

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30.6.2012	As at 31.12.2011 (Restated)	As at 1.1.2011 (Restated)
		RM'000	RM'000	RM'000
ASSETS				
Cash and short term funds		2,256,528	2,399,121	1,552,881
Deposits and placements with a bank		2,982	50,000	-
Securities purchased under resale agreements		-	-	111,486
Securities held-for-trading	A7(a)	385,310	313,340	648,996
Securities held-to-maturity	A7(b)	573,375	639,896	662,427
Securities available-for-sale	A7(c)	3,441,185	3,230,790	2,795,866
Securities portfolio		4,399,870	4,184,026	4,107,289
Derivative financial assets		16,761	8,401	90,297
Loans, advances and financing	A8	2,120,136	1,655,358	1,360,557
Trade receivables	A9	2,764,553	1,523,443	2,042,222
Tax recoverable		29,715	10,805	6,930
Other assets	A10	239,933	121,462	96,236
Statutory deposits with Central Banks		249,228	213,334	69,678
Deferred tax assets		1,995	11,957	481
Investments in associated companies and a jointly controlled entity		24,746	23,394	21,146
Investment property		149,000	149,000	134,000
Property and equipment		200,955	199,754	184,441
Intangible assets		232,975	232,037	223,888
TOTAL ASSETS		12,689,377	10,782,092	10,001,532
LIABILITIES				
Deposits from customers	A11	5,521,179	4,710,153	3,872,805
Deposits and placements of banks and other financial institutions	A12	358,686	658,749	669,769
Obligations on securities sold under repurchase agreements		259,068	291,083	-
Obligations on securities borrowed		78,644	-	-
Derivative financial liabilities		119,709	108,867	149,749
Trade payables	A13	3,367,547	2,387,974	2,657,196
Other liabilities	A14	197,817	205,969	209,423
Tax payable		10,947	14,500	26,697
Deferred tax liabilities		7,986	4,106	1,812
Borrowings	B8	549,388	239,117	410,619
Subordinated notes	B8	400,000	400,000	300,000
TOTAL LIABILITIES		10,870,971	9,020,518	8,298,070
EQUITY				
Share capital		965,481	964,145	962,211
Treasury shares, at cost	A5(b)	(783)	(29,789)	(29,785)
		964,698	934,356	932,426
Reserves		553,654	526,030	526,295
Equity attributable to owners of the Company		1,518,352	1,460,386	1,458,721
Non-controlling interests		300,054	301,188	244,741
TOTAL EQUITY		1,818,406	1,761,574	1,703,462
TOTAL LIABILITIES AND EQUITY		12,689,377	10,782,092	10,001,532
Net Assets per share attributable to owners of the Company (RM)		1.57	1.55	1.56

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENTS

	Note	Current quarter ended 30.6.2012 RM'000	Comparative quarter ended 30.6.2011 (Restated) RM'000	Current year to date ended 30.6.2012 RM'000	Preceding year to date ended 30.6.2011 (Restated) RM'000
Revenue		251,804	242,882	538,692	546,715
Interest income	A15	83,376	72,944	165,282	142,395
Interest expense	A16	(52,657)	(51,051)	(104,762)	(95,804)
Net interest income		30,719	21,893	60,520	46,591
Non-interest income	A17	158,418	159,983	352,303	386,087
Net income from Islamic banking operations	A28	2,555	2,247	4,450	3,884
Other operating expenses	A18	(177,210)	(165,024)	(347,014)	(346,974)
(Allowance for)/Write back of impairment losses on loans, advances and financing	A19	(966)	(460)	405	1,444
(Allowance for)/Write back of impairment losses on trade and other receivables	A20	(2)	263	(399)	(502)
Write back of impairment loss on investments available-for-sale	A21	12,247	-	12,247	-
Share of results after tax of associated companies		721	803	1,292	1,182
Profit before tax		26,482	19,705	83,804	91,712
Income tax expense	B6	(8,857)	(6,170)	(27,526)	(25,899)
Profit after tax for the period		17,625	13,535	56,278	65,813
Profit attributable to:					
Owners of the Company		14,914	7,497	48,642	53,128
Non-controlling interests		2,711	6,038	7,636	12,685
		17,625	13,535	56,278	65,813
Earnings per share attributable to owners of the Company (sen):					
Basic	B11	1.56	0.80	5.14	5.66
Diluted	B11	1.56	0.80	5.13	5.64

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Current quarter ended 30.6.2012	Comparative quarter ended 30.6.2011 (Restated)	Current year to date ended 30.6.2012	Preceding year to date ended 30.6.2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit after tax for the period	17,625	13,535	56,278	65,813
Other comprehensive income/(loss)				
Foreign currency translation gain	20,517	10,187	3,175	7,280
Reversal of available-for-sale loss/(gain) upon disposal	464	(1,535)	(2,874)	(2,661)
Unrealised net (loss)/gain on revaluation of securities available-for-sale	(17,048)	3,889	27,990	17,852
Share of other reserves in associated group	-	-	(8)	(227)
Income tax relating to components of other comprehensive loss/(income)	3,692	(235)	(6,341)	(2,678)
Other comprehensive income for the period, net of tax	7,625	12,306	21,942	19,566
Total comprehensive income for the period, net of tax	25,250	25,841	78,220	85,379
Total comprehensive income attributable to:				
Owners of the Company	18,131	7,712	70,206	59,269
Non-controlling interests	7,119	18,129	8,014	26,110
	25,250	25,841	78,220	85,379

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Note	Distributable		Non-Distributable							Distributable		Total equity		
	Attributable to owners of the Company												Non-controlling interests	
	Share capital	Treasury shares	Equity compensation reserve	Statutory reserves	Regulatory reserve	Profit equalisation reserve of Islamic banking operations	Foreign exchange reserves	Available -for-sale reserves	Other reserve	Retained profits	Total			
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
As at 1.1.2012														
As previously reported	964,145	(29,789)	581	239,537	-	-	(12,991)	(10,269)	(846)	298,671	1,449,039	301,188	1,750,227	
Adoption of Revised BNM/GP3 and MFRS 139	-	-	-	-	-	-	-	-	-	11,347	11,347	-	11,347	
As restated	964,145	(29,789)	581	239,537	-	-	(12,991)	(10,269)	(846)	310,018	1,460,386	301,188	1,761,574	
Total comprehensive income/(loss)	-	-	-	-	-	-	1,828	19,744	(8)	48,642	70,206	8,014	78,220	
Dividends paid to owners of the Company	A6	-	-	-	-	-	-	-	-	(14,118)	(14,118)	-	(14,118)	
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	-	-	(9,000)	(9,000)	
Transfer from other liabilities due to the adoption of BNM's Revised Guidelines for Profit Equalisation Reserves ("PER")		-	-	-	-	-	-	-	-	272	272	-	272	
Transfer to PER reserve		-	-	-	-	272	-	-	-	(272)	-	-	-	
Transfer to regulatory reserve in first quarter ended 31 March 2012		-	-	-	9,955	-	-	-	-	(9,955)	-	-	-	
Reversal of regulatory reserve to retained profits in second quarter ended 30 June 2012		-	-	-	(9,955)	-	-	-	-	9,955	-	-	-	
Shares issued pursuant to exercise of ESOS	A5(a)	1,336	-	-	-	-	-	-	-	-	1,336	-	1,336	
Share buybacks by the Company	A5(b)	-	(2)	-	-	-	-	-	-	-	(2)	-	(2)	
Distribution of treasury shares	A5(b)	-	29,008	-	-	-	-	-	-	(29,008)	-	-	-	
Reserve reversed upon exercise of ESOS		-	-	(210)	-	-	-	-	-	210	-	-	-	
Accretion on deemed disposals arising from dilution of interest in associated group		-	-	-	-	-	-	-	-	266	266	-	266	
Accretion on additional interest in a subsidiary company		-	-	-	-	-	-	-	-	6	6	(6)	-	
Acquisition of additional shares from non-controlling interests		-	-	-	-	-	-	-	-	-	-	(142)	(142)	
Transfer to statutory reserves		-	-	-	23,444	-	-	-	-	(23,444)	-	-	-	
Total transactions with owners		1,336	29,006	(210)	23,444	-	272	-	-	(66,088)	(12,240)	(9,148)	(21,388)	
As at 30.6.2012		965,481	(783)	371	262,981	-	272	(11,163)	9,475	(854)	292,572	1,518,352	300,054	1,818,406
As at 1.1.2011														
As previously reported		962,211	(29,785)	779	228,992	-	-	(20,652)	(1,439)	-	308,604	1,448,710	244,741	1,693,451
Adoption of Revised BNM/GP3 and MFRS 139		-	-	-	-	-	-	-	-	10,011	10,011	-	10,011	
As restated		962,211	(29,785)	779	228,992	-	-	(20,652)	(1,439)	-	318,615	1,458,721	244,741	1,703,462
Total comprehensive income/(loss)		-	-	-	-	-	1,263	5,105	(227)	53,128	59,269	26,110	85,379	
Dividends paid to owners of the Company		-	-	-	-	-	-	-	-	(35,214)	(35,214)	-	(35,214)	
Dividends paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(11,863)	(11,863)	
Shares issued pursuant to exercise of ESOS		1,211	-	-	-	-	-	-	-	-	1,211	-	1,211	
Share buybacks by the Company		-	(2)	-	-	-	-	-	-	-	(2)	-	(2)	
Reserve reversed upon exercise of ESOS		-	-	(116)	-	-	-	-	-	116	-	-	-	
Accretion on deemed disposals arising from dilution of interest in associated group		-	-	-	-	-	-	-	-	1,392	1,392	-	1,392	
Subscription of additional shares in a subsidiary company by non-controlling interests		-	-	-	-	-	-	-	-	-	-	31,770	31,770	
Transfer to statutory reserve		-	-	-	24,936	-	-	-	-	(24,936)	-	-	-	
Total transactions with owners		1,211	(2)	(116)	24,936	-	-	-	-	(58,642)	(32,613)	19,907	(12,706)	
As at 30.6.2011		963,422	(29,787)	663	253,928	-	(19,389)	3,666	(227)	313,101	1,485,377	290,758	1,776,135	

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Current year to date ended 30.6.2012	Preceding year to date ended 30.6.2011 (Restated)
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	83,804	91,712
Adjustments for :-		
Interest income	-	(30)
Interest expense	4,744	3,462
Other non-cash and non-operating items	6,767	10,690
Share of results after tax of associated companies	(1,292)	(1,182)
Operating profit before working capital changes	94,023	104,652
<i>(Increase)/Decrease in operating assets:</i>		
Deposits and placements with a bank	47,018	(195,000)
Securities purchased under resale agreement	-	111,486
Securities held-for-trading	(85,345)	374,657
Securities held-to-maturity	66,680	94,767
Securities available-for-sale	(167,306)	(657,645)
Loans, advances and financing	(464,516)	(192,752)
Trade and other receivables	(1,365,975)	(696,775)
Other operating assets	(61,376)	16,312
Statutory deposits with Central Banks	(35,894)	(93,110)
<i>Increase/(Decrease) in operating liabilities:</i>		
Deposits from customers	811,026	1,009,668
Deposits and placements of banks and other financial institutions	(300,063)	(203,533)
Obligations on securities sold under repurchase agreements	(32,015)	-
Obligations on securities borrowed	78,644	-
Trade and other payables	971,478	735,830
Other operating liabilities	16,540	(48,223)
Cash (used in)/generated from operations	(427,081)	360,334
Income tax paid net of refund	(42,572)	(27,300)
Net cash (used in)/generated from operating activities	(469,653)	333,034
Cash Flows From Investing Activities		
Net cash outflow from acquisition of subsidiary companies	-	(8,311)
Acquisition of additional shares from non-controlling interests	(142)	-
Dividends received	846	4,102
Interest received	-	30
Proceeds from disposals of property and equipment	429	896
Purchase of property and equipment	(12,110)	(18,302)
Purchase of software licences	(2,711)	(3,570)
Payment for trademarks	(49)	(79)
Payment for trading rights	(25)	-
Net cash used in investing activities	(13,762)	(25,234)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Current year to date ended 30.6.2012	Preceding year to date ended 30.6.2011
	RM'000	RM'000
Cash Flows From Financing Activities		
Dividends paid to non-controlling interests	(9,000)	(11,863)
Dividends paid to owners of the Company	(14,118)	(35,214)
Drawdown/(Repayment) of revolving credit	310,392	(149,683)
Interest paid	(4,744)	(3,462)
Repayment of term loans	-	(4,435)
Payments for share buybacks by the Company	(2)	(2)
Proceeds from issuance of shares pursuant to exercise of ESOS	1,336	1,211
Proceeds from issuance of subordinated notes	-	100,000
Proceeds from subscription of shares by non-controlling interests	-	31,770
Net cash generated from/(used in) financing activities	283,864	(71,678)
Net (decrease)/increase in cash and cash equivalents	(199,551)	236,122
Effects of exchange rate changes	1,669	8,345
Cash and cash equivalents at beginning of period	1,338,553	664,479
Cash and cash equivalents at end of period	1,140,671	908,946
Cash and cash equivalents at end of period comprised:		
Cash, bank balances and deposits - General accounts	289,038	314,002
Money at call and deposits placements with maturity within one month	851,633	595,011
Bank overdraft	-	(67)
	1,140,671	908,946

(The accompanying explanatory notes form an integral part of this quarterly report and should be read in conjunction with the audited financial statements for the year ended 31 December 2011)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

PART A - Explanatory Notes Pursuant to Malaysian Financial Reporting Standard 134: Interim Financial Reporting ("MFRS 134") issued by the Malaysian Accounting Standards Board ("MASB") and Revised Guidelines on Financial Reporting for Banking Institutions (BNM/GP8) issued by Bank Negara Malaysia ("BNM")

A1. Basis of preparation

The unaudited interim financial statements that are prepared on quarterly basis ("the quarterly report") have been prepared in accordance with the MFRS 134 issued by the Malaysian Accounting Standards Board ("MASB"), Chapter 9, Part K of the Listing Requirements of Bursa Malaysia Securities Berhad and Bank Negara Malaysia ("BNM")'s revised Guidelines on Financial Reporting for Banking Institutions ("BNM/GP8"). This quarterly report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2011 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

With effect from 1 January 2012, the Group has adopted the Malaysian Financial Reporting Standards ("MFRS") framework issued by the MASB. This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards ("FRS") framework with the International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRS.

This quarterly report complies with MFRS 1 First-Time Adoption of Malaysian Financial Reporting Standards ("MFRS 1"). The objective of MFRS 1 is to ensure that an entity's first MFRS financial statements provide a starting point for accounting in accordance with MFRS and are comparable over all periods presented. This quarterly report also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. The transition from FRS to MFRS has not had a material impact on the financial statements other than the change in accounting policy on allowance for collective assessment, as the accounting policies adopted under previous FRS framework were already in line with the MFRS framework requirements.

MFRS 1 requires comparative information to be restated as if the requirements of MFRS effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain optional exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRS. The transitional date for the purpose of the MFRS Framework adoption is 1 January 2011.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A1. Basis of preparation (Cont'd)

The Group adopted the following optional exemptions under MFRS 1 on transition date:

- (a) Maintain all past business combinations classification and measurement of the origination of fair values and goodwill before the date of transition.
- (b) Not to measure investment properties, properties, plant and equipment and intangible assets at the date of transition at its fair value and use that fair value as its deemed cost at that date.
- (c) Not to deem the cumulative translation differences for all foreign operations to be zero at the date of transition.
- (d) Not to designate a previously recognised financial asset and liability as a financial asset or financial liability as at fair value through profit or loss or designate a financial asset as available-for-sale at its transition date.

