741	14,248
Finance, insurance and business services	1,811	1,975	1,381	1,628	390	641	16,472	14,001
Community, social and personal services	2,692	3,186	386	2,854	191	148	10,710	10,057
Household								
- Purchase of residential properties	62,346	63,583	15,384	30,081	3,424	8,201	212,171	194,920
- Purchase of non-residential properties	3,327	3,633	300	1,510	399	1,266	13,612	13,319
- Others	29,261	29,496	16,332	33,202	9,102	17,802	21,739	20,214
Others	3,409	4,147	428	850	373	709	4,450	3,406
	199,480	209,634	55,999	131,178	26,630	80,353	501,283	473,018

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**18 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

b) Movements in impairment allowance for loans, advances and financing (continued)

ii) By geographical distribution

	Group				Bank			
	Individual impairment allowance		Collective impairment allowance		Individual impairment allowance		Collective impairment allowance	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	248,375	254,480	576,032	511,805	199,069	209,634	488,069	458,905
Singapore	298	-	2,679	1,774	298	-	2,540	1,727
Other ASEAN	-	-	2,712	777	-	-	2,712	777
Rest of the world	113	-	17,886	18,813	113	-	7,962	11,609
	248,786	254,480	599,309	533,169	199,480	209,634	501,283	473,018

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**19 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

Group	30 June 2014			31 December 2013		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forward	4,928,979	16,139	41,885	4,589,792	52,912	25,732
- Swaps	20,803,001	339,605	289,051	21,354,263	444,615	385,818
- Options	2,170,640	11,898	6,368	1,873,332	20,477	12,385
- Others	565,399	9,272	9,274	1,061,451	28,023	27,998
Interest rate derivatives						
- Swaps	36,265,674	228,231	215,132	30,220,841	224,902	224,107
- Options	1,159,373	-	2,232	1,763,793	-	5,141
- Futures	537,392	501	15	84,457	1,692	-
- Swaptions	200,000	-	985	300,000	-	1,755
- Others	25,846	428	-	42,885	727	-
Equity and other derivatives						
- Swaps	1,306,980	42,933	42,933	725,780	7,058	7,058
- Exchange traded futures	66,769	67	71	922	-	11
- Options	2,249	3	-	1,000	12	-
- Commodity futures	10,448	831	765	73,260	1,561	1,642
- Bond forward	850,000	7,180	-	1,090,000	10,303	-
- Credit linked notes	2,186,700	13,057	12,998	2,598,100	23,190	21,434
	71,079,450	670,145	621,709	65,779,876	815,472	713,081
Hedging						
Interest rate derivatives						
- Swaps	1,557,924	599	17,202	1,493,141	2,724	15,452
	72,637,374	670,744	638,911	67,273,017	818,196	728,533

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**19 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)**

Bank	30 June 2014			31 December 2013		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forward	4,943,262	16,126	41,886	4,587,987	52,902	25,702
- Swaps	20,672,863	339,605	289,051	21,355,077	444,615	385,846
- Options	2,170,640	11,898	6,368	1,873,332	20,477	12,385
- Others	565,399	9,272	9,274	1,061,451	28,023	27,998
Interest rate derivatives						
- Swaps	36,265,674	228,231	215,132	30,220,841	224,902	224,107
- Options	1,159,373	-	2,232	1,763,793	-	5,141
- Futures	537,392	501	15	84,457	1,692	-
- Swaptions	200,000	-	985	300,000	-	1,755
- Others	25,846	428	-	42,885	727	-
Equity and other derivatives						
- Swaps	1,306,980	42,933	42,933	725,780	7,058	7,058
- Exchange traded futures	66,769	67	71	922	-	11
- Options	2,249	3	-	1,000	12	-
- Commodity futures	10,448	831	765	73,260	1,561	1,642
- Bond forward	850,000	7,180	-	1,090,000	10,303	-
- Credit linked notes	2,186,700	13,057	12,998	2,598,100	23,190	21,434
	70,963,595	670,132	621,710	65,778,885	815,462	713,079
Hedging						
Interest rate derivatives						
- Swaps	1,557,924	599	17,202	1,493,141	2,724	15,452
	72,521,519	670,731	638,912	67,272,026	818,186	728,531

20 OTHER ASSETS

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Interest/Profit receivable	119,584	110,905	111,204	103,387
Amount due from subsidiary	-	-	8,814	5,409
Unquoted Islamic subordinated bond of subsidiary	-	-	200,000	200,000
Other receivables, deposits and prepayments	110,920	215,943	109,565	214,783
	230,504	326,848	429,583	523,579

The unquoted Islamic Subordinated Bond, issued by the Bank's Islamic subsidiary, OCBC Al-Amin, was subscribed by the Bank in connection with the transfer and vesting of its Islamic Banking business to OCBC Al-Amin.

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

Included in other receivables, deposits and prepayments as at 31 December 2013 are receivables arising from disposal of investment properties of RM28.7 million.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**21 DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
i) <u>By type of deposit</u>				
Demand deposits	12,025,045	10,878,995	9,762,956	8,650,041
Saving deposits	5,940,197	5,676,866	5,604,615	5,362,734
Fixed/Investment deposits	43,991,190	38,366,908	39,270,751	35,041,048
Negotiable instruments of deposit	404,651	8,724	11,163	12,484
Short-term money market deposits	2,857,485	3,687,903	1,981,427	2,970,927
Structured investments	4,592,377	4,391,810	4,389,884	4,391,810
	<u>69,810,945</u>	<u>63,011,206</u>	<u>61,020,796</u>	<u>56,429,044</u>
ii) <u>By type of customer</u>				
Government and statutory bodies	414,152	11,635	196,833	1,993
Business enterprises	24,944,470	23,889,485	20,788,944	20,498,641
Individuals	30,545,504	27,502,927	28,766,157	26,420,986
Foreign entities	2,120,875	2,066,521	2,079,916	2,032,529
Others	11,785,944	9,540,638	9,188,946	7,474,895
	<u>69,810,945</u>	<u>63,011,206</u>	<u>61,020,796</u>	<u>56,429,044</u>
iii) <u>By maturity structure</u>				
Within six months	58,184,528	51,852,481	50,427,391	46,076,438
Six months to one year	7,020,719	8,063,607	6,009,721	7,259,368
One year to three years	2,473,930	871,375	2,471,869	869,499
Three years to five years	1,276,819	1,373,743	1,276,814	1,373,739
Over five years	854,949	850,000	835,001	850,000
	<u>69,810,945</u>	<u>63,011,206</u>	<u>61,020,796</u>	<u>56,429,044</u>

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Licensed banks	11,719,315	9,470,945	11,370,149	8,922,671
Other financial institutions	123,066	152,819	123,066	152,819
	<u>11,842,381</u>	<u>9,623,764</u>	<u>11,493,215</u>	<u>9,075,490</u>