The following optional exemptions under MFRS 1 have not been applied:

- (a) MFRS 2 Share-based Payment to equity instruments that were granted after 7 November 2002 and vested before the later of (i) the date of transition to MFRSs and (ii) 1 January 2005 is not applicable as the ESOS have been vested at the grant date;
- (b) Transitional provisions in MFRS 4 Insurance Contracts, as it is not relevant to the Group's business operations;
- (c) Decommissioning liabilities included in the cost of property, plant and equipment exemption, only relevant when such liabilities have been identified;
- (d) Transitional provisions in IC Interpretation 18 Transfers of Assets from Customers, as there are no such transfers from customers;
- (e) Transitional provisions in IC Interpretation 4 Determining Whether an Arrangement Contains a Lease, whereby an entity determines whether an arrangement which exist at the date of transition contains a lease on the basis of facts and circumstances existing at that date, is not applicable to the Group as all lease arrangements have been accounted for accordingly;
- (f) Transitional provisions in MFRS 119 Employee Benefits, as it is not relevant to the Group's business operations;
- (g) Transitional provisions in MFRS 123 Borrowing Costs, as it is not applicable to the Group's business operations;
- (h) Measurement of assets and liabilities of subsidiary companies, associated companies and joint ventures exemption, only relevant when a subsidiary company, associated company or joint venture adopts MFRS at a later date than its parent;

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A1. Basis of preparation (Cont'd)

The following optional exemptions under MFRS 1 have not been applied: (Cont'd)

- (i) Measurement of fair value of financial assets or liabilities where no active market exists at initial recognition, as the Group has already adopted FRS 139 Financial Instruments: Recognition and Measurement which in line with the principles in MFRS 139;
- (j) Bifurcation of a compound instrument exemption, as the Group does not have such compound instruments at the date of transition;
- (k) Transitional provisions in IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments, as it is not applicable to the Group;
- (l) Transitional provisions in IC Interpretation 12 Service Concession Arrangements, as it is not relevant to the Group's business operations; and
- (m) Guidance for an entity which has a functional currency that was, or is, the currency of a hyperinflationary economy, as the Group does not operate in any hyperinflationary economy.

MFRS 1 also contains the following exceptions from retrospective application of other MFRS:

- (a) Estimates, whereby the estimates at 1 January 2011 and 31 December 2011 are consistent with those made for the same dates in accordance with FRS (after adjustments to reflect any differences in accounting policies). The estimates used by the Group to present these amounts in accordance with MFRS reflect conditions at 1 January 2011, the date of transition to MFRS and as of 31 December 2011;
- (b) Derecognition of financial assets and financial liabilities, provides guidance as to the date from which the specific requirements within MFRS 139 apply and allowing the choice of applying such requirements from a retrospective date of the entity's choosing. This is not applicable to the Group;
- (c) Hedge accounting, allowing the designation of an individual item within a net position under previous FRS in Malaysia as a hedged item in accordance with MFRS. If the transaction had been designated as a hedge before the date of transition but the hedge does not meet the conditions for hedge accounting in MFRS 139, hedge accounting shall be discontinued in accordance with guidance under MFRS 139. The Group do not apply hedge accounting; and
- (d) Non-controlling interests, in relation to the requirements that attribution of total comprehensive income to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance; accounting for changes in the parent's ownership interest in a subsidiary company that does not result in a loss of control and accounting for loss of control over a subsidiary company. The Group's previous accounting treatment under FRS has complied with MFRS requirements.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A1. Basis of preparation (Cont'd)

The significant accounting policies adopted in preparing these unaudited condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2011 except as discussed below:

(a) Adoption of Revised Guidelines for Profit Equalisation Reserve ("Revised PER") issued by BNM

On 19 May 2011, Bank Negara Malaysia issued its revised Guidelines on Profit Equalisation Reserve ("Revised PER"), which was effective for annual periods beginning on or after 1 July 2011. The Revised PER addresses the management of displaced commercial risk in Islamic banking operations.

The PER establishes an obligation to manage distribution to the Investment Account Holders ("IAH") from a Shariah perspective, this is the same requirement per the PER adopted prior to 1 January 2012 where the Group continue to allocate a portion of its profits into a PER. The PER of the IAH is classified as a liability and recognised at cost. The subsequent apportionments of profit to the IAH are recognised in the income statements. The eventual distribution of PER as profit distributable to IAH will be treated as an outflow of funds due to the settlement of obligation to the IAH.

The creation of PER of the Islamic banking operations ("IBO") is allocated from retained profits and classified as a separate reserve in equity and is non-distributable. Subsequent apportionments from and distributions to retained profits are treated as transfers between reserves.

The adoption of Revised PER resulted in changes in presentation of PER of the IBO as disclosed in the Statements of Changes in Equity. This change in accounting policy is accounted for prospectively, and thereby had no financial effect on comparative figures.

A1. Basis of preparation (Cont'd)**(b) Adoption of BNM's Revised Guidelines for Classification and Impairment Provisions for Loans/Financing ("Revised BNM/GP3") and MFRS 139 Financial Instruments: Recognition and Measurement ("MFRS 139")**

The Group has adopted Revised BNM/GP3 which is effective for the financial year beginning on and after 1 January 2012. During the transitional period from 1 January 2010 to 31 December 2011, the banking institutions maintained collective impairment assessment allowance with the minimum rate of 1.5%. The Revised BNM/GP3 removes the transitional arrangement at the minimum rate of 1.5% and requires the banking institutions shall ensure that the loan/financing impairment assessment and provisioning comply with the requirements specified under the financial reporting standard on financial instruments, i.e. MFRS 139. Under the Revised BNM/GP3 per MFRS 139 requirement, where a loan/financing that is individually assessed for impairment does not result in impairment allowance, the banking institution shall include the loan/financing in a group of loans/financing that has similar credit characteristics for collective assessment of impairment.

Under MFRS 139, an asset that has been individually assessed for impairment based on incurred loss approach and found not to be individually impaired should be included in a collective assessment of impairment. When performing a collective assessment of impairment, the Group pool assets by similar credit risk characteristics that are indicative of the debtors' ability to pay all amounts due according to the contractual terms. Contractual cash flows historical loss experience and available peer credit data provide the basis for estimating expected cash flows. Historical loss rates are adjusted on the basis of relevant observable data that reflect current economic conditions. Collective assessment of impairment is made on any shortfall where comparing the discounted cash flows with the carrying value of the asset.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective assessment allowance charged in the income statements previously and a write back of collective assessment allowance to the opening retained profits and from opening collective assessment allowance in the statements of financial position. The Group classified the write back of collective assessment allowance into regulatory reserve before the completion of the independent validation. Subsequently, in the second quarter ended 30 June 2012, the validation is completed and BNM has allowed OSKIB to reverse the regulatory reserve to retained profits.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A1. Basis of preparation (Cont'd)

The reconciliations of equity, income statements and statements of comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under Revised BNM/GP3 and MFRS 139 are provided below:

	As previously reported Debit/(Credit) RM'000	Effect of adoption of Revised BNM/GP3 and MFRS 139 Debit/(Credit) RM'000	As restated Debit/(Credit) RM'000
<u>Reconciliation of equity as at 1 January 2011</u>			
Loans, advances and financing	1,347,447	13,110	1,360,557
Trade receivables	2,042,502	(280)	2,042,222
TOTAL ASSETS	9,988,702	12,830	10,001,532
Tax payable	(23,878)	(2,819)	(26,697)
TOTAL LIABILITIES	(8,295,251)	(2,819)	(8,298,070)
Retained profits	(308,604)	(10,011)	(318,615)
Reserves	(516,284)	(10,011)	(526,295)
Equity attributable to owners of the Company	(1,448,710)	(10,011)	(1,458,721)
TOTAL EQUITY	(1,693,451)	(10,011)	(1,703,462)
Net Assets per share attributable to owners of the Company (RM)	1.54	0.02	1.56
<u>Reconciliation of equity as at 30 June 2011</u>			
Loans, advances and financing	1,537,574	14,386	1,551,960
Trade receivables	2,716,226	(232)	2,715,994
TOTAL ASSETS	11,492,874	14,154	11,507,028
Tax payable	(23,907)	(3,248)	(27,155)
TOTAL LIABILITIES	(9,727,645)	(3,248)	(9,730,893)
Retained profits	(302,195)	(10,906)	(313,101)
Reserves	(540,836)	(10,906)	(551,742)
Equity attributable to owners of the Company	(1,474,471)	(10,906)	(1,485,377)
TOTAL EQUITY	(1,765,229)	(10,906)	(1,776,135)
Net Assets per share attributable to owners of the Company (RM)	1.57	0.01	1.58

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A1. Basis of preparation (Cont'd)

The reconciliations of equity, income statements and statements of comprehensive income for comparative periods and of equity at the date of transition reported under FRS to those reported for those periods and at the date of transition under Revised BNM/GP3 and MFRS 139 are provided below ("Cont'd"):

	As previously reported Debit/(Credit) RM'000	Effect of adoption of Revised BNM/GP3 and MFRS 139 Debit/(Credit) RM'000	As restated Debit/(Credit) RM'000
<u>Reconciliation of equity as at 31 December 2011</u>			
Loans, advances and financing	1,640,507	14,851	1,655,358
Trade receivables	1,523,629	(186)	1,523,443
TOTAL ASSETS	10,767,427	14,665	10,782,092
Tax payable	(11,182)	(3,318)	(14,500)
TOTAL LIABILITIES	(9,017,200)	(3,318)	(9,020,518)
Retained profits	(298,671)	(11,347)	(310,018)
Reserves	(514,683)	(11,347)	(526,030)
Equity attributable to owners of the Company	(1,449,039)	(11,347)	(1,460,386)
TOTAL EQUITY	(1,750,227)	(11,347)	(1,761,574)
Net Assets per share attributable to owners of the Company (RM)	1.54	0.01	1.55

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A1. Basis of preparation (Cont'd)

<u>For the preceding year to date ended 30 June 2011</u>	As previously reported (Debit)/Credit	Effect of adoption of Revised BNM/GP3 and MFRS 139 (Debit)/Credit	As restated (Debit)/Credit
	RM'000	RM'000	RM'000
<u>Reconciliation of income statements</u>			
Interest income	142,395	-	142,395
Interest expense	(95,804)	-	(95,804)
Net interest income	46,591	-	46,591
Non-interest income	386,087	-	386,087
Net income from Islamic banking operations	3,884	-	3,884
Other operating expenses	(346,974)	-	(346,974)
Write back of impairment losses on loans, advances and financing	168	1,276	1,444
Allowance for impairment losses on trade and other receivables	(550)	48	(502)
Share of results after tax of associated companies	1,182	-	1,182
Profit before tax	90,388	1,324	91,712
Income tax expense	(25,470)	(429)	(25,899)
Profit after tax for the period	64,918	895	65,813
Profit attributable to:			
Owners of the Company	52,233	895	53,128
Non-controlling interests	12,685	-	12,685
	64,918	895	65,813
Earnings per share attributable to owners of the Company (sen):			
Basic	5.56	0.10	5.66
Diluted	5.55	0.09	5.64
<u>Reconciliation of statements of comprehensive income</u>			
Profit after tax for the period	64,918	895	65,813
Other comprehensive (loss)/income :			
Foreign currency translation gain	7,280	-	7,280
Reversal of available-for-sale loss upon disposals	(2,661)	-	(2,661)
Unrealised net gain on revaluation of securities available-for-sale	17,852	-	17,852
Share of other reserves in associated group	(227)	-	(227)
Income tax relating to components of other comprehensive income	(2,678)	-	(2,678)
Other comprehensive income for the period, net of tax	19,566	-	19,566
Total comprehensive income for the period, net of tax	84,484	895	85,379
Total comprehensive income attributable to:			
Owners of the Company	58,374	895	59,269
Non-controlling interests	26,110	-	26,110
	84,484	895	85,379

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A1. Basis of preparation (Cont'd)

<u>Comparative quarter ended 30 June 2011</u>	As previously reported (Debit)/Credit	Effect of adoption of Revised BNM/GP3 and MFRS 139 (Debit)/Credit	As restated (Debit)/Credit
	RM'000	RM'000	RM'000
<u>Reconciliation of income statements</u>			
Interest income	72,944	-	72,944
Interest expense	(51,051)	-	(51,051)
Net interest income	21,893	-	21,893
Non-interest income	159,983	-	159,983
Net income from Islamic banking operations	2,247	-	2,247
Other operating expenses	(165,024)	-	(165,024)
Allowance for impairment losses on loans, advances and financing	(2,831)	2,371	(460)
Write back of impairment losses on trade and other receivables	110	153	263
Share of results after tax of associated companies	803	-	803
Profit before tax	17,181	2,524	19,705
Income tax expense	(5,543)	(627)	(6,170)
Profit after tax for the period	11,638	1,897	13,535
Profit attributable to:			
Owners of the Company	5,600	1,897	7,497
Non-controlling interests	6,038	-	6,038
	11,638	1,897	13,535
Earnings per share attributable to owners of the Company (sen):			
Basic	0.60	0.20	0.80
Diluted	0.59	0.21	0.80
<u>Reconciliation of statements of comprehensive income</u>			
Profit after tax for the period	11,638	1,897	13,535
Other comprehensive income :			
Foreign currency translation gain	10,187	-	10,187
Reversal of available-for-sale gain upon disposals	(1,535)	-	(1,535)
Unrealised net gain on revaluation of securities available-for-sale	3,889	-	3,889
Income tax relating to components of other comprehensive income	(235)	-	(235)
Other comprehensive income for the period, net of tax	12,306	-	12,306
Total comprehensive income for the period, net of tax	23,944	1,897	25,841
Total comprehensive income attributable to:			
Owners of the Company	5,815	1,897	7,712
Non-controlling interests	18,129	-	18,129
	23,944	1,897	25,841

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A1. Basis of preparation (Cont'd)

	As previously reported (Debit)/Credit	Effect of adoption of Revised BNM/GP3 and MFRS 139 (Debit)/Credit	As restated (Debit)/Credit
	RM'000	RM'000	RM'000
<u>For the year ended 31 December 2011</u>			
<u>Reconciliation of income statements</u>			
Interest income	300,789	-	300,789
Interest expense	(200,040)	-	(200,040)
Net interest income	100,749	-	100,749
Non-interest income	725,329	-	725,329
Net income from Islamic banking operations	8,984	-	8,984
Other operating expenses	(669,872)	-	(669,872)
Allowance for impairment losses on loans, advances and financing	(2,048)	1,741	(307)
Allowance for impairment losses on trade and other receivables	(2,681)	94	(2,587)
Allowance for impairment losses on investments and intangibles	(70,083)	-	(70,083)
Share of results after tax of associated companies	2,802	-	2,802
Profit before tax	93,180	1,835	95,015
Income tax expense	(21,399)	(499)	(21,898)
Profit after tax for the year	71,781	1,336	73,117
Profit attributable to:			
Owners of the Company	51,415	1,336	52,751
Non-controlling interests	20,366	-	20,366
	71,781	1,336	73,117
Earnings per share attributable to owners of the Company (sen):			
Basic	5.47	0.15	5.62
Diluted	5.46	0.14	5.60
<u>Reconciliation of statement of comprehensive income</u>			
Profit after tax for the year	71,781	1,336	73,117
Other comprehensive (loss)/income :			
Foreign currency translation gain	11,895	-	11,895
Reversal of available-for-sale loss upon disposals	(6,020)	-	(6,020)
Unrealised net gain on revaluation of securities available-for-sale	1,889	-	1,889
Share of other reserves in associated group	(846)	-	(846)
Income tax relating to components of other comprehensive income	1,935	-	1,935
Other comprehensive income for the year, net of tax	8,853	-	8,853
Total comprehensive income for the year, net of tax	80,634	1,336	81,970
Total comprehensive income attributable to:			
Owners of the Company	49,400	1,336	50,736
Non-controlling interests	31,234	-	31,234
	80,634	1,336	81,970

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A1. Basis of preparation (Cont'd)
Capital adequacy

The adjustments to the financial statements of the Group as a result of the transition to the MFRS framework and the changes in accounting policies, as discussed above, also had consequential effects on the comparative capital adequacy ratios. These are summarised below:

	As at 31 December 2011		As at 1 January 2011	
	As previously reported RM'000	As restated RM'000	As previously reported RM'000	As restated RM'000
OSKIB Group				
Collective impairment	16,970	3,696	13,138	1,862
Tier II capital	416,970	403,696	313,138	301,862
Capital base	1,676,813	1,663,539	1,510,290	1,499,014
Core capital ratio	25.07%	25.07%	27.12%	27.12%
Risk weighted capital ratio	33.36%	33.10%	34.22%	33.96%
OSKIB				
Collective impairment	15,144	1,870	12,315	1,039
Tier II capital	415,144	401,870	312,315	301,039
Capital base	620,325	607,051	753,349	742,073
Core capital ratio	19.12%	18.71%	24.58%	24.21%
Risk weighted capital ratio	19.12%	18.71%	24.58%	24.21%

There are no material differences between the statement of cash flows presented under the MFRSs and the statement of cash flows presented under FRSs.