23 SUBORDINATED TERM LOAN/BONDS

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
RM200 million Redeemable Islamic Subordinated Bond 2006/2021	200,000	200,000
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
RM500 million Redeemable Subordinated Bonds 2010/2020	500,429	502,377
RM600 million Redeemable Subordinated Bonds 2012/2022	591,769	591,343
	<u>1,692,198</u>	<u>1,693,720</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**24 OTHER LIABILITIES**

	Group		Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Equity compensation benefits	9,249	9,569	9,249	9,569
Provision for commitments and contingencies	6,526	4,809	6,526	4,809
Interest/Profit payable	424,194	378,718	378,266	352,670
Other accruals and charges	314,773	390,380	269,903	346,678
Amount due to subsidiary companies	-	-	56,263	35,139
	754,742	783,476	720,207	748,865

25 NET INTEREST INCOME

Group	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	610,621	547,409	1,195,354	1,078,838
- Recoveries from impaired loans, advances and financing	13,657	12,064	28,581	35,512
- Discount unwind from impaired loans, advances and financing	748	505	1,345	844
Money at call and deposit placements with banks and other financial institutions	78,377	63,604	133,968	118,802
Financial assets held-for-trading	7,018	7,324	12,882	11,756
Financial investments available-for-sale	98,185	62,183	189,368	126,892
Others	2,770	3,181	5,706	6,157
	811,376	696,270	1,567,204	1,378,801
Interest expense				
Deposits from customers	411,602	348,121	784,150	670,432
Deposits and placements of banks and other financial institutions	39,503	16,826	69,711	33,842
Recourse obligation on loans sold to Cagamas Berhad	-	259	-	520
Subordinated term loan/bonds	20,113	19,688	39,713	39,160
Others	5,573	4,112	10,897	8,850
	476,791	389,006	904,471	752,804
Net interest income	334,585	307,264	662,733	625,997

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**25 NET INTEREST INCOME (continued)**

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Bank	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	610,621	547,551	1,195,354	1,078,980
- Recoveries from impaired loans, advances and financing	13,657	12,064	28,581	35,512
- Discount unwind from impaired loans, advances and financing	748	505	1,345	844
Money at call and deposit placements with banks and other financial institutions	89,238	69,830	154,177	133,191
Financial assets held-for-trading	7,018	7,324	12,882	11,756
Financial investments available-for-sale	98,837	62,916	190,820	128,237
Unquoted Islamic subordinated bond of subsidiary	2,717	2,717	5,405	5,405
Others	2,770	3,181	5,706	6,157
	<u>825,606</u>	<u>706,088</u>	<u>1,594,270</u>	<u>1,400,082</u>
Interest expense				
Deposits from customers	411,602	348,121	784,150	670,432
Deposits and placements of banks and other financial institutions	45,241	19,446	79,207	39,209
Recourse obligation on loans sold to Cagamas Berhad	-	259	-	520
Subordinated term loan/bonds	20,113	19,688	39,713	39,160
Others	5,573	4,112	10,897	8,850
	<u>482,529</u>	<u>391,626</u>	<u>913,967</u>	<u>758,171</u>
Net interest income	<u>343,077</u>	<u>314,462</u>	<u>680,303</u>	<u>641,911</u>

26 INCOME FROM ISLAMIC BANKING OPERATIONS

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Group	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Income derived from investment of depositors' funds and others	144,743	106,742	282,549	207,774
Income derived from investment of shareholder's funds	22,123	18,505	38,924	33,808
Income attributable to depositors	(57,251)	(36,668)	(106,014)	(69,775)
	<u>109,615</u>	<u>88,579</u>	<u>215,459</u>	<u>171,807</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**27 NET FEE AND COMMISSION INCOME**

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Commission	27,789	26,148	56,836	50,402
Service charges and fees	30,707	39,179	67,755	65,630
Guarantee fees	8,913	7,997	16,984	14,655
Other fee income	2,562	2,385	5,113	5,301
	69,971	75,709	146,688	135,988

28 NET TRADING INCOME

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Foreign exchange (loss)/gain	(2,663)	(44,774)	11,465	(33,778)
Realised gain on financial assets held-for-trading	10,285	15,019	13,917	19,106
Realised gain on trading derivatives	64,420	86,895	104,684	23,933
Unrealised (loss)/gain on financial assets held-for-trading	(2,068)	287	2,656	744
Unrealised (loss)/gain on trading derivatives	(26,154)	12,764	(50,723)	95,758
	43,820	70,191	81,999	105,763

29 OTHER OPERATING INCOME

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Unrealised loss on hedging derivatives	(168)	(365)	(381)	(180)
Gross dividends from financial investments available-for-sale				
- Malaysia	-	337	450	337
- Outside Malaysia	-	37	-	73
Gross dividends from financial assets held-for-trading				
- Malaysia	191	114	232	123
Rental of premises	1,469	1,610	3,314	3,454
Rental of safe deposit box	1,509	1,187	2,852	2,402
Gain/(Loss) from disposal of:				
- Investment properties	14,171	1,258	14,171	1,258
- Property, plant and equipment	(26)	(1,502)	(114)	(275)
Realised (loss)/gain on disposal of financial investments available-for-sale	(10,792)	22,471	(9,705)	25,163
Others	813	1,296	1,733	2,244
	7,167	26,443	12,552	34,599

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**29 OTHER OPERATING INCOME (continued)**

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Bank	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Unrealised loss on hedging derivatives	(168)	(365)	(381)	(180)
Gross dividends from financial investments available-for-sale				
- Malaysia	-	337	450	337
- Outside Malaysia	-	37	-	73
Gross dividends from financial assets held-for-trading				
- Malaysia	191	114	232	123
Rental of premises	1,487	1,622	3,346	3,476
Rental of safe deposit box	1,509	1,187	2,852	2,402
Gain/(Loss) from disposal of:				
- Investment properties	14,171	1,258	14,171	1,258
- Property, plant and equipment	(26)	(1,502)	(114)	(275)
Realised (loss)/gain on disposal of financial investments available-for-sale	(10,792)	22,472	(9,705)	25,163
Shared services income received from subsidiary	27,417	17,619	50,421	33,691
Others	895	1,296	1,815	2,244
	34,684	44,075	63,087	68,312

30 OPERATING EXPENSES

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Group	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Personnel expenses	107,653	110,779	213,223	210,833
Establishment expenses	24,450	25,452	45,751	48,338
Marketing expenses	11,281	8,526	19,970	14,453
General administrative expenses	88,459	73,767	169,142	145,808
	231,843	218,524	448,086	419,432
Bank				
Personnel expenses	99,269	107,744	196,533	200,883
Establishment expenses	22,451	23,291	41,861	44,086
Marketing expenses	9,915	7,976	18,219	13,975
General administrative expenses	82,086	68,704	156,760	135,487
	213,721	207,715	413,373	394,431

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

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 June</u> <u>2014</u> <u>RM'000</u>	<u>30 June</u> <u>2013</u> <u>RM'000</u> <u>Restated</u>	<u>30 June</u> <u>2014</u> <u>RM'000</u>	<u>30 June</u> <u>2013</u> <u>RM'000</u> <u>Restated</u>
<u>Personnel expenses</u>				
Wages, salaries and bonus	83,567	89,673	167,803	171,381
Employees Provident Fund Contributions	13,306	13,149	26,604	26,169
Share-based expenses	1,844	(200)	3,646	1,781
Others	8,936	8,157	15,170	11,502
	<u>107,653</u>	<u>110,779</u>	<u>213,223</u>	<u>210,833</u>
<u>Establishment expenses</u>				
Depreciation of property, plant and equipment	11,674	13,090	23,488	25,851
Rental of premises	4,173	4,029	8,135	8,182
Repair and maintenance	1,956	2,144	3,640	3,328
Information technology costs	835	812	1,936	1,116
Hire of equipment	252	451	472	648
Depreciation of investment properties	44	43	91	86
Amortisation of prepaid lease payments	9	9	18	18
Others	5,507	4,874	7,971	9,109
	<u>24,450</u>	<u>25,452</u>	<u>45,751</u>	<u>48,338</u>
<u>Marketing expenses</u>				
Advertisement and business promotion	9,190	6,571	15,800	10,900
Transport and travelling	1,601	1,595	2,892	2,769
Others	490	360	1,278	784
	<u>11,281</u>	<u>8,526</u>	<u>19,970</u>	<u>14,453</u>
<u>General administrative expenses</u>				
Intercompany expenses	69,606	54,843	134,434	111,012
Others	18,853	18,924	34,708	34,796
	<u>88,459</u>	<u>73,767</u>	<u>169,142</u>	<u>145,808</u>

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

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
<u>Personnel expenses</u>				
Wages, salaries and bonus	76,988	87,503	154,521	163,380
Employees Provident Fund Contributions	12,227	12,876	24,440	24,962
Share-based expenses	1,776	(187)	3,534	1,739
Others	8,278	7,552	14,038	10,802
	<u>99,269</u>	<u>107,744</u>	<u>196,533</u>	<u>200,883</u>
<u>Establishment expenses</u>				
Depreciation of property, plant and equipment	11,065	12,169	22,182	24,048
Rental of premises	3,599	3,329	6,984	6,798
Repair and maintenance	1,786	2,019	3,390	3,124
Information technology costs	805	809	1,888	1,127
Hire of equipment	252	451	472	648
Depreciation of investment properties	44	43	91	86
Amortisation of prepaid lease payments	9	9	18	18
Others	4,891	4,462	6,836	8,237
	<u>22,451</u>	<u>23,291</u>	<u>41,861</u>	<u>44,086</u>
<u>Marketing expenses</u>				
Advertisement and business promotion	8,085	6,215	14,517	10,762
Transport and travelling	1,357	1,423	2,460	2,467
Others	473	338	1,242	746
	<u>9,915</u>	<u>7,976</u>	<u>18,219</u>	<u>13,975</u>
<u>General administrative expenses</u>				
Intercompany expenses	63,796	50,504	123,156	102,106
Others	18,290	18,200	33,604	33,381
	<u>82,086</u>	<u>68,704</u>	<u>156,760</u>	<u>135,487</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**31 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING**

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Group	RM'000	RM'000	RM'000	RM'000
Impairment allowance on loan, advances and financing				
Individual impairment allowance				
- Made during the period	56,456	47,173	109,490	87,689
- Written back	(27,242)	(20,395)	(55,440)	(46,371)
Collective impairment allowance				
- Made during the period	31,641	15,860	66,140	29,732
Impaired loans, advances and financing				
- Recovered during the period	(9,814)	(12,587)	(19,639)	(47,901)
Others	9	64	21	95
	<u>51,050</u>	<u>30,115</u>	<u>100,572</u>	<u>23,244</u>
Bank				
Impairment allowance on loan, advances and financing				
Individual impairment allowance				
- Made during the period	28,008	30,096	55,999	54,406
- Written back	(18,002)	(13,114)	(38,178)	(32,863)
Collective impairment allowance				
- Made during the period	10,055	8,490	28,265	22,362
Impaired loans, advances and financing				
- Recovered during the period	(7,210)	(10,426)	(14,582)	(43,546)
Others	9	64	21	95
	<u>12,860</u>	<u>15,110</u>	<u>31,525</u>	<u>454</u>

32 INCOME TAX EXPENSE

	Quarter ended		Year to date ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current period	68,835	84,152	128,914	153,760
- Prior years	(2,062)	-	(2,062)	-
Deferred tax				
- Origination and reversal of temporary differences	(2,018)	(5,082)	9,019	2,779
	<u>64,755</u>	<u>79,070</u>	<u>135,871</u>	<u>156,539</u>
Bank				
Malaysian income tax				
- Current period	65,553	75,809	120,927	138,511
- Prior years	(2,062)	-	(2,062)	-
Deferred tax				
- Origination and reversal of temporary differences	(1,984)	(4,269)	8,289	2,772
	<u>61,507</u>	<u>71,540</u>	<u>127,154</u>	<u>141,283</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**33 CAPITAL COMMITMENTS**

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Capital expenditure in respect of property, plant and equipment				
- Authorised and contracted for	11,409	20,486	11,388	19,778
- Authorised but not contracted for	37,496	48,087	37,496	39,097
	<u>48,905</u>	<u>68,573</u>	<u>48,884</u>	<u>58,875</u>

34 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for commitments and contingencies already made in the unaudited condensed interim financial statements, no material losses are anticipated as a result of these transactions.