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

Effective for annual periods commencing on or after 1 July 2011

IC Interpretation 14	Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14)
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**A1. Basis of preparation (Cont'd)****Effective for annual periods commencing on or after 1 January 2012**

MFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to MFRS 1)
MFRS 7	Disclosures - Transfers of Financial Assets (Amendments to MFRS 7)
MFRS 112	Deferred tax: Recovery of Underlying Assets (Amendments to MFRS 112)
MFRS 124	Related Party Disclosures

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

The following MFRS and IC Interpretations have been issued by the MASB but are not yet effective:

Effective for annual periods commencing on or after 1 July 2012

MFRS 101	Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101)
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Effective for annual periods commencing on or after 1 January 2013

MFRS 1	Government Loans (Amendments to MFRS 1)
MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 7)
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Effective for annual periods commencing on or after 1 January 2014

MFRS 132	Offsetting Financial Assets and Financial Liabilities (Amendments to MFRS 132)
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Effective for annual periods commencing on or after 1 January 2014

MFRS 9	Financial Instruments (IFRS 9 issued by IASB in Nov 2009)
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)

IC Interpretation 20 will not have any financial impact to the Group as it is not relevant to the Group's operations. The financial effects of the above MFRS and Amendments to MFRS are still being assessed due to the complexity of these new MFRS and Amendments to MFRS, and their proposed changes.

A1. Basis of preparation (Cont'd)

Reclassification of securities

During the prior financial years, OSK Investment Bank Berhad ("OSKIB"), a wholly-owned subsidiary company, had reclassified certain securities available-for-sale ("AFS") to securities held-to-maturity ("HTM") category and certain securities held-for-trading ("HFT") to available-for-sale ("AFS") category pursuant to the BNM Circular, "Reclassification of Securities under Specific Circumstances". The provisions for reclassification were introduced after taking into account the exceptional circumstances in the global financial markets and the changes to the international accounting standards in response to that development. The provisions in the Circular overrode the then requirements of BNM/GP8 in relation to the reclassification of securities into or out of the HFT category and were permissible from 1 July 2008 until 31 December 2009.

On 15 September 2009, FRS 139 was amended to allow for the reclassification of securities AFS to amortised cost category (i.e. securities held-to-maturity ("HTM") or loan and receivables) if the entity has the intention and ability to hold the financial asset until maturity for the foreseeable future. FRS 139 was also amended to allow reclassification out of HFT category in rare circumstances, subject to the conditions stated in FRS 139.

OSKIB had reclassified certain securities AFS to HTM category and certain securities HFT to AFS category in prior years as shown below:

(a) Amounts reclassified on date of reclassification

	RM'000
(i) Securities AFS to securities HTM on 29 December 2008	<u>256,924</u>
(ii) Securities HFT to securities AFS on 16 February 2009	<u>61,160</u>

(b) Carrying amounts and fair values

The carrying amount and fair value of securities reclassified (excluding reclassified investments that were disposed before the end of the quarter) are as follows:

	As at 30.6.2012 RM'000	As at 31.12.2011 RM'000
(i) Securities AFS reclassified to securities HTM		
- Carrying value	54,184	73,899
- Fair value	38,579	108,868
(ii) Securities HFT reclassified to securities AFS		
- Carrying value	41,460	41,840
- Fair value	41,460	41,840

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A1. Basis of preparation (Cont'd)
(c) Fair value loss recognised

	Current quarter ended 30.6.2012 RM'000	Comparative quarter ended 30.6.2011 RM'000	Current year to date ended 30.6.2012 RM'000	Preceding year to date ended 30.6.2011 RM'000
Income Statements	-	-	-	-
Statements of Other Comprehensive Income and Statement of Changes in Equity				
AFS reserve	204	282	136	59

(d) Effective interest rate and estimated amounts of cash flows as at dates of reclassification

	Effective interest rate %	Estimated cash inflows before discounting to present value RM'000
(i) Securities AFS to securities HTM on 29 December 2008	5.14 to 9.96	392,011
(ii) Securities HFT to securities AFS on 16 February 2009	5.09 to 5.73	75,238

A2. Seasonal or cyclical factors

There were no significant seasonal or cyclical factors that will materially affect the business operations of the Group for the period under review.

A3. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the financial statements for the current year to date.

A4. Changes in estimates

There were no other significant changes in estimates of amounts reported in prior interim periods or prior financial years that have a material effect in the current year to date.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A5. Changes in debt and equity securities
(a) Executive Share Option Scheme (“ESOS”) of the Company

During the current year to date, the Company has issued 1,336,050 new ordinary shares of RM1.00 each for cash at the respective exercise prices pursuant to the ESOS and the total cash proceeds arising from the exercise of options amounted to RM1,336,050. The movement in the number of ESOS during the current year to date is as follows:

Date of offer	Exercise price* (RM)	No. of options over ordinary shares of RM1.00 each			
		As at 1.1.2012	Exercised	Forfeited	As at 30.6.2012
27.6.2003	1.00	521,100	(14,125)	(500)	506,475
16.3.2004	1.00	1,655,200	(561,300)	(11,900)	1,082,000
29.4.2005	1.00	631,900	(12,500)	(250)	619,150
3.5.2006	1.00	1,970,400	(748,125)	(10,325)	1,211,950
		4,778,600	(1,336,050)	(22,975)	3,419,575

On 4 January 2007, the duration of ESOS which was due to expire on 17 February 2008 had been extended for another 5 years to 17 February 2013.

* The ESOS committee on 6 October 2009 and 26 January 2010 approved the adjustments of ESOS exercise prices pursuant to Clause 18.3(c)(1) of the ESOS By-Laws based on the shares distribution in listed subsidiary companies and bonus issue exercise implemented. Additional 1,712,809 new options were issued consequential to the bonus issue in the previous financial year.

(b) Share buybacks / Treasury shares of the Company

During the current year to date, the Company has purchased 1,000 ordinary shares for a total cash consideration of RM1,663 from the open market at an average cost of RM1.66 per share. The shares repurchased previously are being held as treasury shares and treated in accordance with the requirements of Section 67A of the Companies Act, 1965. Summary of share buybacks is as follows:

	Number of shares	Highest price RM	Lowest price RM	Average cost (included transaction costs) RM	Total amount paid RM
As at 1.1.2012	24,153,412	2.82	0.90	1.23	29,788,622
May - buyback	1,000	1.62	1.62	1.66	1,663
May - distributed	(23,520,259)	N/A	N/A	1.23	(29,007,748)
	(23,519,259)	1.62	1.62	1.23	(29,006,085)
As at 30.6.2012	634,153	2.82	0.90	1.23	782,537

Other than the above, there were no issuances, repurchases and repayments of debt and equity securities of the Company for the current year to date.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A6. Dividends paid and treasury shares distributed

The dividend paid and treasury shares distributed by the Company for the preceding financial year ended 31 December 2011 are as follows:

- (a) a final dividend of 2.0 sen per share less 25% income tax amounted to RM14,118,389 was paid on 15 May 2012; and
- (b) 23,520,259 treasury shares distributed on 15 May 2012 on a basis of one (1) treasury share for every forty (40) existing ordinary share of RM1.00 each held in the Company and total cost of treasury shares distributed amounting to RM29,007,748.

A7. Securities portfolio
(a) Securities held-for-trading
At fair value

Money market instruments:

	As at 30.6.2012	As at 31.12.2011
	RM'000	RM'000
Malaysian Government Investment Issues	-	40,901
Malaysian Government Securities	10,031	30,482
	10,031	71,383

Quoted securities:

Shares and exchange traded funds

- in Malaysia	123,429	159,903
- outside Malaysia	59,604	35,800
	183,033	195,703

Trust units

- in Malaysia	1,575	1,918
- outside Malaysia	22,368	10,324
	23,943	12,242

Private debt securities outside Malaysia

	7,955	9,075
	214,931	217,020

Unquoted securities:

Private debt securities

- in Malaysia	33,126	-
- outside Malaysia	127,222	24,937
	160,348	24,937

	385,310	313,340
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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	As at 30.6.2012	As at 31.12.2011
	RM'000	RM'000
A7. Securities portfolio (Cont'd)		
(b) Securities held-to-maturity		
At amortised cost		
Money market instruments:		
Cagamas bonds	5,002	5,014
Malaysian Government Investment Issues	110,086	140,145
Negotiable instruments of deposits	-	70,000
	115,088	215,159
Unquoted securities:		
Private and Islamic debt securities		
- in Malaysia	378,663	339,584
- outside Malaysia	133,083	138,612
	511,746	478,196
Less: Accumulated impairment losses	(53,459)	(53,459)
	458,287	424,737
	573,375	639,896
(c) Securities available-for-sale		
At fair value		
Money market instruments:		
Bankers' acceptance and Islamic accepted bills	357,796	300,132
Cagamas bonds	-	5,008
Malaysian Government Investment Issues	341,499	408,233
Malaysian Government Securities	364,454	432,145
Negotiable instruments of deposits	414,482	159,637
	1,478,231	1,305,155
Quoted securities:		
Shares and warrants		
- in Malaysia	6,181	6,759
- outside Malaysia	3,394	3,268
	9,575	10,027
Trust units		
- in Malaysia	4,989	2,645
- outside Malaysia	19,914	17,427
	24,903	20,072
	34,478	30,099

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	As at 30.6.2012	As at 31.12.2011
	RM'000	RM'000
A7. Securities portfolio (Cont'd)		
(c) Securities available-for-sale (Cont'd)		
Unquoted securities:		
Shares and warrants		
- in Malaysia	5,480	5,481
- outside Malaysia	18,575	19,816
	24,055	25,297
Private and Islamic debt securities		
- in Malaysia	952,617	916,587
- outside Malaysia *	1,027,816	1,041,911
	1,980,433	1,958,498
Less: Accumulated impairment losses	(76,012)	(88,259)
	1,904,421	1,870,239
	1,928,476	1,895,536
	3,441,185	3,230,790
*	Included in securities available-for-sale are securities sold under repurchase agreements.	
Private debts securities outside Malaysia	310,769	351,361
	As at 30.6.2012	As at 31.12.2011 (Restated)
	RM'000	RM'000
A8. Loans, advances and financing		
Term loans	1,461,046	1,013,296
Shares margin financing	625,152	566,557
Revolving credits	47,864	89,786
Staff loans	1,410	1,543
	2,135,472	1,671,182
Gross loans, advances and financing		
Allowance for impairment losses:		
- Collective assessment	(5,707)	(5,722)
- Individual assessment	(9,629)	(10,102)
Net loans, advances and financing	2,120,136	1,655,358

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	As at 30.6.2012	As at 31.12.2011 (Restated)
	RM'000	RM'000
A8. Loans, advances and financing (Cont'd)		
(a) Analysis of gross loans, advances and financing		
(i) By type of customers		
Domestic small and medium enterprises	1,315,936	883,819
Foreign entities	239,486	159,665
Individuals	580,050	627,698
	2,135,472	1,671,182
(ii) By interest/profit rate sensitivity		
Fixed rate	1,718,242	1,460,378
Variable rate		
- Cost plus	200,497	38,585
- Other variable rates	216,733	172,219
	2,135,472	1,671,182
(iii) By economic purpose		
Working capital	327,447	333,621
Purchase of securities	1,059,148	853,893
Others	748,877	483,668
	2,135,472	1,671,182

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	As at 30.6.2012	As at 31.12.2011 (Restated)
	RM'000	RM'000
A8. Loans, advances and financing (Cont'd)		
(a) Analysis of gross loans, advances and financing (Cont'd)		
(iv) By geographical distribution		
Malaysia	1,592,614	1,238,365
Singapore	196,189	150,191
Hong Kong	82,657	38,585
Indonesia	20,176	38,183
Cambodia	212,190	183,096
Thailand	31,646	22,762
	2,135,472	1,671,182
(v) By maturity structure		
Up to 3 months	934,475	620,100
3-12 months	488,500	661,001
1-5 years	578,754	277,685
Over 5 years	133,743	112,396
	2,135,472	1,671,182
(vi) By sectors		
Manufacturing	121,414	104,301
Construction	151,777	63,474
Real estate	1,098	2,972
Wholesale & retail trade and restaurants & hotels	229,650	191,406
Transport, storage and communication	19,292	66,674
Finance, insurance and business activities	830,383	631,593
Household	769,062	570,899
Mining and quarrying	7,395	9,944
Agriculture, hunting, forestry and fishing	5,136	666
Electricity, gas and water supply	265	29,253
	2,135,472	1,671,182

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	As at 30.6.2012	As at 31.12.2011 (Restated)
	RM'000	RM'000
A8. Loans, advances and financing (Cont'd)		
(b) Analysis of impaired loans, advances and financing		
(i) Movement in impaired loans, advances and financing		
At beginning of period/year	15,137	26,121
Amount arising from acquisition of a subsidiary company	-	2,024
Classified as impaired *	1,030	4,434
Reclassified as non-impaired *	(1,144)	(14,061)
Recovered	(3,520)	(1,380)
Written off	(39)	(2,012)
Exchange differences *	2	11
At end of period/year	11,466	15,137
Allowance for impairment losses: - individual assessment	(9,629)	(10,102)
Net impaired loans, advances and financing	1,837	5,035
Ratio of net impaired loans, advances and financing to net loans, advances and financing	0.09%	0.30%

* Included amounts previously referred to as 'interest-in-suspense'.