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

Group	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
30 June 2014				
Direct credit substitutes	949,578		949,578	740,407
Transaction-related contingent items	1,803,268		901,634	637,541
Short-term self-liquidating trade-related contingencies	593,945		118,789	48,593
Commitments with certain drawdowns	66,952		66,952	17,321
Foreign exchange related contracts				
- Less than one year	20,297,962	112,608	391,980	50,228
- One year to less than five years	5,598,403	212,510	767,811	311,060
- Five years and above	1,356,206	43,715	300,180	224,730
Interest rate contracts				
- Less than one year	8,960,632	4,436	19,974	2,537
- One year to less than five years	24,893,720	69,863	678,761	232,533
- Five years and above	2,500,539	20,377	191,379	89,908
Credit derivative contracts	958,350	11,033	78,950	17,097
Equity and commodity related contracts	659,022	4,308	70,120	7,510
Formal standby facilities and credit lines				
- Maturity not exceeding one year	21,993		21,993	8,385
- Maturity exceeding one year	5,840,808		5,352,775	887,812
Other unconditionally cancellable commitments	16,387,573		2,031,542	471,771
Total	<u>90,888,951</u>	<u>478,850</u>	<u>11,942,418</u>	<u>3,747,433</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**34 COMMITMENTS AND CONTINGENCIES (continued)**

Group	Principal amount	Positive fair value of derivative contracts	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000
31 December 2013				
Direct credit substitutes	982,350		982,350	761,856
Transaction-related contingent items	1,882,814		941,407	670,805
Short-term self-liquidating trade-related contingencies	582,864		116,573	59,588
Commitments with certain drawdowns	-	-	-	-
Foreign exchange related contracts				
- Less than one year	19,668,042	180,548	463,469	126,183
- One year to less than five years	5,996,485	292,303	867,425	387,360
- Five years and above	1,546,402	73,651	361,752	248,990
Interest rate contracts				
- Less than one year	7,587,913	3,997	15,273	3,411
- One year to less than five years	19,062,504	69,818	530,479	246,260
- Five years and above	2,431,310	36,633	206,115	154,141
Credit derivative contracts	1,044,050	15,855	98,292	67,499
Equity and commodity related contracts	398,551	2,827	41,254	6,455
Formal standby facilities and credit lines				
- Maturity not exceeding one year	19,499		19,499	6,161
- Maturity exceeding one year	5,230,602		4,870,726	812,658
Other unconditionally cancellable commitments	16,689,869		1,974,074	473,255
Total	83,123,255	675,632	11,488,688	4,024,622
Bank				
30 June 2014				
Direct credit substitutes	908,877		908,877	699,309
Transaction-related contingent items	1,575,417		787,709	539,665
Short-term self-liquidating trade-related contingencies	569,401		113,880	45,754
Commitments with certain drawdowns	56,952	-	56,952	13,206
Foreign exchange related contracts				
- Less than one year	20,164,410	110,836	390,177	50,138
- One year to less than five years	5,598,403	212,510	767,811	311,060
- Five years and above	1,356,206	43,715	300,180	224,730
Interest rate contracts				
- Less than one year	8,960,632	4,436	19,974	2,537
- One year to less than five years	24,893,720	69,863	678,761	232,533
- Five years and above	2,500,539	20,377	191,379	89,908
Credit derivative contracts	958,350	11,033	78,950	17,097
Equity and commodity related contracts	659,022	4,308	70,121	7,510
Formal standby facilities and credit lines				
- Maturity not exceeding one year	18,286		18,286	5,283
- Maturity exceeding one year	5,349,558		4,933,259	779,248
Other unconditionally cancellable commitments	15,569,690		2,028,803	469,668
Total	89,139,463	477,078	11,345,119	3,487,646

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**34 COMMITMENTS AND CONTINGENCIES (continued)**

Bank	Principal amount	Positive fair value of derivative contracts	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000
31 December 2013				
Direct credit substitutes	937,864		937,864	714,073
Transaction-related contingent items	1,692,148		846,074	593,809
Short-term self-liquidating trade-related contingencies	529,412		105,882	53,466
Commitments with certain drawdowns	-	-	-	-
Foreign exchange related contracts				
- Less than one year	19,661,953	180,510	463,413	126,173
- One year to less than five years	5,996,485	292,303	867,425	387,360
- Five years and above	1,546,402	73,651	361,752	248,990
Interest rate contracts				
- Less than one year	7,587,913	3,997	15,273	3,411
- One year to less than five years	19,062,504	69,818	530,479	246,260
- Five years and above	2,431,310	36,633	206,115	154,141
Credit derivative contracts	1,044,050	15,855	98,292	67,499
Equity and commodity related contracts	398,552	2,827	41,255	6,454
Formal standby facilities and credit lines				
- Maturity not exceeding one year	17,579		17,579	5,125
- Maturity exceeding one year	4,847,169		4,544,116	724,281
Other unconditionally cancellable commitments	15,848,062		1,971,165	471,630
Total	81,601,403	675,594	11,006,684	3,802,672

35 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

The following disclosure is made pursuant to BNM's Guidelines on Credit Transactions and Exposure with Connected Parties:

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Aggregate value of outstanding credit exposure to connected parties[^]:				
Credit facility and leasing (except guarantee)	422,347	511,282	419,888	506,843
Commitments and contingencies*	2,536,520	4,427,642	3,075,963	4,854,522
	2,958,867	4,938,924	3,495,851	5,361,365
Percentage of outstanding credit exposures to connected parties:				
As a proportion of total credit exposures	3.88%	6.89%	5.23%	8.41%
Impaired or in default	0.00%	0.00%	0.00%	0.00%

[^] Comprises total outstanding balance and unutilised limit.

* Commitments and contingencies transactions that give rise to credit and/or counterparty risk.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**36 CREDIT RISKS**

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

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Cash and cash equivalents	12,324,198	8,926,484	11,823,806	9,102,977
Deposits and placements with banks and other financial institutions	2,090,900	1,849,809	2,795,299	2,716,940
Financial assets held-for trading	704,894	354,973	704,894	354,973
Financial investments available-for-sale	12,538,237	11,659,602	10,578,990	9,679,773
Loans, advances and financing	60,634,625	56,486,520	52,416,462	49,618,569
Derivative financial assets	670,744	818,196	670,731	818,186
Other assets	230,504	326,848	429,583	523,579
Contingent liabilities and commitments	46,589,785	38,823,906	45,791,732	38,149,949
	135,783,887	119,246,338	125,211,497	110,964,946

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 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 30 June 2014 and 31 December 2013, there were no assets repossessed by the Group and the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

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

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Fair value of collateral held against the covered portion of loans, financing and advances	1,252,360	1,199,119	1,215,496	1,169,414
Covered portion of loans, advances and financing	821,362	778,851	793,110	755,234
Uncovered portion of loans, advances and financing	487,985	528,680	400,172	444,938
	1,309,347	1,307,531	1,193,282	1,200,172

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**36 CREDIT RISKS (continued)****Credit quality**

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

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

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

(a) Credit quality of loans, advances and financing

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Neither past due nor impaired	57,503,227	53,998,989	49,494,668	47,294,553
Past due loans	2,705,493	2,039,379	2,558,287	1,932,509
- Unimpaired	1,822,051	1,180,000	1,728,512	1,123,844
- Impaired	883,442	859,379	829,775	808,665
Impaired but not past due	425,905	448,152	363,507	391,507
Gross loans, advances and financing	<u>60,634,625</u>	<u>56,486,520</u>	<u>52,416,462</u>	<u>49,618,569</u>

Neither past due nor impaired

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
(i) By internal grading				
Pass	56,434,166	53,125,799	48,732,567	46,659,687
Special Mention	1,069,061	873,190	762,101	634,866
	<u>57,503,227</u>	<u>53,998,989</u>	<u>49,494,668</u>	<u>47,294,553</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**36 CREDIT RISKS (continued)****Credit quality (continued)**

(a) Credit quality of loans, advances and financing

Past due but not impaired

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
(i) <u>By period overdue</u>				
Less than 2 months	1,774,714	1,151,054	1,681,175	1,094,898
2 months to less than 3 months	47,337	28,946	47,337	28,946
	<u>1,822,051</u>	<u>1,180,000</u>	<u>1,728,512</u>	<u>1,123,844</u>
(ii) <u>By geographical distribution</u>				
Malaysia	1,781,126	1,160,072	1,687,587	1,103,916
Singapore	8,883	13,075	8,883	13,075
Rest of the world	32,042	6,853	32,042	6,853
	<u>1,822,051</u>	<u>1,180,000</u>	<u>1,728,512</u>	<u>1,123,844</u>
(iii) <u>By sector</u>				
Agriculture, hunting, forestry and fishing	2,322	904	2,003	904
Mining and quarrying	1,020	225	124	225
Manufacturing	57,258	38,992	40,992	24,258
Construction	9,726	4,548	7,787	4,040
Real estate	22,271	69,499	22,271	69,499
Wholesale & retail trade and restaurants & hotels	70,571	68,569	54,764	59,483
Transport, storage and communication	12,844	10,235	8,090	7,753
Finance, insurance and business services	22,518	10,904	14,374	9,003
Community, social and personal services	9,740	9,574	9,740	9,574
Household				
- Purchase of residential properties	981,669	860,997	972,888	857,061
- Purchase on non-residential properties	57,624	40,137	57,624	40,137
- Others	569,302	61,660	537,780	39,789
Others	5,186	3,756	75	2,118
	<u>1,822,051</u>	<u>1,180,000</u>	<u>1,728,512</u>	<u>1,123,844</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**36 CREDIT RISKS (continued)****Credit quality (continued)**

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

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

	Group and Bank	
	30 June 2014 RM'000	31 December 2013 RM'000
(i) <u>By issuer</u>		
Government and Central Bank	576,599	324,926
Banks	10,439	9,863
Other financial institutions	1,735	27
Corporates	116,121	20,157
	<u>704,894</u>	<u>354,973</u>
(ii) <u>By geography</u>		
Malaysia	704,436	354,650
Singapore	-	261
Other ASEAN	168	-
Rest of the world	290	62
	<u>704,894</u>	<u>354,973</u>
(iii) <u>By credit rating</u>		
Government and Central Bank (unrated)	317,673	88,289
Government (A)	258,926	236,637
Investment grade (AAA to BBB)	36,860	17,832
Unrated	91,435	12,215
	<u>704,894</u>	<u>354,973</u>
(iv) <u>By industry</u>		
Agriculture, hunting, forestry and fishing	52,059	117
Manufacturing	15,998	4,942
Electricity, gas and water	1,449	6,935
Construction	29,585	-
Real estate	1,578	7
Wholesale & retail trade and restaurants & hotels	775	6,453
Transport, storage and communication	2,691	1,441
Finance, insurance and business services	24,438	78,964
Education, health and others	-	15
Others	576,321	256,099
	<u>704,894</u>	<u>354,973</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**36 CREDIT RISKS (continued)****Credit quality (continued)**

(b) Credit quality of financial assets held-for-trading (continued)

	<u>Group and Bank</u>	
	<u>30 June</u>	<u>31 December</u>
	<u>2014</u>	<u>2013</u>
	<u>RM'000</u>	<u>RM'000</u>
(v) <u>By residual contractual maturity</u>		
Within one year	144,564	100,504
One to five years	101,749	179,600
Over five years	458,581	74,869
	<u>704,894</u>	<u>354,973</u>

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

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

	<u>Group</u>		<u>Bank</u>	
	<u>30 June</u>	<u>31 December</u>	<u>30 June</u>	<u>31 December</u>
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
(i) <u>By issuer</u>				
Government and Central Bank	6,383,215	6,060,574	4,900,836	4,694,517
Foreign government	433,220	397,504	403,378	347,866
Banks	3,304,421	2,490,722	3,263,518	2,398,671
Other financial institutions	96,722	126,655	96,722	126,655
Corporates	2,320,469	2,583,957	1,914,346	2,111,874
Others	190	190	190	190
	<u>12,538,237</u>	<u>11,659,602</u>	<u>10,578,990</u>	<u>9,679,773</u>
(ii) <u>By geography</u>				
Malaysia	11,405,698	10,662,009	9,476,293	8,731,818
Singapore	17,239	3,579	17,239	3,579
Other ASEAN	80,350	80,654	50,527	31,016
Rest of the world	1,034,950	913,360	1,034,931	913,360
	<u>12,538,237</u>	<u>11,659,602</u>	<u>10,578,990</u>	<u>9,679,773</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**36 CREDIT RISKS (continued)****Credit quality (continued)**

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

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2014 RM'000</u>	<u>31 December 2013 RM'000</u>	<u>30 June 2014 RM'000</u>	<u>31 December 2013 RM'000</u>
(iii) <u>By credit rating</u>				
Government and Central Bank (unrated)	731,545	452,078	582,647	432,093
Government (A)	5,651,670	5,608,496	4,318,189	4,262,424
Foreign government (BBB to BB)	61,698	47,409	31,875	47,409
Foreign government (unrated)	371,522	350,095	371,503	300,457
Investment grade (AAA to BBB)	2,360,421	2,349,828	2,064,842	2,046,185
Unrated	3,361,381	2,851,696	3,209,934	2,591,205
	<u>12,538,237</u>	<u>11,659,602</u>	<u>10,578,990</u>	<u>9,679,773</u>
(iv) <u>By industry</u>				
Agriculture, hunting, forestry and fishing	219,693	115,393	172,038	96,271
Mining and quarrying	76,106	97,467	76,106	97,467
Manufacturing	319,977	580,172	319,977	510,000
Electricity, gas and water	95,452	36,979	95,452	36,979
Construction	20,066	-	20,066	-
Real estate	6	-	6	-
Wholesale & retail trade and restaurants & hotels	100,760	102,163	100,760	102,163
Transport, storage and communication	190,233	160,779	190,233	150,770
Finance, insurance and business services	4,874,981	3,801,235	4,749,575	3,584,404
Education, health and others	371,497	337,305	371,497	337,305
Others	6,269,465	6,428,109	4,483,280	4,764,414
	<u>12,538,236</u>	<u>11,659,602</u>	<u>10,578,990</u>	<u>9,679,773</u>
(v) <u>By residual contractual maturity</u>				
Within one year	4,335,554	3,802,823	3,663,864	3,096,497
One to five years	5,424,016	5,306,714	4,202,875	4,101,470
Over five years	2,778,668	2,550,065	2,712,251	2,481,806
	<u>12,538,238</u>	<u>11,659,602</u>	<u>10,578,990</u>	<u>9,679,773</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**36 CREDIT RISKS (continued)****Credit quality (continued)**