Analysis of impaired loans, advances and financing

● **By geographical distribution**

Malaysia	11,466	14,588
Cambodia	-	549
	11,466	15,137

● **By economic purpose**

Working capital	216	224
Purchase of securities	11,250	14,364
Other purpose	-	549
	11,466	15,137

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	As at 30.6.2012	As at 31.12.2011 (Restated)
	RM'000	RM'000
A8. Loans, advances and financing (Cont'd)		
(b) Analysis of impaired loans, advances and financing (Cont'd)		
(ii) Movement in the allowance for impaired loans, advances and financing		
Collective assessment		
At beginning of period/year	(5,722)	(17,130)
Adoption of Revised BNM/GP3 and MFRS 139	-	13,110
As restated	(5,722)	(4,020)
Written back/(made)	30	(1,641)
Exchange difference	(15)	(61)
At end of period/year	(5,707)	(5,722)
As % of gross loans, advances and financing less allowance for impairment losses - individual assessment	0.27%	0.34%
Collective assessment for impaired loans, advances and financing according to economic purpose, allocated on a pro-rated basis, are as follows:		
Working capital	(875)	(1,142)
Purchase of securities	(2,831)	(2,924)
Others	(2,001)	(1,656)
	(5,707)	(5,722)
Individual assessment		
At beginning of period/year	(10,102)	(10,190)
Amount arising from acquisition of a subsidiary company	-	(2,024)
Made *	(4,590)	(4,519)
Written back *	5,039	6,564
Written off	17	38
Recovered	-	38
Exchange difference *	7	(9)
At end of period/year	(9,629)	(10,102)

* Included amounts previously referred to as 'interest-in-suspense'.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	As at 30.6.2012	As at 31.12.2011 (Restated)
	RM'000	RM'000
A8. Loans, advances and financing (Cont'd)		
(b) Analysis of impaired loans, advances and financing (Cont'd)		
(ii) Movement in allowance for impaired loans, advances and financing (Cont'd)		
Individual assessment for impaired loans, advances and financing according to economic purpose, are as follows:		
Purchase of securities	(9,629)	(9,827)
Others	-	(275)
	(9,629)	(10,102)
(iii) Allowances for impaired loans, advances and financing by geographical distribution:		
Collective assessment		
Malaysia	(3,585)	(3,896)
Cambodia	(2,122)	(1,826)
	(5,707)	(5,722)
Individual assessment		
Malaysia	(9,629)	(9,827)
Cambodia	-	(275)
	(9,629)	(10,102)
A9. Trade receivables		
Amount owing by clients	1,284,224	843,420
Allowance for impairment losses		
- individual assessment	(11,697)	(14,096)
- collective assessment	(66)	(186)
	1,272,461	829,138
Amounts owing by:		
- brokers	633,079	304,365
- domestic derivative clearing house	95,621	50,710
- foreign derivatives clearing houses	6,795	5,755
- foreign securities clearing houses and stock exchanges	728,406	307,705
Unit trust receivables	21,708	19,107
Others	6,483	6,663
	2,764,553	1,523,443

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	As at 30.6.2012 RM'000	As at 31.12.2011 RM'000
A10. Other assets		
Interest/income receivables	60,511	44,401
Security deposits and statutory funds	11,214	11,343
Other receivables, deposits and prepayments	167,876	65,386
Transferable golf club memberships	332	332
	239,933	121,462
A11. Deposits from customers		
Non-Mudharabah Fund		
Demand deposits	60,916	43,725
Saving deposits	29,844	18,452
Fixed deposits	3,349,833	2,314,405
Short term deposits	1,051,546	844,350
Negotiable instruments of deposits	112,227	303,633
Others	42	65
	4,604,408	3,524,630
Mudharabah Fund		
General investment deposits	916,771	1,185,523
	5,521,179	4,710,153
(a) By type of customers		
Local government and statutory bodies	689,072	906,887
Domestic non-bank financial institutions	3,363,117	2,677,331
Business enterprises	1,100,437	810,288
Individuals	130,703	138,053
Foreign customers	237,406	177,298
Others	444	296
	5,521,179	4,710,153
(b) By maturity structure		
Up to 3 months	4,355,784	3,526,484
3-12 months	1,142,429	1,129,059
1-5 years	22,966	54,610
	5,521,179	4,710,153

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	As at 30.6.2012	As at 31.12.2011
	RM'000	RM'000
A12. Deposits and placements of banks and other financial institutions		
Non-Mudharabah Fund		
Licensed banks	56,539	521,001
Licensed investment banks	70,000	80,000
Other financial institutions	201,199	41,860
	327,738	642,861
Mudharabah Fund		
Licensed Islamic banks	30,948	15,888
	358,686	658,749
A13. Trade payables		
Amounts due to:		
- clients	2,149,423	1,816,075
- brokers	1,161,019	520,132
- foreign securities clearing houses and stock exchanges	16,621	46,888
Unit trust payables	40,484	4,879
	3,367,547	2,387,974
A14. Other liabilities		
Interest/income payable	54,543	45,655
Other payables, deposits and accruals	138,741	155,724
Amount due to an associated company	3,750	2,305
Profit equalisation reserve of Islamic banking operations	783	2,285
	197,817	205,969

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Current quarter ended 30.6.2012 RM'000	Comparative quarter ended 30.6.2011 RM'000	Current year to date ended 30.6.2012 RM'000	Preceding year to date ended 30.6.2011 RM'000
A15. Interest income				
Loans, advances and financing	39,005	29,614	73,396	57,382
Deposits and placements with financial institutions	6,174	7,238	15,138	15,402
Securities held-for-trading	2,419	1,950	6,935	5,223
Securities held-to-maturity	3,720	2,766	6,743	5,689
Securities available-for-sale	25,910	20,527	51,342	41,609
Stockbroking and futures broking business	2,899	1,985	4,833	3,529
Others	1,921	69	2,222	202
	82,048	64,149	160,609	129,036
Accretion of discount less amortisation of premium	1,328	8,795	4,673	13,359
	83,376	72,944	165,282	142,395

A16. Interest expense

Deposits from customers	(40,011)	(35,915)	(79,813)	(66,634)
Deposits and placements of financial institutions	(2,482)	(5,227)	(5,590)	(10,724)
Subordinated notes	(6,762)	(6,563)	(13,525)	(11,969)
Borrowings	(3,366)	(3,339)	(5,785)	(6,466)
Others	(36)	(7)	(49)	(11)
	(52,657)	(51,051)	(104,762)	(95,804)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Current quarter ended 30.6.2012	Comparative quarter ended 30.6.2011	Current year to date ended 30.6.2012	Preceding year to date ended 30.6.2011
	RM'000	RM'000	RM'000	RM'000

A17. Non-interest income
(a) Fees and commission

Advisory, agency, arrangement, placement and referral fees	17,373	13,348	34,092	25,022
Commission	4,878	3,768	5,480	9,698
Fees earned from management of unit trust funds	13,166	13,711	26,384	26,839
Gross brokerage fees	75,654	94,621	174,243	218,418
Loan processing, facility and commitment fees and carrying charges	7,243	5,067	10,970	9,817
Service charges on sale of trust units	22,942	13,110	38,511	26,231
Trustee and will-writing fees	3,331	1,833	6,307	3,259
Others	1,652	854	5,531	1,621
	146,239	146,312	301,518	320,905

**(b) Net (loss)/gain arising from sales
of securities and derivatives**

Securities held-for-trading	(10,018)	(26,388)	47,901	(1,306)
Securities held-to-maturity	-	-	152	-
Securities available-for-sale	435	6,095	4,632	8,267
Derivative financial instruments	3,603	18,055	(6,696)	37,555
	(5,980)	(2,238)	45,989	44,516

(c) Gross dividend income

Securities held-for-trading	427	414	612	853
Securities available-for-sale	116	153	116	153
	543	567	728	1,006

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Current quarter ended 30.6.2012	Comparative quarter ended 30.6.2011	Current year to date ended 30.6.2012	Preceding year to date ended 30.6.2011
	RM'000	RM'000	RM'000	RM'000

A17. Non-interest income (Cont'd)
(d) Unrealised (loss)/gain on revaluation of trading securities and derivatives

Securities held-for-trading	7,538	4,552	(13,245)	(397)
Derivative financial instruments	(15,837)	9,967	6,126	3,811
	(8,299)	14,519	(7,119)	3,414

(e) Unrealised gain/(loss) on derivatives

Unexpired structured warrants	2,160	(5,010)	(5,383)	(4,415)
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(f) Unrealised gain/(loss) from foreign exchange translations

	3,178	(35,678)	(5,725)	(17,228)
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(g) Other income

Net gain on disposals of property and equipment	18	1	19	157
Realised gain on foreign exchange	12,453	32,482	7,824	21,453
Net gain on interest rate swaps	3,266	4,290	5,909	7,532
Rental income	1,883	1,814	3,790	3,739
Others	2,957	2,924	4,753	5,008
	20,577	41,511	22,295	37,889
	158,418	159,983	352,303	386,087

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Current quarter ended 30.6.2012 RM'000	Comparative quarter ended 30.6.2011 RM'000	Current year to date ended 30.6.2012 RM'000	Preceding year to date ended 30.6.2011 RM'000
A18. Other operating expenses				
(a) Personnel expenses				
Salaries, allowances, bonuses and gratuity	(66,167)	(60,225)	(133,768)	(130,862)
Pension costs - defined contribution plan	(5,223)	(4,742)	(10,581)	(9,077)
Others	(2,924)	(3,433)	(6,278)	(6,471)
	(74,314)	(68,400)	(150,627)	(146,410)
(b) Promotional, marketing and trading expenses				
Advertisement and promotion	(1,642)	(2,445)	(2,912)	(5,641)
Commission	(50,101)	(44,643)	(93,112)	(97,080)
Fees and charges	(14,034)	(16,605)	(27,678)	(33,066)
Others	(1,441)	(1,408)	(2,871)	(3,272)
	(67,218)	(65,101)	(126,573)	(139,059)
(c) Establishment related expenses				
Depreciation and amortisation	(6,231)	(4,972)	(12,192)	(9,596)
Insurance	(954)	(719)	(1,647)	(1,041)
Rental of equipment	(1,223)	(1,275)	(2,461)	(2,455)
Rental of premises	(5,568)	(4,970)	(10,994)	(9,854)
Repair and maintenance	(2,820)	(1,789)	(5,702)	(4,623)
Utility expenses	(1,783)	(1,731)	(3,487)	(3,282)
Others	(1,834)	(1,598)	(3,987)	(3,095)
	(20,413)	(17,054)	(40,470)	(33,946)
(d) General administrative expenses				
Communication expenses	(4,292)	(3,815)	(8,401)	(7,479)
Legal and professional fees	(2,152)	(2,601)	(4,292)	(4,316)
Printing and stationery	(1,711)	(1,678)	(3,321)	(3,377)
Administrative expenses	(6,761)	(5,999)	(12,865)	(11,628)
Others	(349)	(376)	(465)	(759)
	(15,265)	(14,469)	(29,344)	(27,559)
	(177,210)	(165,024)	(347,014)	(346,974)

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

	Current quarter ended 30.6.2012 RM'000	Comparative quarter ended 30.6.2011 RM'000	Current year to date ended 30.6.2012 RM'000	Preceding year to date ended 30.6.2011 RM'000
A19. (Allowance for)/Write back of impairment losses on loans, advances and financing				
Individual assessment				
- Made	(3,618)	(140)	(3,682)	(1,009)
- Written back	3,891	13	3,921	1,036
Collective assessment (net)				
- (Made)/Written back	(1,260)	(536)	30	(95)
	(987)	(663)	269	(68)
Bad debts				
- Recovered	21	203	145	1,512
- Written off	-	-	(9)	-
	(966)	(460)	405	1,444

A20. (Allowance for)/Write back of impairment losses on trade and other receivables

Individual assessment				
- Made	(2,885)	(1,277)	(4,149)	(2,435)
- Written back	2,710	1,387	3,840	1,881
Collective assessment				
- Written back	383	153	120	48
	208	263	(189)	(506)
Bad debts				
- Recovered	-	-	-	4
- Written off	(210)	-	(210)	-
	(2)	263	(399)	(502)

A21. Write back of impairment loss on investments available-for-sale

Securities available-for-sale	12,247	-	12,247	-
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A22. Segmental information

Please refer to Appendix I.

A23. Events after the end of the quarter
(a) Practice Note 17 of the Main Market Listing Requirements of Bursa Securities (“PN17”)

On 3 July 2012, Bursa Malaysia Securities Berhad confirmed that the Company will not trigger criteria 2.1(g) and (h) of PN17 upon completion of the Proposed Disposal as disclosed in Note B7(a)(i) and hence the Company will not be classified as an Affected Listed Issuer.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A23. Events after the end of the quarter (Cont'd)

(b) Action required for the Proposed Acquisition as disclosed in Note B7(a)(iii)

On 3 July 2012, BNM had, vide its letter, taken note of the Proposed Acquisition as part of the conditions precedent to the Proposed Disposal. OSKIB is required to observe the requirements stipulated in BNM's circular on "Blanket Approval to Banking Institutions" dated 27 December 1995 for banking institutions to increase investment in finance-related subsidiaries specifically on the source of fund of the acquisition. OSKIB has to obtain BNM's approval should the funding be derived from external borrowing.

(c) Approvals granted for the Proposals as disclosed in Note B7(a)(i)

In relation to the Proposed Disposal by the Company to RHBC, the Company received the following approvals:

- (i) On 6 July 2012, the Securities and Exchange Commission Thailand granted approval for RHB Investment Bank Berhad and RHB Capital Berhad to be the direct and indirect major shareholders of OSK Securities (Thailand) Public Company Limited ("OSKST") respectively.
- (ii) On 20 July 2012, the National Bank of Cambodia granted approval on the application for transfer of shares in OSK Indochina Bank Limited ("OSKIBL") to RHB Bank Berhad.
- (iii) On 24 July 2012, the Securities and Exchange Commission of Cambodia granted approval to OSK Indochina Securities Limited on the Proposed Disposal by the Company to RHBC of 100% equity interest in OSKIB.

(d) Subscription of SGD1,000,000 ordinary shares in OSK International Investments Pte Ltd ("OSKIIL")

On 16 July 2012, OSKIB subscribed for SGD1,000,000 new ordinary shares in OSKIIL. The issued and paid-up share capital of OSKIIL increased from SGD4,000,000 to SGD5,000,000. The rationale for the increase is to facilitate the subscription of additional shares in OSK International Asset Management Pte Ltd as disclosed in A23 (e).

(e) Subscription of SGD1,250,000 ordinary shares in OSK International Asset Management Pte Ltd ("OSKIAML") by OSK International Investments Pte Ltd ("OSKIIL")

On 16 July 2012, OSKIIL subscribed for SGD1,250,000 new ordinary shares in OSKIAML for additional working capital purpose. The issued and paid-up share capital of OSKIIL increased from SGD3,850,000 to SGD5,100,000.

OSKIAML is a wholly-owned subsidiary company of OSKIIL which in turn is a wholly-owned subsidiary company of OSKIB. Upon completion of the subscription, the equity interest held by OSKIIL in OSKIAML remains the same.

(f) Updates on the Proposed Disposal as disclosed in Note B7(a)(i)

On 8 August 2012, the Company has issued a notice convening an Extraordinary General Meeting to be held on 24 August 2012 for the purpose of considering and, if thought fit, passing the resolution on the Proposed Disposal.

On 9 August 2012, the Company published the circular to shareholders and independent advice letter from Nomura Securities Malaysia Sdn Bhd in relation to the Proposed Disposal.

A24. Changes in the composition of the Group**(a) Subscription of 51% interest by OSK International Investment Hong Kong Limited (“OSKIIhk”) in OSK Fideus Asia and Emerging Markets Value Fund Ltd (“OSK Fideus”)**

On 24 February 2012, OSKIIhk, a wholly-owned subsidiary of OSK Holdings Hong Kong Limited, which in turn is 93.50%-owned by OSKIB, which in turn is a wholly-owned subsidiary of OSKH, has subscribed for 51 Management Shares or 51% amounting to US\$51 (equivalent to approximately RM154) in a fund company, OSK Fideus, out of the total issued and paid-up capital of US\$100 divided into 100 Management Shares, thus making OSK Fideus an indirect subsidiary of OSKH. The remaining 49% is being held by Alpheus Advisor (“Alpheus”).

OSK Fideus was incorporated on 25 November 2011 as an exempted company and will be registered as a professional mutual fund under the Mutual Fund Law of the Cayman Islands, with a business strategy of investing in Asia and emerging market equities. The authorised capital of OSK Fideus is US\$50,000 divided into 100 Management Shares (with voting rights) at par value of US\$1.00 each and 4,990,000 Participating Shares (without voting rights) at par value of US\$0.01 each.

Alpheus, a company incorporated in 2002 under the laws of Greece, is an affiliate of the Alpheus Group Ltd. (registered in Bermuda) (“Alpheus Group”), which is engaged in the securities investment management services and the provision of family office services. Alpheus Group operates family offices in Athens, London and Zurich with significant allocation to fund strategies. Alpheus Group is also involved in managing The Gale Invest II (Cayman) Fund, an open-ended series of unit trusts established under the laws of the Cayman Islands in 2006, where one of the funds is also focused on Asian and emerging markets.

(b) Dilution of equity interest in iFast-OSK Sdn. Bhd.

On 29 February 2012, iFast-OSK Sdn. Bhd., an associated company of OSKIB, increased its issued and paid-up ordinary share capital from RM22 million to RM23 million by issuance of 1 million ordinary shares of RM1.00 each.

OSKIB did not subscribe for these additional allotments, hence its equity interest in the associated company has been diluted from 38.05% to 36.39%.

(c) Acquisition of additional shares by OSKIB in OSKST

Between 1 January 2012 and 21 May 2012, OSKIB acquired additional 580,600 ordinary shares in OSKST from the open market for a total consideration of THB1,433,618 (approximately RM141,942), thereby increasing its equity interest in OSKST from 97.34% to 97.41%. Up to date of this quarterly report, OSKIB has not purchase any shares in OSKST.

(d) Subscription of shares by OSKIB in OSKIBL

On 26 June 2012, OSKIBL, a wholly-owned Cambodian banking subsidiary of OSKIB, received approval from National Bank of Cambodia to increase its paid-up capital by USD12 million (equivalent to RM38.319 million). Subsequent to the approval, OSKIBL increased its issued and paid-up capital from USD40 million to USD52 million through the issuance of 12 million new ordinary shares of USD1.00 each which was fully subscribed by OSKIB on 28 June 2012. The equity interest held by OSKIB in OSKIBL remained at 100%.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A25. Commitments and contingencies

Please refer to Appendix II.

A26. Interest/profit rate risk

Please refer to Appendix III.

A27. Capital Adequacy

(a) Risk weighted capital ratios and Tier I and Tier II capital

(i) The capital adequacy ratios and capital base of OSKIB Group and OSKIB are as follows:

The capital base and risk weighted assets ("RWA") of OSKIB Group and OSKIB as set out below are disclosed in accordance with Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia. The Group and the Company are not required to maintain any capital adequacy ratio.

	OSKIB Group		OSKIB [^]	
	As at 30.6.2012	As at 31.12.2011 (Restated)	As at 30.6.2012	As at 31.12.2011 (Restated)
Before deducting proposed dividends:				
Core capital ratio	25.71%	25.07%	19.54%	18.71%
Risk weighted capital ratio	33.56%	33.10%	19.54%	18.71%
After deducting proposed dividends:				
Core capital ratio	25.71%	25.07%	19.54%	18.71%
Risk weighted capital ratio	33.56%	33.10%	19.54%	18.71%

[^] In accordance with Section 7.3 of Guidelines on Risk Weighted Capital Adequacy Framework (General Requirements and Capital Components) issued by Bank Negara Malaysia, if deduction from Total Capital (i.e investment in subsidiary companies of OSKIB) is more than eligible Tier 2 capital, the core capital ratio will be equal to the risk-weighted capital ratio.

In assessing the adequacy of its internal capital levels to support current and future activities, the Group ensures that it complies with the minimum requirements of Bank Negara Malaysia of at least 8% in risk weighted capital ratio.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(a) Risk weighted capital ratios and Tier I and Tier II capital (Cont'd)
(i) The capital adequacy ratios and capital base of OSKIB Group and OSKIB are as follows: (Cont'd)

	OSKIB Group		OSKIB	
	As at 30.6.2012	As at 31.12.2011 (Restated)	As at 30.6.2012	As at 31.12.2011 (Restated)
	RM'000	RM'000	RM'000	RM'000
Issued and fully paid share capital	660,000	660,000	660,000	660,000
Retained profits - audited	188,205	162,421	97,839	64,441
Statutory reserves	262,981	239,537	262,831	239,387
Tier 1 non-controlling interests	303,499	304,125	-	-
	1,414,685	1,366,083	1,020,670	963,828
Less: Goodwill	(94,555)	(94,283)	(46,516)	(46,516)
Deferred tax assets	(1,996)	(11,957)	-	(10,330)
Tier I capital	1,318,134	1,259,843	974,154	906,982
Collective impairment	2,326 *	3,696	204 *	1,870
Maximum allowance subordinated debt capital	400,000	400,000	400,000	400,000
Tier II capital	402,326	403,696	400,204	401,870
Total capital	1,720,460	1,663,539	1,374,358	1,308,852
Less: Investments in subsidiary companies	-	-	(740,262)	(701,801)
Capital base	1,720,460	1,663,539	634,096	607,051

The capital adequacy ratios of OSKIB Group consist of capital base and RWA derived from consolidated balances of OSKIB and its subsidiary companies. The capital adequacy ratios of OSKIB consist of capital base and RWA derived from OSKIB.

The capital adequacy ratios of OSKIB Group and OSKIB are computed in accordance with Risk Weighted Capital Adequacy Framework (Basel II). OSKIB Group and OSKIB have adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2011: 8.0%) for the risk weighted capital ratio.

* Restated due to adoption of Revised BNM/GP3 and MFRS 139.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A27. Capital Adequacy (Cont'd)

(a) Risk weighted capital ratios and Tier I and Tier II capital (Cont'd)

(ii) The capital adequacy ratios and capital base of the wholly-owned Cambodia banking subsidiary of OSKIB, OSK Indochina Bank Limited ("OSKIBL"), are as follows:

	OSKIBL	
	As at	As at
	30.6.2012	31.12.2011
Before deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	48.10%	46.49%
After deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	48.10%	46.49%

The Solvency Ratio of OSKIBL is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as OSKIBL's net worth divided by its risk weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15.0%.

No equivalent ratio in Cambodia.

(iii) The capital adequacy ratios and capital base of the wholly-owned subsidiary of the Company, OSK Investment Bank (Labuan) Limited ("OSKL"), are as follows:

	OSKL	
	As at	As at
	30.6.2012	31.12.2011
Before deducting proposed dividends:		
Core capital ratio	42.00%	50.50%
Risk weighted capital ratio	42.00%	50.50%
After deducting proposed dividends:		
Core capital ratio	42.00%	50.50%
Risk weighted capital ratio	42.00%	50.50%

The capital adequacy ratios of OSKL for capital compliance on a standalone basis are computed in accordance with the Guidelines on Risk-weighted Capital Adequacy issued by the Labuan Financial Services Authority (Labuan FSA), which is based on the Basel I capital accord. The minimum regulatory capital adequacy requirements are 4.0% and 8.0% for the Tier 1 capital ratio and risk-weighted capital ratio respectively.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk
As at 30.6.2012
OSKIB Group

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit risk				
<i>On-Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	1,294,748	1,294,748	-	-
Banks, development financial institutions and multilateral development banks	3,937,113	3,937,113	951,419	76,114
Insurance companies, securities firms and fund managers	220,721	220,721	44,144	3,532
Corporates	3,058,118	1,950,137	1,311,350	104,909
Other assets	297,984	297,984	297,984	23,839
Defaulted exposures	23,994	23,994	35,991	2,879
Total on-balance sheet exposures	8,832,678	7,724,697	2,640,888	211,273
<i>Off-Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	601	601	221	18
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	201,799	201,799	131,958	10,556
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	202,400	202,400	132,179	10,574
Total on and off-balance sheet exposures	9,035,078	7,927,097	2,773,067	221,847
(ii) Large exposures risk requirement	-	-	-	-
	<div style="display: flex; justify-content: space-around; width: 100%;"> Long Position Short Position </div> RM'000	<div style="display: flex; justify-content: space-around; width: 100%;"> Long Position Short Position </div> RM'000		
(iii) Market risk				
Interest rate risk	1,843,864	1,925,921	224,501	17,960
Foreign currency risk	849,928	8,758	849,923	67,994
Equity risk	46,850	-	108,748	8,700
Option risk	95,354	-	25,139	2,011
Total	2,835,996	1,934,679	1,208,311	96,665
(iv) Operational risk			1,144,738	91,579
(v) Total RWA and capital requirements			5,126,116	410,091

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (Cont'd)
As at 31.12.2011
OSKIB Group

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
(i) Credit risk				
<i>On-Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	1,577,135	1,577,135	-	-
Banks, development financial institutions and multilateral development banks	3,990,014	3,990,014	974,888	77,991
Insurance companies, securities firms and fund managers	100,246	100,246	20,049	1,604
Corporates	2,330,005	1,752,663	1,234,192	98,735
Other assets	557,236	557,236	557,236	44,579
Defaulted exposures	25,091	25,091	37,637	3,011
Total on-balance sheet exposures	8,579,727	8,002,385	2,824,002	225,920
<i>Off-Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	978	978	204	16
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	189,730	189,730	82,730	6,618
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	190,708	190,708	82,934	6,634
Total on and off-balance sheet exposures	8,770,435	8,193,093	2,906,936	232,554
(ii) Large exposures risk requirement	-	-	-	-
(iii) Market risk				
	Long Position RM'000	Short Position RM'000		
Interest rate risk	1,221,139	1,119,432	126,345	10,108
Foreign currency risk	887,721	-	887,720	71,018
Equity risk	22,147	-	34,185	2,735
Option risk	-	-	50	4
Total	2,131,007	1,119,432	1,048,300	83,865
(iv) Operational risk			1,070,911	85,673
(v) Total RWA and capital requirements			5,026,147	402,092

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (Cont'd)
As at 30.6.2012
OSKIB

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000				
(i) Credit risk								
<i>On-Balance Sheet Exposures:</i>								
Sovereigns/Central Banks	1,200,821	1,200,821	-	-				
Banks, development financial institutions and multilateral development banks	3,294,397	3,294,397	825,036	66,003				
Insurance companies, securities firms and fund managers	220,721	220,721	44,144	3,532				
Corporates	2,553,783	1,773,215	1,134,428	90,754				
Other assets	195,059	195,059	195,059	15,604				
Defaulted exposures	23,994	23,994	35,991	2,879				
Total on-balance sheet exposures	7,488,775	6,708,207	2,234,658	178,772				
<i>Off-Balance Sheet Exposures:</i>								
Over-the-counter ("OTC") derivatives	601	601	221	18				
Credit derivatives	-	-	-	-				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	217,970	217,970	148,129	11,850				
Defaulted exposures	-	-	-	-				
Total off-balance sheet exposures	218,571	218,571	148,350	11,868				
Total on and off-balance sheet exposures	7,707,346	6,926,778	2,383,008	190,640				
(ii) Large exposures risk requirement	-	-	-	-				
	<table border="0"> <tr> <td style="text-align: center;">Long Position</td> <td style="text-align: center;">Short Position</td> </tr> <tr> <td style="text-align: center;">RM'000</td> <td style="text-align: center;">RM'000</td> </tr> </table>	Long Position	Short Position	RM'000	RM'000			
Long Position	Short Position							
RM'000	RM'000							
(iii) Market risk								
Interest rate risk	1,749,747	1,925,921	179,963	14,397				
Foreign currency risk	35,096	28,760	35,101	2,808				
Equity risk	5,867	-	14,001	1,120				
Option risk	95,354	-	25,139	2,011				
Total	1,886,064	1,954,681	254,204	20,336				
(iv) Operational risk			607,662	48,613				
(v) Total RWA and capital requirements			3,244,874	259,589				

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(b) Risk weighted assets and capital requirements for credit risk, market risk, operational risk and large exposures risk (Cont'd)

As at 31.12.2011

OSKIB	Gross	Net	Risk	Capital
Exposure Class	Exposures	Exposures	Weighted	Require
	RM'000	RM'000	Assets	-ments
			RM'000	RM'000
(i) Credit risk				
<i>On-Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	1,509,776	1,509,776	-	-
Banks, development financial institutions and multilateral development banks	3,163,256	3,163,256	811,437	64,915
Insurance companies, securities firms and fund managers	100,246	100,246	20,049	1,604
Corporates	1,904,767	1,587,722	1,069,561	85,565
Other assets	473,820	473,820	473,820	37,906
Defaulted exposures	25,091	25,091	37,637	3,011
Total on-balance sheet exposures	7,176,956	6,859,911	2,412,504	193,001
<i>Off-Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	978	978	204	16
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	177,162	177,162	70,162	5,613
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	178,140	178,140	70,366	5,629
Total on and off-balance sheet exposures	7,355,096	7,038,051	2,482,870	198,630
(ii) Large exposures risk requirement	-	-	-	-
(iii) Market risk				
	Long	Short		
	Position	Position		
	RM'000	RM'000		
Interest rate risk	1,199,671	1,119,432	115,255	9,220
Foreign currency risk	64,252	-	64,253	5,140
Equity risk	5,943	-	14,391	1,151
Option risk	-	-	50	4
Total	1,269,866	1,119,432	193,949	15,515
(iv) Operational risk			568,402	45,472
(v) Total RWA and capital requirements			3,245,221	259,617

OSKIB Group and OSKIB do not have any issuances of Profit Sharing Investment Account ("PSIA") used as a risk absorbent.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(c) Credit Risk exposures by risk weights

As at 30.6.2012

OSKIB Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns/ Central Banks	Banks, Development Financial Institutions & Multilateral Development Banks	Insurance Companies, Securities Firms and Fund Managers	Corporates	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,294,748	10,874	-	-	-	1,305,622	-
20%	-	3,485,350	220,721	739,583	-	4,445,654	889,130
35%	-	-	-	-	-	-	-
50%	-	513,520	-	94,242	-	607,762	303,881
75%	-	-	-	-	-	-	-
100%	-	15,515	-	1,230,566	297,984	1,544,065	1,544,065
150%	-	-	-	23,994	-	23,994	35,991
Total	1,294,748	4,025,259	220,721	2,088,385	297,984	7,927,097	2,773,067
Risk weighted assets by exposures	-	969,345	44,144	1,461,594	297,984	2,773,067	
Average risk weight	0%	24%	20%	70%	100%	35%	
Deduction from capital base	-	-	-	-	-	-	

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(c) Credit Risk exposures by risk weights (Cont'd)

As at 31.12.2011

OSKIB Group

Risk Weights	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns/ Central Banks	Banks, Development Financial Institutions & Multilateral Development Banks	Insurance Companies, Securities Firms and Fund Managers	Corporates	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,577,135	9,577	-	-	-	1,586,712	-
20%	-	3,518,455	100,925	623,550	-	4,242,930	848,586
35%	-	-	-	-	-	-	-
50%	-	596,028	-	59,275	-	655,303	327,650
75%	-	-	-	-	-	-	-
100%	-	-	-	1,105,809	557,236	1,663,045	1,663,045
150%	-	-	-	45,103	-	45,103	67,655
Total	1,577,135	4,124,060	100,925	1,833,737	557,236	8,193,093	2,906,936
Risk weighted assets by exposures	-	1,001,705	20,185	1,327,810	557,236	2,906,936	
Average risk weight	0%	24%	20%	72%	100%	35%	
Deduction from capital base	-	-	-	-	-	-	

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(c) Credit Risk exposures by risk weights (Cont'd)

As at 30.6.2012

OSKIB

Risk Weights	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns/ Central Banks	Banks, Development Financial Institutions & Multilateral Development Banks	Insurance Companies, Securities Firms and Fund Managers	Corporates	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,200,821	70	-	-	-	1,200,891	-
20%	-	2,853,439	220,721	739,583	-	3,813,743	762,749
35%	-	-	-	-	-	-	-
50%	-	513,520	-	94,242	-	607,762	303,880
75%	-	-	-	-	-	-	-
100%	-	15,515	-	1,069,814	195,059	1,280,388	1,280,388
150%	-	-	-	23,994	-	23,994	35,991
Total	1,200,821	3,382,544	220,721	1,927,633	195,059	6,926,778	2,383,008
Risk weighted assets by exposures	-	842,963	44,144	1,300,842	195,059	2,383,008	
Average risk weight	0%	25%	20%	67%	100%	34%	
Deduction from capital base	-	-	-	-	-	-	