(d) Credit quality of derivative assets

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2014 RM'000</u>	<u>31 December 2013 RM'000</u>	<u>30 June 2014 RM'000</u>	<u>31 December 2013 RM'000</u>
(i) <u>By counterparty</u>				
Banks	382,479	464,027	382,500	464,033
Other financial institutions	102,901	121,591	102,901	121,591
Corporates	85,093	121,963	85,059	121,947
Individuals	100,255	65,189	100,255	65,189
Others	16	45,426	16	45,426
	<u>670,744</u>	<u>818,196</u>	<u>670,731</u>	<u>818,186</u>
(ii) <u>By geography</u>				
Malaysia	654,388	806,364	654,375	806,354
Singapore	12,871	9,358	12,871	9,358
Other ASEAN countries	602	382	602	382
Rest of the world	2,883	2,092	2,883	2,092
	<u>670,744</u>	<u>818,196</u>	<u>670,731</u>	<u>818,186</u>
(iii) <u>By industry</u>				
Agriculture, hunting, forestry and fishing	26,380	37,961	26,380	37,961
Manufacturing	16,151	46,942	16,150	46,930
Construction	11,911	4,494	11,911	4,494
Wholesale & retail trade and restaurants & hotels	4,316	9,601	4,316	9,601
Transport, storage and communication	23,041	15,868	23,036	15,864
Finance, insurance and business services	511,102	601,681	511,095	601,687
Others	77,843	101,649	77,843	101,649
	<u>670,744</u>	<u>818,196</u>	<u>670,731</u>	<u>818,186</u>
(iv) <u>By residual contractual maturity</u>				
Within one year	183,663	222,881	183,650	222,871
One to five years	341,060	394,301	341,060	394,301
Over five years	146,021	201,014	146,021	201,014
	<u>670,744</u>	<u>818,196</u>	<u>670,731</u>	<u>818,186</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**36 CREDIT RISKS (continued)****Credit quality (continued)**

(e) Credit quality of contingent liabilities and commitments

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
(i) <u>By counterparty</u>				
Banks	33,878,503	28,209,318	33,894,043	28,202,892
Other financial institutions	285,705	196,309	285,469	196,073
Corporates	4,509,328	3,769,599	4,168,115	3,616,852
Small medium enterprises	942,532	891,732	809,569	757,574
Individuals	6,668,584	5,239,068	6,351,261	4,858,675
Others	305,133	517,880	283,275	517,883
	46,589,785	38,823,906	45,791,732	38,149,949
(ii) <u>By geography</u>				
Malaysia	43,882,557	36,526,341	43,084,713	35,852,609
Singapore	2,428,610	2,043,744	2,428,401	2,043,519
Other ASEAN countries	167,974	194,933	167,974	194,933
Rest of the world	110,644	58,888	110,644	58,888
	46,589,785	38,823,906	45,791,732	38,149,949
(iii) <u>By industry</u>				
Agriculture, hunting, forestry and fishing	145,712	498,062	141,701	496,618
Mining and quarrying	725,109	758,855	725,109	757,525
Manufacturing	732,565	829,381	628,440	679,699
Electricity, gas and water	334,059	251,736	324,059	251,736
Construction	900,487	747,741	756,480	651,852
Real estate	308,580	315,484	280,439	315,170
Wholesale & retail trade and restaurants & hotels	589,462	518,026	516,343	460,035
Transport, storage and communication	601,550	569,483	566,503	561,810
Finance, insurance and business services	35,415,817	29,588,089	35,415,496	29,583,089
Household and others	6,836,444	4,747,049	6,437,162	4,392,415
	46,589,785	38,823,906	45,791,732	38,149,949
(iv) <u>By residual contractual maturity</u>				
Within one year	11,460,514	9,656,738	11,308,037	9,496,472
One to five years	26,857,091	21,615,640	26,702,774	21,445,694
Over five years	8,272,180	7,551,528	7,780,921	7,207,783
	46,589,785	38,823,906	45,791,732	38,149,949

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)

37 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

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

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

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

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

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

A) Fair value measurement

i) Financial assets and financial liabilities

a) Short term financial instruments

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

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)

37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

A) Fair value measurement (continued)

i) Financial assets and financial liabilities (continued)

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

The fair value of financial assets that are actively traded is determined by quoted bid prices. For non-actively traded financial investments, independent broker quotations are obtained or valuation techniques are used to fair value the financial investments.

d) Loans, advances and financing

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

e) Deposits from customers

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

f) Bills and acceptances payable

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

g) Subordinated term loan / bonds

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

ii) Off-statement of financial position financial instruments

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy of financial assets and liabilities (continued)**

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

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
30 June 2014				
Financial assets at fair value				
Held-for-trading	588,496	116,398	-	704,894
Available-for-sale	8,547,316	3,882,363	108,546	12,538,225
Derivative assets	1,420	651,617	17,707	670,744
	<u>9,137,232</u>	<u>4,650,378</u>	<u>126,253</u>	<u>13,913,863</u>
Financial liabilities at fair value				
Derivative liabilities	<u>1,271</u>	<u>616,779</u>	<u>20,861</u>	<u>638,911</u>
31 December 2013				
Financial assets at fair value				
Held-for-trading	337,218	17,755	-	354,973
Available-for-sale	7,683,970	3,867,074	108,546	11,659,590
Derivative assets	2,831	774,133	41,232	818,196
	<u>8,024,019</u>	<u>4,658,962</u>	<u>149,778</u>	<u>12,832,759</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,632</u>	<u>679,542</u>	<u>46,359</u>	<u>728,533</u>
Bank				
30 June 2014				
Financial assets at fair value				
Held-for-trading	588,496	116,398	-	704,894
Available-for-sale	6,877,173	3,593,259	108,546	10,578,978
Derivative assets	1,437	651,587	17,707	670,731
	<u>7,467,106</u>	<u>4,361,244</u>	<u>126,253</u>	<u>11,954,603</u>
Financial liabilities at fair value				
Derivative liabilities	<u>1,272</u>	<u>616,779</u>	<u>20,861</u>	<u>638,912</u>
31 December 2013				
Financial assets at fair value				
Held-for-trading	337,218	17,755	-	354,973
Available-for-sale	6,137,360	3,433,855	108,546	9,679,761
Derivative assets	2,833	774,121	41,232	818,186
	<u>6,477,411</u>	<u>4,225,731</u>	<u>149,778</u>	<u>10,852,920</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,632</u>	<u>679,540</u>	<u>46,359</u>	<u>728,531</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy of financial assets and liabilities (continued)**