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(c) Credit Risk exposures by risk weights (Cont'd)

As at 31.12.2011

OSKIB

Risk Weights	Exposures after Netting and Credit Risk Mitigation					Total Exposures after Netting and Credit Risk Mitigation	Total Risk Weighted Assets
	Sovereigns/ Central Banks	Banks, Development Financial Institutions & Multilateral Development Banks	Insurance Companies, Securities Firms and Fund Managers	Corporates	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
0%	1,509,776	73	-	-	-	1,509,849	-
20%	-	2,701,201	100,925	623,545	-	3,425,671	685,134
35%	-	-	-	-	-	-	-
50%	-	596,028	-	58,669	-	654,697	327,349
75%	-	-	-	-	-	-	-
100%	-	-	-	928,911	473,820	1,402,731	1,402,731
150%	-	-	-	45,103	-	45,103	67,656
Total	1,509,776	3,297,302	100,925	1,656,228	473,820	7,038,051	2,482,870
Risk weighted assets by exposures	-	838,254	20,185	1,150,611	473,820	2,482,870	
Average risk weight	0%	25%	20%	69%	100%	35%	
Deduction from capital base	-	-	-	-	-	-	

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(d) Rated exposures

As at 30.6.2012

OSKIB Group

RM'000	Sovereigns/Central Banks		Banks, Development Financial Institutions & Multilateral Development Banks		Insurance Companies, Securities Firms and Fund Managers		Corporates		Other Assets		Total Exposures after Netting & CRM	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset		
Investment Grade (BBB* equivalent and above)	1,294,748	-	4,009,744	953,830	220,721	44,144	833,825	195,037	-	-	6,359,038	1,193,011
Non Rated or Non Investment Grade	-	-	15,515	15,515	-	-	1,254,560	1,266,557	297,984	297,984	1,568,059	1,580,056
Total	1,294,748	-	4,025,259	969,345	220,721	44,144	2,088,385	1,461,594	297,984	297,984	7,927,097	2,773,067

* The ratings of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(d) Rated exposures (Cont'd)

As at 31.12.2011

OSKIB Group

RM'000	Sovereigns/Central Banks		Banks, Development Financial Institutions & Multilateral Development Banks		Insurance Companies, Securities Firms and Fund Managers		Corporates		Other Assets		Total Exposures after Netting & CRM	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset		
Investment Grade (BBB* equivalent and above)	1,577,135	-	4,100,147	989,748	100,925	20,185	727,955	199,478	-	-	6,506,162	1,209,411
Non Rated or Non Investment Grade	-	-	23,913	11,957	-	-	1,105,782	1,128,332	557,236	557,236	1,686,931	1,697,525
Total	1,577,135	-	4,124,060	1,001,705	100,925	20,185	1,833,737	1,327,810	557,236	557,236	8,193,093	2,906,936

* The ratings of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(d) Rated exposures (Cont'd)

As at 30.6.2012

OSKIB

RM'000	Sovereigns/Central Banks		Banks, Development Financial Institutions & Multilateral Development Banks		Insurance Companies, Securities Firms and Fund Managers		Corporates		Other Assets		Total Exposures after Netting & CRM	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset		
Investment Grade (BBB* equivalent and above)	1,200,821	-	3,367,029	827,449	220,721	44,144	833,825	195,037	-	-	5,622,396	1,066,630
Non Rated or Non Investment Grade	-	-	15,515	15,515	-	-	1,093,808	1,105,804	195,059	195,059	1,304,382	1,316,378
Total	1,200,821	-	3,382,544	842,964	220,721	44,144	1,927,633	1,300,841	195,059	195,059	6,926,778	2,383,008

* The ratings of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(d) Rated exposures (Cont'd)

As at 31.12.2011

OSKIB

RM'000	Sovereigns/Central Banks		Banks, Development Financial Institutions & Multilateral Development Banks		Insurance Companies, Securities Firms and Fund Managers		Corporates		Other Assets		Total Exposures after Netting & CRM	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset		
Investment Grade (BBB* equivalent and above)	1,509,776	-	3,273,388	826,297	100,925	20,185	727,344	199,174	-	-	5,611,433	1,045,656
Non Rated or Non Investment Grade	-	-	23,914	11,957	-	-	928,884	951,437	473,820	473,820	1,426,618	1,437,214
Total	1,509,776	-	3,297,302	838,254	100,925	20,185	1,656,228	1,150,611	473,820	473,820	7,038,051	2,482,870

* The ratings of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(e) Off-balance sheet exposures and counterparty credit risk
As at 30.6.2012
OSKIB Group

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	25,093		12,547	12,547
Foreign exchange related contracts				
One year or less	422,887	14,243	5,675	1,331
Over one year to five years	887,120	-	54,163	10,833
Interest/profit rate related contracts				
Over one year to five years	1,525,000	2,515	27,709	5,542
Equity related contracts				
One year or less	1,164	-	1,164	1,164
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	20,020	3	601	221
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	201,084		100,541	100,541
Any commitments that are cancelled at any time by OSKIB Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,287,193		-	-
Total	4,369,561	16,761	202,400	132,179

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(e) Off-balance sheet exposures and counterparty credit risk (Cont'd)
As at 31.12.2011
OSKIB Group

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	-		-	-
Foreign exchange related contracts				
One year or less	166,916	324	48,813	9,762
Over one year to five years	856,290	7,946	59,888	11,977
Interest/profit rate related contracts				
Over one year to five years	1,110,000	-	25,048	5,010
Equity related contracts				
One year or less	2,832	-	2,832	2,832
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	19,302	131	978	204
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	106,298		53,149	53,149
Any commitments that are cancelled at any time by OSKIB Group without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	1,699,221		-	-
Total	3,960,859	8,401	190,708	82,934

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(e) Off-balance sheet exposures and counterparty credit risk (Cont'd)
As at 30.6.2012
OSKIB

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	25,093		12,547	12,547
Foreign exchange related contracts				
One year or less	422,887	14,243	5,675	1,331
Over one year to five years	887,120	-	54,163	10,833
Interest/profit rate related contracts				
Over one year to five years	1,525,000	2,515	27,709	5,542
Equity related contracts				
One year or less	1,164	-	1,164	1,164
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	20,020	3	601	221
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	233,424		116,712	116,712
Any commitments that are cancelled at any time by OSKIB without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	501,314		-	-
Total	3,616,022	16,761	218,571	148,350

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(e) Off-balance sheet exposures and counterparty credit risk (Cont'd)
As at 31.12.2011
OSKIB

Description	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Assets RM'000
Obligations under an on-going underwriting agreements	-	██████████	-	-
Foreign exchange related contracts				
One year or less	166,916	324	48,813	9,762
Over one year to five years	856,290	7,946	59,888	11,977
Interest/profit rate related contracts				
Over one year to five years	1,110,000	-	25,048	5,010
Equity related contracts				
One year or less	2,832	-	2,832	2,832
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	19,302	131	978	204
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	81,168	██████████	40,581	40,581
Any commitments that are cancelled at any time by the OSKIB without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	454,667	██████████	-	-
Total	2,691,175	8,401	178,140	70,366

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A27. Capital Adequacy (Cont'd)
(f) Risk weighted assets and capital requirements for variances categories of risk under Market Risk

	OSKIB Group		OSKIB	
	30.6.2012	31.12.2011	30.6.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Interest rate risk				
- General interest rate risk	10,086	9,374	8,331	8,837
- Specific interest rate risk	7,874	734	6,066	383
	17,960	10,108	14,397	9,220
Equity position risk				
- General risk	3,748	629	469	475
- Specific risk	4,952	2,106	651	676
	8,700	2,735	1,120	1,151
Foreign exchange risk	67,994	71,018	2,808	5,140
Option risk	2,011	4	2,011	4
	96,665	83,865	20,336	15,515

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad
UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION

	Note	As at 30.6.2012 RM'000	As at 31.12.2011 RM'000
ASSETS			
Cash and short term funds		157,186	395,163
Securities held-to-maturity	A28(a)	284,820	292,950
Securities available-for-sale	A28(b)	597,208	631,105
Other assets	A28(c)	6,765	5,664
Statutory deposit with Bank Negara Malaysia		29,578	-
Equipment		26	18
Intangible assets		703	766
TOTAL ASSETS		1,076,286	1,325,666
LIABILITIES			
Deposits from customers	A28(d)	916,771	1,185,523
Deposits and placements of banks and other financial institutions	A28(e)	30,948	15,888
Other liabilities	A28(f)	6,678	5,831
Tax payable		5,276	4,405
Deferred tax liabilities		200	221
TOTAL LIABILITIES		959,873	1,211,868
ISLAMIC BANKING CAPITAL FUNDS			
Islamic banking funds		100,000	100,000
Reserves		16,413	13,798
TOTAL ISLAMIC BANKING CAPITAL FUNDS		116,413	113,798
TOTAL LIABILITIES AND ISLAMIC BANKING CAPITAL FUNDS		1,076,286	1,325,666

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)
UNAUDITED CONDENSED INCOME STATEMENTS

	Current quarter ended 30.6.2012 RM'000	Preceding quarter ended 30.6.2011 RM'000	Current year to date ended 30.6.2012 RM'000	Preceding year to date ended 30.6.2011 RM'000
Income derived from investment of depositors' funds and others	9,463	9,635	20,018	17,921
Transfer of profit equalisation reserve from investment account holder (2011: investment account holder and OSKIB)	-	89	-	181
Gross and total attributable income	9,463	9,724	20,018	18,102
Income attributable to depositors	(7,450)	(7,797)	(16,652)	(14,530)
Income attributable to OSKIB	2,013	1,927	3,366	3,572
Income derived from investment of Islamic banking funds	547	320	1,089	312
Net provision for profit equalisation reserve (depositors' portion)	(5)	-	(5)	-
Total net income	2,555	2,247	4,450	3,884
Other operating expenses	(607)	(581)	(1,175)	(997)
Profit before tax for the period	1,948	1,666	3,275	2,887
Income tax expense and zakat	(542)	(496)	(871)	(721)
Profit after tax for the period	1,406	1,170	2,404	2,166

For amalgamation with the conventional operations, net income from Islamic banking operations comprises the following items :-

Income derived from investment of depositors' funds and others	9,463	9,635	20,018	17,921
Income attributable to depositors	(7,450)	(7,797)	(16,652)	(14,530)
Income derived from investments of Islamic banking funds	547	320	1,089	312
Transfer of profit equalisation reserve from investment account holder (2011: investment account holder and OSKIB)	-	89	-	181
Net provision for profit equalisation reserve (depositors' portion)	(5)	-	(5)	-
Net income from Islamic banking operations reported in the consolidated income statement	2,555	2,247	4,450	3,884

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)
UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME

	Current quarter ended 30.6.2012 RM'000	Preceding quarter ended 30.6.2011 RM'000	Current year to date ended 30.6.2012 RM'000	Preceding year to date ended 30.6.2011 RM'000
Profit after tax for the period	1,406	1,170	2,404	2,166
Other comprehensive income/(loss)				
Unrealised net gain/(loss) on revaluation of securities available-for-sale	530	303	(81)	36
Income tax relating to component of other comprehensive (income)/loss	(133)	(76)	20	(9)
Other comprehensive income/(loss) for the period, net of tax	397	227	(61)	27
Total comprehensive income for the period, net of tax	1,803	1,397	2,343	2,193
Total comprehensive income attributable to owner of OSKIB	1,803	1,397	2,343	2,193

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN ISLAMIC BANKING FUND

	<u>Non-distributable</u>		<u>Distributable</u>		
	Profit equalisation reserve				
	Islamic banking fund	of Islamic banking operations	Available- for-sale reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1.1.2012	100,000	-	661	13,137	113,798
Total comprehensive (loss)/income	-	-	(61)	2,404	2,343
Transfer from other liabilities due to the adoption of BNM's Revised Guidelines for Profit Equalisation Reserves ("PER")	-	-	-	272	272
Transfer to PER reserve of OSKIB	-	272	-	(272)	-
	-	272	-	-	272
As at 30.6.2012	100,000	272	600	15,541	116,413
As at 1.1.2011	50,000	-	264	7,658	57,922
Total comprehensive income	-	-	27	2,166	2,193
Injection of fund	50,000	-	-	-	50,000
As at 30.6.2011	100,000	-	291	9,824	110,115

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)

	As at 30.6.2012 RM'000	As at 31.12.2011 RM'000
(a) Securities held-to-maturity		
At amortised cost		
Money market instruments:		
Cagamas bonds	5,002	5,014
Malaysian Government Investment Issues	90,060	120,100
	95,062	125,114
Unquoted securities:		
Islamic private debt securities		
- in Malaysia	182,952	167,836
- outside Malaysia	6,806	-
	189,758	167,836
	284,820	292,950
The maturity structure of above securities are as follows:		
Within 1 year	25,039	50,059
2 to 5 years	177,105	177,332
More than 5 years	82,676	65,559
	284,820	292,950
(b) Securities available-for-sale		
At fair value		
Money market instruments:		
Islamic accepted bills	84,550	139,027
Malaysian Government Investment Issues	57,048	89,462
Negotiable instruments of deposit	119,669	129,520
	261,267	358,009
Unquoted securities:		
Islamic private debt securities in Malaysia		
	335,941	273,096
	597,208	631,105
(c) Other assets		
Income receivables	6,555	5,664
Other receivables and prepayments	210	-
	6,765	5,664

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)

	As at 30.6.2012	As at 31.12.2011
	RM'000	RM'000
(d) Deposits from customers		
Mudharabah Fund		
General investment deposits	916,771	1,185,523
(i) By type of customers		
Government and statutory bodies	284,934	521,802
Domestic non-bank financial institutions*	483,266	444,053
Business enterprises	148,571	219,668
	916,771	1,185,523
(ii) By maturity structure		
Up to 3 months	553,427	966,285
3-12 months	363,344	219,238
	916,771	1,185,523
* Domestic non-bank financial institutions include unit trust companies, trust funds and insurance companies.		
(e) Deposits and placements of banks and other financial institutions		
Mudharabah Fund		
Licensed Islamic bank	30,948	15,888
(f) Other liabilities		
Income payables	5,455	3,529
Profit equalisation reserve of Investment Account Holders #	783	2,285
Other payables and accruals	440	17
	6,678	5,831
# At beginning of the period/year		
	2,285	996
Transfer to Non-Distributable profit equalisation reserve	(272)	-
Distribution to Investment Account Holder	(1,235)	-
Provided during the period/year	5	1,289
At end of the period/year	783	2,285

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)

(g) Capital adequacy of Islamic banking operations

The capital base and risk weighted assets, as set out below are disclosed in accordance with Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements ("Pillar 3") issued by Bank Negara Malaysia.

(i) Risk weighted capital ratios and Tier I and Tier II capital

The capital adequacy ratios and capital base are as follows:

	As at 30.6.2012	As at 31.12.2011
Before deducting proposed dividends:		
Core capital ratio	62.01%	54.82%
Risk weighted capital ratio	62.01%	54.82%
After deducting proposed dividends:		
Core capital ratio	62.01%	54.82%
Risk weighted capital ratio	62.01%	54.82%
	RM'000	RM'000
Islamic banking funds	100,000	100,000
Retained profits - audited	15,541	13,137
	115,541	113,137

OSKIB is the only entity in the Group that has Islamic banking operations. The capital adequacy ratios of the Islamic banking operations of OSKIB consist of capital base and risk weighted amounts derived from OSKIB.