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

	Group and Bank		
	Held for Trading RM'000	Available for-sale RM'000	Total RM'000
30 June 2014			
Financial assets at fair value			
At 1 January	41,232	108,546	149,778
Purchases	17	-	17
Settlements/disposals	(12)	-	(12)
Recognised in profit or loss			
- Realised loss	(15,095)	-	(15,095)
- Unrealised loss	(8,435)	-	(8,435)
At 30 June	<u>17,707</u>	<u>108,546</u>	<u>126,253</u>
Financial liabilities at fair value			
At 1 January	46,359	-	46,359
Issues	1,175	-	1,175
Reclassified to other liabilities	(3,595)	-	(3,595)
Recognised in profit or loss			
- Realised loss	(13,087)	-	(13,087)
- Unrealised loss	(9,991)	-	(9,991)
At 30 June	<u>20,861</u>	<u>-</u>	<u>20,861</u>
31 December 2013			
Financial assets at fair value			
At 1 January	103,177	108,546	211,723
Purchases	12	-	12
Settlements/disposals	(51,515)	-	(51,515)
Recognised in profit or loss			
- Realised loss	(14,295)	-	(14,295)
- Unrealised gain	3,853	-	3,853
At 31 December	<u>41,232</u>	<u>108,546</u>	<u>149,778</u>
Financial liabilities at fair value			
At 1 January	86,182	-	86,182
Issues	1,675	-	1,675
Reclassified to other liabilities	(55,115)	-	(55,115)
Recognised in profit or loss			
- Realised gain	12,106	-	12,106
- Unrealised gain	1,511	-	1,511
At 31 December	<u>46,359</u>	<u>-</u>	<u>46,359</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy of financial assets and liabilities (continued)****Policy on transfer between levels**

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Level 1 fair value

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.

Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.

Transfer between Level 1 and 2 fair values

During the period, financial investments held-for-trading and financial investments available-for-sale with a carrying amount of RM1,646,000 (31 December 2013: NIL) and RM300,365,000 (31 December 2013: RM44,368,000) respectively were transferred from Level 2 to Level 1 because active market price is available.

During the period, financial investments available-for-sale with a carrying amount of RM48,010,000 (31 December 2013: NIL) were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities became no longer regularly available.

Level 3 fair value

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Valuation techniques and unobservable parameters for Level 3 financial assets and liabilities

Group and Bank	30 June	31 December	Classification	Valuation technique	Unobservable input
	2014	2013			
	Fair value	Fair value			
	RM'000	RM'000			
Assets					
Derivative assets	17,707	41,232	Hedge for trading	Option pricing model	Standard deviation
Liabilities					
Derivative liabilities	20,861	46,359	Hedge for trading	Option pricing model	Standard deviation

Management considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**37 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy of financial assets and liabilities (continued)****Valuation control framework**

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management (“MRM”) function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Treasury Financial Control – Valuation Control function within the Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation related policies are reviewed annually by the MRM and Finance functions. Any material change to the framework requires the approval of the Chief Executive Officer and concurrence from the Board Risk Management Committee. Group Internal Audit provides independent assurance on the respective divisions’ compliance with the policy.

(C) Fair value of financial assets and liabilities not carried at fair value

The table below is a comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not measured at fair value. The table does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

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

	Group		Bank	
	Carrying amount RM'000	Fair value (Level 3) RM'000	Carrying amount RM'000	Fair value (Level 3) RM'000
30 June 2014				
Financial assets				
Loans, advances and financing	<u>59,786,530</u>	<u>59,856,631</u>	<u>51,715,699</u>	<u>51,716,550</u>
31 December 2013				
Financial assets				
Loans, advances and financing	<u>55,698,871</u>	<u>55,783,734</u>	<u>48,935,917</u>	<u>48,936,533</u>

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)

38 SEGMENT INFORMATION

Operating Segment

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the 'management approach', which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance. The Group's businesses are organised into the following four segments based on the types of products and services that it provides:

(i) Business Banking

Business Banking has 3 principal customer segments namely Large Corporate, Commercial Banking and Emerging Business structured along its customer base. Business Banking also serves financial institutions referencing to banks and non-bank financial institutions, including international financial institutions, for which OCBC Malaysia provides correspondent banking services, payments and trade-related services.

(ii) Consumer Financial Services

Consumer Financial Services is responsible for individual customers, who are broadly categorised under the mass market, mass affluent and premier banking segments. Consumer Financial Services offers an array of consumer products and services, including savings and fixed deposits, checking and savings accounts, consumer loans such as housing loans and other personal loans, unit trusts, bancassurance products, structured investments and credit cards.

(iii) Treasury

Global Treasury offers treasury financial solutions to customers with products ranging from foreign exchange ("FX") spot and forwards to currency options as well as liabilities hedging tools using interest rate swaps and interest rate options. Global Treasury also offers both conventional and Islamic structured investments, denominated in Ringgit Malaysia as well as foreign currencies that build on, amongst others, interest rates, FX, equities and its indices, and commodities.

Global Treasury manages the gapping and investment book of OCBC Malaysia, execution of Asset Liability Management Committee ("ALCO") decisions, compliance of liquidity requirements and facilitates money market operations.

(iv) Others

The other segments include property-related activities and income/expenses not attributable to other operating segments.

Measurement and Evaluation of Segment Performance

The Board evaluates operating segments' performance on the basis of revenue, profit, cost-to-income ratio, loans and deposits growth and asset quality. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. Funds allocated between segments and inter-segment funding cost transfers are reflected in net interest income. In addition to the operating segments, the segment information disclosed also includes internal service providers (head office), which operate a non-profit basis, and inter-segment eliminations.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**38 SEGMENT INFORMATION (continued)****Major Customers**

Revenues from no single customer amounted to greater than 10% of the Group's revenues for the current financial year (2013: Nil).

Geographical Segment

The financial information by geographical segment is not presented as the Group's activities are principally conducted in Malaysia.