The capital adequacy ratios of the Islamic banking operations of OSKIB is computed in accordance with Risk Weighted Capital Adequacy Framework (Basel II). The Islamic banking operations of OSKIB has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The minimum regulatory capital adequacy requirement is 8.0% (2010: 8.0%) for the risk weighted capital ratio.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)
(g) Capital adequacy of Islamic banking operations (Cont'd)
(ii) Risk weighted assets and capital requirements for Credit Risk, Market Risk, Operational Risk and Large Exposures Risk

As at 30.6.2012

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
(a) Credit risk				
<i>On-Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	302,921	302,921	-	-
Banks, development financial institutions and multilateral development banks	391,777	391,777	78,355	6,268
Insurance companies, securities firms and fund managers	-	-	-	-
Corporates	381,443	381,443	93,463	7,476
Other assets	282	282	282	23
Total on-balance sheet exposures	1,076,423	1,076,423	172,100	13,767
<i>Off-Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	-	-	-	-
Total on and off balance sheet exposures	1,076,423	1,076,423	172,100	13,767
(b) Large exposures risk requirement	-	-	-	-
(c) Market risk	-	-	-	-
(d) Operational risk			14,231	1,138
(e) Total RWA and capital requirements			186,331	14,905

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)
(g) Capital adequacy of Islamic banking operations (Cont'd)
(ii) Risk weighted assets and capital requirements for Credit Risk, Market Risk, Operational Risk and Large Exposures Risk (Cont'd)
As at 31.12.2011

Exposure class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Require- ments RM'000
(a) Credit risk				
<i>On-Balance Sheet Exposures:</i>				
Sovereigns/Central Banks	398,785	398,785	-	-
Banks, development financial institutions and multilateral development banks	614,069	614,069	125,824	10,066
Insurance companies, securities firms and fund managers	-	-	-	-
Corporates	313,424	313,424	67,660	5,413
Other assets	25	25	25	2
Total on balance sheet exposures	1,326,303	1,326,303	193,509	15,481
<i>Off-Balance Sheet Exposures:</i>				
Over-the-counter ("OTC") derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	-	-	-	-
Defaulted exposures	-	-	-	-
Total off-balance sheet exposures	-	-	-	-
Total on and off-balance sheet exposures	1,326,303	1,326,303	193,509	15,481
(b) Large exposures risk requirement	-	-	-	-
(c) Market risk	-	-	-	-
(d) Operational risk			12,878	1,030
(e) Total RWA and capital requirements			206,387	16,511

The Islamic banking operations of OSKIB does not have any issuances of Profit Sharing Investment Account ("PSIA") used as a risk absorbent.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)

(g) Capital adequacy of Islamic banking operations (Cont'd)

(iii) Credit risk exposures by risk weights

As at 30.6.2012

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Central Banks RM'000	Sovereigns/ Development Banks RM'000	Banks, Development Financial Institutions & Multi-lateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000		
0%	302,921	-	-	-	-	-	302,921	-
20%	-	391,777	-	-	359,976	-	751,753	150,351
35%	-	-	-	-	-	-	-	-
50%	-	-	-	-	-	-	-	-
75%	-	-	-	-	-	-	-	-
100%	-	-	-	-	21,467	282	21,749	21,749
150%	-	-	-	-	-	-	-	-
Total	302,921	391,777	-	-	381,443	282	1,076,423	172,100
Risk weighted assets by exposures	-	78,355	-	-	93,463	282	172,100	
Average risk weight	0%	20%	0%	0%	25%	100%	16%	
Deduction from capital base	-	-	-	-	-	-	-	

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)
(g) Capital adequacy of Islamic banking operations (Cont'd)
(iii) Credit risk exposures by risk weights (Cont'd)
As at 31.12.2011

Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting and Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, Development Financial Institutions & Multi-lateral Development Banks RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Other Assets RM'000	Total Exposures after Netting and Credit Risk Mitigation RM'000		
0%	398,785	-	-	-	-	-	398,785	-
20%	-	604,035	-	307,205	-	-	911,240	182,249
35%	-	-	-	-	-	-	-	-
50%	-	10,034	-	-	-	-	10,034	5,016
75%	-	-	-	-	-	-	-	-
100%	-	-	-	6,219	25	-	6,244	6,244
150%	-	-	-	-	-	-	-	-
Total	398,785	614,069	-	313,424	25	1,326,303	1,326,303	193,509
Risk weighted assets by exposures	-	125,824	-	67,660	25	193,509		
Average risk weight	0%	20%	0%	22%	100%	15%		
Deduction from capital base	-	-	-	-	-	-		

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)
(g) Capital adequacy of Islamic banking operations (Cont'd)
(iv) Rated exposures

As at 30.6.2012

RM'000	Sovereigns/Central Banks		Banks, Development Financial Institutions & Multilateral Development Banks		Insurance Companies, Securities Firms and Fund Managers		Corporates		Other Assets		Total Exposures after Netting & CRM	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset		
Investment Grade (BBB* equivalent and above)	302,921	-	391,777	78,355	-	-	359,976	71,996	-	-	1,054,674	150,351
Non Rated or Non Investment Grade	-	-	-	-	-	-	21,467	21,467	282	282	21,749	21,749
Total	302,921	-	391,777	78,355	-	-	381,443	93,463	282	282	1,076,423	172,100

* The ratings of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)
(g) Capital adequacy of Islamic banking operations (Cont'd)
(iv) Rated exposures (Cont'd)

As at 31.12.2011

RM'000	Sovereigns/Central Banks		Banks, Development Financial Institutions & Multilateral Development Banks		Insurance Companies, Securities Firms and Fund Managers		Corporates		Other Assets		Total Exposures after Netting & CRM	Total Risk Weighted Assets
	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset	Exposures after Netting & CRM	Risk Weighted Asset		
Investment Grade (BBB* equivalent and above)	398,785	-	604,035	120,807	-	-	307,205	61,441	-	-	1,310,025	182,248
Non Rated or Non Investment Grade	-	-	10,034	5,017	-	-	6,219	6,219	25	25	16,278	11,261
Total	398,785	-	614,069	125,824	-	-	313,424	67,660	25	25	1,326,303	193,509

* The ratings of foreign securities are based on Moodys, S&P and Fitch and local securities are based on RAM and MARC.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

A28. Islamic banking operations of OSK Investment Bank Berhad (Cont'd)

(g) Capital adequacy of Islamic banking operations (Cont'd)

(v) Off-balance sheet exposures and counterparty credit risk

As at reporting date, the Islamic banking operations of OSKIB do not have any off-balance sheet exposures and their related counterparty credit risk.

(vi) Risk weighted assets and capital requirements for variances categories of risk under Market Risk

	As at 30.6.2012 RM'000	As at 31.12.2011 RM'000
Interest rate risk		
- General interest rate risk	-	-
- Specific interest rate risk	-	-
	<hr/>	<hr/>
	-	-
Equity position risk		
- General risk	-	-
- Specific risk	-	-
	<hr/>	<hr/>
	-	-
Foreign exchange risk	-	-
Option risk	-	-
	<hr/>	<hr/>
	-	-
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QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**PART B - Explanatory Notes Pursuant to Chapter 9, Appendix 9B, Part A, of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities")****B1. Group performance analysis for the current quarter and year to date***Current Quarter ("2Q12") Compared with Comparative Quarter of Preceding Year ("2Q11")*

The Group reported a higher revenue of RM251.80 million in 2Q12 compared with RM242.88 million in 2Q11, representing an improvement of 4% or RM8.92 million. Despite the challenges facing the global economy, the Group reported a pre-tax profit of RM26.48 million in 2Q12 (2Q11: RM19.71 million) increased by 34% or RM6.77 million, inclusive of RM12.25 million write back of impaired investments. Consequently, the profit attributable to the owners of the Company doubled up to RM14.91 million in 2Q12 compared with RM7.50 million in 2Q11. This translated into earnings per share of 1.56 sen (2Q11: 0.80 sen).

The Group's higher revenue was mainly contributed by interest income from the Loans and Financing segment as well as its unit trust business despite lower brokerage fee income. The net interest income increased significantly by 40% or RM8.83 million to RM30.72 million in 2Q12 from RM21.89 million in 2Q11 as a result of continued loan growth. The net income from Islamic banking operations reported RM2.56 million in 2Q12, up by 14% or RM308,000, due to higher income generated. On the other hand, the non-interest income in 2Q12 decreased by RM1.57 million or 1% while other operating expenses increased by RM12.19 million or 7%, mainly due to higher personnel costs relating to business expansion and an expanded staff force in the subsidiaries acquired in the second half of 2011.

Current Year To Date Compared with Preceding Year To Date

The Group recorded total revenue of RM538.69 million for the first six months ended 30 June 2012 ("6M12") compared with RM546.72 million for the same period last year ("6M11"), down by 1%. The Group's pre-tax profit recorded at RM83.80 million in 6M12 compared with RM91.71 million in 6M11, which was RM7.91 million or 9% lower. Consequently, the Group's profit attributable to the owners of the Company reduced to RM48.64 million in 6M12 from RM53.13 million in 6M11, translating into earnings per share of 5.14 sen (6M11: 5.66 sen).

The lower global market turnover has led to lower market turnover in the region in which the Group operates, and this has led to lower gross brokerage fee income to the Group. In addition, the Group also incurred higher operating expenses, mainly due to the increase in personnel costs resulting from business expansion, including the strengthening of the managements and expanded staff force in the subsidiaries acquired in the second half of 2011. Despite the challenges, the Group's net interest income climbed 30% or RM13.93 million to RM60.52 million in 6M12 from RM46.59 million in 6M11, attributed to an improvement in net interest margin from 33% to 37% and the execution of its loan growth strategy.

The Group's available-for-sale reserves turned around from a net loss of RM10.27 million to a net gain of RM9.48 million, for a marked-to-market gain of RM19.75 million. Total assets rose 18% to RM12.69 billion from RM10.78 billion at the end of 2011 while the Group shareholders' funds increased by 4% to RM1.52 billion from RM1.46 billion at the end 2011.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**B1. Performance analysis of the Group for the current quarter and year to date (Cont'd.)***Current Year To Date Compared with Preceding Year To Date (Cont'd)*

Performance analysis of the respective operating geographical segments for 6M12 versus 6M11 is as follows:-

- 1) Domestic - The Group's Malaysian entities reported a pre-tax profit of RM83.33 million as compared to RM76.50 million in 6M11, representing an improvement of 9% or RM6.83 million. This segment accounted for 99% (6M11: 83%) of total Group's pre-tax profit. The profits were boosted by higher contributions from the Loans and Financing segment as a result of the Group's continued loan growth strategy, as well as contributions from the Wealth Management and Property Investment segments.

OSK Investment Bank Berhad contributed a pre-tax profit contribution of 67% (6M11: 54%) to the Group. Other pre-tax profit contributors were OSK-UOB Investment Management Berhad ("OUIM"), which is involved in the management of unit trusts, with 10% (6M11: 9%) and OSK Capital Sdn Bhd, which is engaged in capital financing, with 9% (6M11: 13%). The Group's property investment companies contributed 7% (6M11: 5%), while its trustee companies contributed 4% against a breakeven position in 6M11. Other businesses made up the balance contribution of 2% (6M11: 2%) to the Group.

- 2) Foreign Countries - The Group's overseas subsidiaries contributed a pre-tax profit of RM474,000 (6M11: RM15.22 million), representing 1% (6M11: 17%) of overall pre-tax profit. The weaker performance was mainly due to the lower market turnover in the countries that the Group operates in, coupled with higher operating expenses arising from business expansion in the newly acquired subsidiaries in the second half of 2011.

The Singapore operations, which encompass Equities, Shares Margin Financing, Corporate Advisory and Fund Management businesses, remained the main profit contributor, albeit reporting a lower pre-tax profit of RM13.35 million (6M11: RM19.89 million) owing to lower trading values and slower capital market activities. Cambodia, which mainly comprises a relatively young commercial bank and a newly set-up securities firm, emerged as the second largest profit contributor in the overseas segment with a pre-tax profit of RM1.13 million in 6M12, after turning around from a pre-tax loss of RM2.84 million in 6M11.

Indonesia, encompassing the businesses of Equities, Shares Margin Financing, Corporate Advisory and Asset Management, reported a pre-tax loss of RM1.67 million (6M11: pre-tax profit of RM3.95 million) after taking into account an interest expense allocation of RM2.62 million (6M11: RM2.60 million). The lower profit was mainly due to lower trading values and additional expenses incurred in newly opened branches. OSK Securities (Thailand) Public Company Limited ("OSKST"), the securities company in Thailand acquired on 21 July 2011, reported a pre-tax loss of RM3.36 million in 6M12 as the Group invested in strengthening its operating platform and staff force, thus resulting in higher operating costs. Meanwhile, the pre-tax losses at the Group's China and Hong Kong entities' widened to RM8.98 million in 6M12 from a pre-tax loss of RM5.79 million in 6M11, mainly due to lower brokerage and shares margin income generated in 6M12.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**B1. Performance analysis of the Group for the current quarter and year to date (Cont'd.)***Current Year To Date Compared with Preceding Year To Date (Cont'd)*

Performance analysis of the respective operating business segments for 6M12 versus 6M11 is as follows:-

- 1) Investment Banking - This segment reported a pre-tax profit of RM42.75 million (6M11: RM40.72 million), representing 51% (6M11: 44%) of Group's pre-tax profit in 6M12, which included the write back of RM12.25 million in impaired investments. Without such write back, Derivatives and Structured Products and Corporate Advisory would have been the main profit contributors in 6M12, accounting for 69% (6M11: 76%) and 25% (6M11: 14%) of pre-tax profit respectively, followed by Treasury. The Islamic Banking Operations contributed RM1.41 million (6M11: RM1.16 million), up 21% or RM244,000 while the profit contribution by Labuan Investment Banking fell and Capital Markets recorded losses due to the lower level of capital market activities in the region.
- 2) Loans and Financing - This segment's pre-tax profit surged 38% or RM12.79 million to RM46.25 million in 6M12 from RM33.46 million in 6M11 making it the Group's top profit contributor in 6M12 (6M11: second), accounting for 55% (6M11: 36%) of Group's pre-tax profit. The significant improvement was mainly due to loan growth in Malaysia and Cambodia. At the end of 6M12, total gross loans stood at RM2.14 billion (30.6.11: RM1.57 billion), up by 36% or RM570 million, supported by steady growth in customer deposits, notwithstanding the collective impairment allowance set aside for loan growth.
- 3) Equities and Futures - This segment recorded a pre-tax loss of RM15.22 million in 6M12 versus a pre-tax profit of RM10.15 million in 6M11, primarily due to lower gross brokerage fee income arising from recent uncertainties in the external environment, as well as the soft regional market sentiment, which led to lower trading turnover. This was aggravated in part by the start-up costs incurred for the Group's new branches in Thailand and Indonesia.
- 4) Wealth Management - This segment contributed a pre-tax profit of RM5.10 million in 6M12 compared with RM1.82 million in 6M11, which was 180% or RM3.28 million improvement. This was mainly attributable to higher fee income from the Group's trustee companies and local Unit Trust Fund Management business.
- 5) Property Investment - Pre-tax profit from this segment rose 14% or RM689,000 to RM5.61 million in 6M12 from RM4.92 million in 6M11, due to higher rental income.
- 6) Others - These represent the profits and losses of miscellaneous investments and share of results of an associated company of insignificant amount.

B2. Current Quarter ("2Q12") Compared with Immediate Preceding Quarter ("1Q12")

The Group reported a pre-tax profit of RM26.48 million in 2Q12 compared to RM57.32 million in 1Q12. The weaker performance was principally due to lower market activities which led to lower gross brokerage fee income, higher operating expenses incurred for business expansion in the Equities segment, as well as the change from a net gain to a net loss arising from sales of securities and derivatives in the Investment Banking segment.

B3. Current year prospects and progress on previously announced revenue or profit forecast**(a) Current year prospects**

(Commentary on the rest of the year)

Although the on-going Eurozone crisis is still clouding the global economic outlook, government support through fiscal stimuli should provide the growth impetus in Southeast Asia. In Malaysia, the record spending announced in the 2012 Budget is expected to lift economic growth in 2012 amid a slowdown in external demand. Similarly, Indonesia and Thailand would also benefit from continued fiscal support, which should enable them to outperform their peers this year. The Group expects the uncertain global environment to dampen demand for Singapore's exports and hence curtail economic growth this year, although domestic demand will still be healthy.