Group	Consumer				Total RM'000
	Business Banking RM'000	Financial Services RM'000	Global Treasury RM'000	Others RM'000	
30 June 2014					
Net interest/finance income	471,337	239,624	86,688	59,394	857,043
Non Interest/finance income	61,978	56,890	115,559	27,961	262,388
Operating income	533,315	296,514	202,247	87,355	1,119,431
Operating expenses	(171,937)	(237,039)	(38,934)	(176)	(448,086)
Operating profit before impairment allowance and provision	361,378	59,475	163,313	87,179	671,345
(Impairment)/Write back of allowances and provision for commitments and contingencies	(48,186)	(54,098)	-	422	(101,862)
Profit before income tax expense and zakat	313,192	5,377	163,313	87,601	569,483
Income tax expense and zakat	(78,245)	(1,344)	(40,828)	(15,472)	(135,889)
Profit for the period	234,947	4,033	122,485	72,129	433,594
Gross loans, advances and financing	35,238,391	25,307,732	-	88,502	60,634,625
Deposits from customers	36,134,531	29,076,845	4,599,569	-	69,810,945
Gross impaired loans, advances and financing	1,013,654	295,693	-	-	1,309,347
30 June 2013					
Net interest/finance income	426,655	233,575	70,769	41,336	772,335
Non Interest/finance income	64,844	66,470	147,835	22,670	301,819
Operating income	491,499	300,045	218,604	64,006	1,074,154
Operating expenses	(159,740)	(210,463)	(38,939)	(10,290)	(419,432)
Operating profit before impairment allowance and provision	331,759	89,582	179,665	53,716	654,722
Write back/(Impairment) of allowances and provision for commitments and contingencies	13,888	(37,063)	-	(69)	(23,244)
Profit before income tax expense and zakat	345,647	52,519	179,665	53,647	631,478
Income tax expense and zakat	(86,412)	(13,130)	(44,916)	(12,096)	(156,554)
Profit for the period	259,235	39,389	134,749	41,551	474,924
31 December 2013					
Gross loans, advances and financing	33,421,500	22,970,757	-	94,263	56,486,520
Deposits from customers	32,626,969	26,400,416	3,983,821	-	63,011,206
Gross impaired loans, advances and financing	1,033,383	274,148	-	-	1,307,531

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**39 CAPITAL ADEQUACY**

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

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
<u>Common Equity Tier 1 ("CET 1") Capital</u>				
Paid-up ordinary share capital	287,500	287,500	287,500	287,500
Ordinary share premium	462,500	462,500	462,500	462,500
Retained earnings	3,853,535	3,996,728	3,745,547	3,923,458
Other reserves	690,662	515,619	529,240	358,308
CET 1 capital	5,294,197	5,262,347	5,024,787	5,031,766
Regulatory adjustment for CET 1	(257,464)	(316,452)	(326,235)	(270,760)
Eligible CET 1 capital	5,036,733	4,945,895	4,698,552	4,761,006
<u>Additional Tier 1 Capital</u>				
Paid-up non-cumulative, non-convertible perpetual preference shares	3,200	3,600	3,200	3,600
Preference share premium	316,800	356,400	316,800	356,400
Innovative Tier 1 capital	320,000	360,000	320,000	360,000
Eligible Tier 1 capital	5,676,733	5,665,895	5,338,552	5,481,006
<u>Tier 2 capital</u>				
Collective impairment allowance under the Standardised Approach*	18,496	19,124	8,994	10,519
Subordinated term loan/bonds	1,040,000	1,170,000	1,040,000	1,170,000
	1,058,496	1,189,124	1,048,994	1,180,519
Regulatory adjustment for Tier 2 capital	-	-	(597,294)	(576,617)
Eligible Tier 2 capital	1,058,496	1,189,124	451,700	603,902
Capital base	6,735,229	6,855,019	5,790,252	6,084,908

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

Before deducting proposed dividend

CET 1 capital ratio	12.574%	12.773%	13.644%	14.158%
Tier 1 capital ratio	14.172%	14.632%	15.502%	16.299%
Total Capital ratio	16.814%	17.703%	16.814%	18.095%

After deducting proposed dividend

CET 1 capital ratio	12.390%	11.619%	13.430%	12.830%
Tier 1 capital ratio	13.987%	13.478%	15.288%	14.971%
Total Capital ratio	16.630%	16.549%	16.600%	16.767%

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**39 CAPITAL ADEQUACY (continued)**

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

	Group		Bank	
	30 June 2014 RM'000	31 December 2013 RM'000	30 June 2014 RM'000	31 December 2013 RM'000
Credit risk RWA	34,820,449	34,148,404	29,690,041	29,473,684
Market risk RWA	1,304,185	737,026	1,301,927	737,031
Operational risk RWA	3,932,722	3,837,567	3,445,252	3,416,725
	40,057,356	38,722,997	34,437,220	33,627,440

The capital adequacy ratios of OCBC Al-Amin Bank Berhad, the banking subsidiary company of the Group, are as follows:

	30 June 2014 RM'000	31 December 2013 RM'000
CET 1 capital ratio	12.576%	10.549%
Tier 1 capital ratio	12.576%	10.549%
Total Capital ratio	15.491%	14.125%

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 (Capital Components). OCBC Al-Amin Bank Berhad has adopted the Internal Ratings Based Approach for Credit Risk for its major credit portfolios, whilst the other credit portfolios are on the Standardised Approach. For market and operational risks, OCBC Al-Amin has adopted the Standardised Approach and the Basic Indicator Approach respectively.

40 COMPARATIVE FIGURES

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

	Quarter ended		Year to date ended	
	30 June 2013 RM'000	30 June 2013 RM'000	30 June 2013 RM'000	30 June 2013 RM'000
	As restated	As previously stated	As restated	As previously stated
Group				
Interest expense	(389,006)	(388,864)	(752,804)	(752,662)
Income from Islamic banking operations	88,579	88,437	171,807	171,665
Net fee and commission income	75,709	76,655	135,988	137,867
Other operating income	26,443	25,291	34,599	32,370
Operating expenses	(218,524)	(218,317)	(419,432)	(419,082)
Bank				
Net fee and commission income	75,709	76,655	135,988	137,867
Other operating income	44,075	42,921	68,312	66,082
Operating expenses	(207,715)	(207,507)	(394,431)	(394,080)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2014 (continued)**40 COMPARATIVE FIGURES (continued)**

	Group		Bank	
	Year to date ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2013	2013	2013	2013
	RM'000	RM'000	RM'000	RM'000
		As previously		As previously
	As restated	stated	As restated	stated
Cash flows from operating activities				
Share-based expenses	1,781	1,436	1,739	1,394
<i>Change in operating assets and operating liabilities</i>				
Other assets	30,468	31,297	27,230	28,059
Deposits from customers	4,637,381	4,637,240	3,358,714	3,358,573
Other liabilities	29,715	29,329	232,734	232,348
Cash and cash equivalents at 1 January 2013	11,250,208	11,250,251	11,850,982	11,851,025