With inflation concerns easing, especially since commodity prices are moderating and global growth slows down, the Group expects prudent inflation management in the region to remain in place. This is because the upside risks to inflation could re-emerge should commodity prices accelerate or subsidies are removed in some economies as part of the on-going fiscal consolidation measures.

The Group continues to expect more moderate commodity prices to help alleviate inflation in Malaysia this year. In contrast, inflation remains elevated in Singapore, where policy has been tightened, while strong domestic demand in Indonesia and the rebuilding efforts in Thailand are expected to increase inflationary pressure in both economies. However, policy tightening is unlikely at this juncture amid the uncertain global environment. Instead, expectations are for central banks to implement macro-prudential and liquidity measures to temper inflation than raise interest rates.

The Prospects by Business Segment

Investment Banking - For the rest of 2012, the capital market is expected to remain volatile. The prolonged weak economic sentiment, especially in the Eurozone, may weigh on investment banking activities. In contrast, the Group expects some upside potential in the Mergers and Acquisitions area. Despite the challenging conditions, the Group will continue to expand its assets portfolio and implement new investment strategies, leveraging on its strong regional network and collaborations with strategic partners in other countries, to expand its market reach and share.

Loans and Financing - In the forthcoming quarters, the Group's domestic corporate loans are expected to continue to grow at the current moderate pace, supported by growing deposits from customers, while retail and corporate loans in Cambodia are expected to achieve the target growth. The growth of the Group's shares margin financing business in the region, which is subject to the challenges in the respective equities and capital markets, will continue to depend on the speed of obtaining approvals, effectiveness of disbursement channels and the Group's ability to exploit its regional business network.

B3. Current year prospects and progress on previously announced revenue or profit forecast (Cont'd.)

(a) Current year prospects (Cont'd.)

Equities and Futures - For the rest of 2012, the regional capital market is anticipated to remain competitive and volatile. The growth in the Group's Equities and Futures businesses is largely dependent on the market sentiment in the countries in which the Group operates. Despite the increasingly challenging operating environment, the Group expects to expand its securities businesses, particularly in Indonesia and Thailand, where there are opportunities to gain market share. The equities business in Hong Kong is expected to achieve higher trading turnover as the institutional sales momentum improves and the revamp of the retail team brings renewed vigour to trading activities.

Wealth Management - The Group expects its domestic unit trust fund management business to grow steadily, with OUIIM sustaining its position as one of the market leaders in Malaysia. The Group also expects its leading position in the professional trustee business under Malaysian Trustees Berhad, particularly in relation to Private Debts Securities ("PDS") sector, to continue to contribute positively in the coming quarters. To further grow its trustee business, the Group plans to achieve more synergies by synchronizing, among others, the business plans, products and services and human resources of both OSK Trustees Berhad and Malaysian Trustees Berhad. Regionally, the Group is seeking to develop its fund management business in Indonesia, Singapore and Hong Kong by growing the assets under management ("AUM") in the respective countries.

Property Investment - This business in Malaysia generates a stable income stream. The Group will continue to explore and evaluate opportunities, as well as improve the performance of the existing assets held.

The Group endeavours to grow its market share in the countries in which it operates. The Board is confident that the Group will perform satisfactorily in 2012 despite the challenging global environment.

(b) Progress and steps to achieve revenue or profit estimate, forecast, projection and internal targets previously announced

There was no revenue or profit forecast announced by the Company.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**B4. Statement of the Board of Directors' opinion on achievability of revenue or profit estimate, forecast, projection and internal targets previously announced**

There was no revenue or profit forecast announced by the Company.

B5. Profit forecast/profit guarantee

There was no profit forecast or profit guarantee issued by the Company.

B6. Income tax expense

	Current quarter ended 30.6.2012 RM'000	Current year to date ended 30.6.2012 RM'000
In respect of the current quarter/year to date		
- Zakat	(83)	(83)
- Malaysian income tax	(9,902)	(19,462)
- Foreign income tax	(1,213)	(2,600)
	<u>(11,198)</u>	<u>(22,145)</u>
In respect of the prior year		
- Malaysian income tax	(118)	(1,349)
- Foreign income tax	193	230
	<u>75</u>	<u>(1,119)</u>
Deferred taxation	2,266	(4,262)
Income tax expense	<u>(8,857)</u>	<u>(27,526)</u>

The effective tax rate for the current year to date is higher than the statutory tax rate of 25% mainly due to the unavailability of group relief for losses incurred by overseas subsidiary companies and the non-deductibility of certain expenses.

B7. Status of corporate proposals and utilisation of proceeds

(a) Status of corporate proposals announced but not completed as at 15 August 2012 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report)

- (i) Proposed Disposal by the Company to RHB Capital Berhad (“RHBC”) of the following entities :-
- a) 100% equity interest in OSKIB;
 - b) 20% equity interest in OSK Trustees Berhad;
 - c) 20% equity interest in Malaysian Trustees Berhad; and
 - d) 100% equity interest in OSK Investment Bank (Labuan) Limited (“OSKL”)
- for a total disposal consideration of RM1,977.5 million to be satisfied through the issuance of 245.0 million new ordinary shares of RM1.00 each in RHBC (“Proposed Disposal”) and cash; and the subsequent merger of the investment banking businesses of the Company and RHBC (collectively referred to as the “Proposals”)

On 29 September 2011, the Company submitted an application letter to BNM to seek an approval in principle to commence negotiations with RHBC for a possible merger of businesses between OSK investment banking group and RHB banking group. BNM had vide its letter dated 13 October 2011 stated that it had no objection in principle for the Company to commence negotiations with RHBC for the possible merger of businesses. The approval to commence negotiations was valid for a period of 3 months.

On 11 January 2012, the Company submitted an application to BNM to seek relevant approval in relation to the Proposed Disposal from the Minister of Finance via BNM. The approval for the Proposed Disposal from the Minister of Finance was announced on 27 April 2012.

On 28 May 2012, the Company entered into a conditional share purchase agreement (“CSPA”) with RHBC in relation to the Proposed Disposal.

B7. Status of corporate proposals and utilisation of proceeds (Cont'd)

(i) the Proposals (Cont'd)

The Proposals are subject to, amongst others, the following approvals being obtained from the following authorities/parties :-

- a) the Securities Commission Malaysia ("SC") for the change in shareholders of OSKIB and the change of controller (as the case may be and to the extent applicable) for the companies within the OSKIB group that hold capital markets and services licenses issued by the SC which obtained on 24 May 2012;
- b) the Labuan Financial Services Authority for the change in the ownership of OSKL, which was obtained on 27 March 2012;
- c) the appropriate foreign governmental authorities in respect of OSKIB's overseas business operations;
- d) the shareholders of the Company at the extraordinary general meeting ("EGM") to be convened;
- e) the shareholders of RHBC at an EGM to be convened;
- f) Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities; and
- g) any other relevant approving authorities and/or parties, where required.

Other relevant events after the end of quarter is shown in Note A23(c) and (f).

(ii) Proposed Acquisition and Assignment of Ascend Integrated Investment (L) Berhad's ("AIIB") Irrevocable Option by OSKIB in PT OSK Nusadana Securities Indonesia ("OSKNSI") (of which PT Ascend Unity Capital is the Registered Holder)

On 28 May 2012, OSKIB, entered into a conditional sale, purchase and assignment of option agreement with AIIB for the proposed sale and assignment of AIIB's irrevocable option to acquire 84,000 ordinary shares of IDR1 million each in OSKNSI held by PT Ascend Unity Capital ("PTAUC Share(s)") (the "Option") to OSKIB for a cash consideration of IDR343,280 million (which is equivalent to approximately RM116.37 million) ("Proposed Option Acquisition"). The PTAUC Shares under the Option is worth IDR132,090 million which is equivalent to approximately RM44.78 million.

The Proposed Option Acquisition is conditional on the completion of the CSPA. Hence, the Proposed Option Acquisition will only be completed after the completion of the Proposed Disposal.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**B7. Status of corporate proposals and utilisation of proceeds (Cont'd)****(iii) Proposed Acquisition of 48% Equity Interest by OSKIB in OSKNSI Not Already Held**

On 29 May 2012, OSKIB entered into a conditional share purchase agreement to acquire a 48% equity interest in OSKNSI not already held by OSKIB from the following parties:-

- a) PT Ascend Unity Capital for its 84,000 ordinary shares of IDR1 million each in OSKNSI (representing approximately 41.16% of the issued and paid-up share capital of OSKNSI) for a cash consideration of IDR132,090 million which is equivalent to approximately RM43.99 million; and
- b) PT Multidana Assetama for its 13,960 ordinary shares of IDR1 million each in OSKNSI (representing approximately 6.84% of the issued and paid-up share capital of OSKNSI) for a cash consideration of IDR21,950 million which is equivalent to approximately RM7.31 million.

("collectively referred to as the "Proposed Acquisition")

The Proposed Acquisition is conditional on the completion of the CSPA. Hence, the Proposed Acquisition will only be completed after the completion of the Proposed Disposal.

Other relevant event after the end of quarter is shown in Note A23(b).

Item (ii) and (iii) above will be subsequently undertaken and completed by RHBC after the completion of the Proposed Disposal and when OSKIB becomes a wholly-owned subsidiary (whether directly or indirectly) of RHBC.

(b) The status of utilisation of proceeds raised by the Company

There were no proceeds raised from any corporate proposal by the Company.

B8. Borrowings and debt securities as at the end of the reporting period

The Group's borrowings and debt securities (denominated in RM unless otherwise stated) at the end of the current year to date are as follows:-

	RM'000
Short term borrowings - Unsecured	
Revolving credits	381,063
Revolving credits denominated in USD	35,276
Revolving credits denominated in HKD	34,126
Short term loans denominated in SGD	98,923
	<hr/>
	549,388
Long term subordinated notes - Unsecured	400,000
	<hr/>
Total borrowings and debt securities	949,388
	<hr/>

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
B9. Material litigations

As at 15 August 2012 (being the latest practicable date which is not earlier than 7 days from the date of issue of this Quarterly Report), the Group was not engaged in any material litigation either as plaintiff or defendant and the directors are not aware of any proceeding pending or threatened against the Group or any facts likely to give rise to any proceeding which might materially and adversely affect the financial position or business operations of the Group.

B10. Dividends

(a) The Board of Directors recommends an interim dividend of 2.5 sen per share less 25% income tax in respect of the current year to date (2011: Interim dividend of 2.5 sen per share less 25% income tax). The entitlement date to the interim dividend is fixed on 30 August 2012 and payment will be made on 18 September 2012.

(b) Total dividend for the current year to date is 2.5 sen per share less 25% income tax.

B11. Earnings Per Share (“EPS”) attributable to owners of the Company

	Current quarter ended 30.6.2012	Comparative quarter ended 30.6.2011 (Restated)	Current year to date ended 30.6.2012	Preceding year to date ended 30.6.2011 (Restated)
<u>Basic</u>				
Profit attributable to owners of the Company (RM'000)	14,914	7,497	48,642	53,128
Weighted average number of ordinary shares in issue ('000 shares)	953,423	939,120	946,906	938,701
Basic EPS (sen)	1.56	0.80	5.14	5.66
<u>Diluted</u>				
Profit attributable to owners of the Company (RM'000)	14,914	7,497	48,642	53,128
Weighted average number of ordinary shares in issue ('000 shares)	953,423	939,120	946,906	938,701
Effect of dilution on assumed exercise of options granted under ESOS ('000 shares)	1,173	2,188	1,176	2,527
Adjusted weighted average number of ordinary shares in issue and issuable ('000 shares)	954,596	941,308	948,082	941,228
Diluted EPS (sen)	1.56	0.80	5.13	5.64

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**B12. Auditors' report of preceding annual financial statements**

The auditors' report of the Group's preceding year's financial statements was not qualified.

B13. Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the reporting date, into realised and unrealised profits or losses. On 20 December 2010, Bursa Malaysia further issued a guidance on the disclosure and the format required.

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, issued by the Malaysian Institute of Accountants on 20 December 2010.

The disclosure of realised and unrealised profits below is solely for complying with the disclosure requirements stipulated in the directive of Bursa Malaysia and not to be applied for any other purpose.

Based on the above criteria, the breakdown of retained profits of the Group as at the reporting date is as follows:

	As at 30.6.2012	As at 31.12.2011 (Restated)
	RM'000	RM'000
Total retained profits of the Company and its subsidiary companies		
- Realised	187,777	215,434
- Unrealised	184,692	179,349
	372,469	394,783
Total share of retained profits from associated companies		
- Realised	12,785	11,432
- Unrealised	-	-
	385,254	406,215
Less : Consolidation adjustments	(92,682)	(96,197)
	292,572	310,018

B14. Specific disclosures

All the income and expenses as specifically required to be included in the consolidated income statements and statements of comprehensive income has been disclosed in the statements or in the respective notes to the statements, other than allowance for and write off of inventories and exceptional items are not applicable to the Group.

By Order of the Board

Dato' Nik Mohamed Din bin Datuk Nik Yusoff
Director

Kuala Lumpur
17 August 2012

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012**A22. Segmental information**

For management purposes, the Group is organised into the following major business segments based on products and services, which are regularly provided to and reviewed by the chief operating decision makers:

- | | |
|------------------------|---|
| 1. Investment Banking | - Equities and Debt Capital Market, Derivatives and Structured Products, Corporate Advisory, Treasury, Islamic Banking and Labuan Investment Banking. |
| 2. Loans & Financing | - Corporate Loans, Shares Margin Financing, Capital Financing and Commercial Banking Services. |
| 3. Equities & Futures | - Stockbroking & Futures Broking, Nominee Services and related services. |
| 4. Wealth Management | - Unit Trust Fund Management, Islamic Funds Services, Wills and Trustee Services and Asset Management. |
| 5. Property Investment | - Management and Letting of Properties. |
| 6. Investment Holding | - Investment Holding Companies. |
| 7. Others | - Online trading platform for equities business and other insignificant activities. |

Segment revenue and results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

The inter-segment transactions have been entered into in the ordinary course of business at terms mutually agreed between the segments concerned and are not more favourable than those arranged with independent third parties and have been eliminated to arrive at the Group's results.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A22. Segmental information (Cont'd)
Geographical Segments

The Group operates in six geographical locations: Malaysia (Domestic), Singapore, China and Hong Kong, Indonesia, Cambodia and Thailand. Revenue is based on geographical locations of business operations. Non-current assets are presented based on the geographical location of assets, which consist of Investments in associated companies and jointly controlled entity, Investment property, Property and equipment and Intangible assets.

Domestic	Foreign Countries						Grand Total
Malaysia	Singapore	China and Hong Kong	Indonesia	Cambodia	Thailand	Sub-total	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000

CURRENT YEAR TO DATE ENDED 30.6.2012

Revenue	403,572	77,710	13,063	23,743	11,185	9,419	135,120	538,692
Profit/(loss) before tax	83,330	13,350	(8,975)	(1,673)	1,132	(3,360)	474	83,804
Non-current assets as at 30.6.2012	564,021	10,688	4,121	6,073	14,747	8,026	43,655	607,676

PRECEDING YEAR TO DATE ENDED 30.6.2011 (RESTATED)

Revenue	403,686	78,350	25,664	32,407	6,608	-	143,029	546,715
Profit/(loss) before tax	76,496	19,892	(5,785)	3,949	(2,840)	-	15,216	91,712
Non-current assets as at 31.12.2011	563,260	11,288	4,453	6,235	15,750	3,199	40,925	604,185

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
A25. Commitments and contingencies

The risk weighted exposures of the Group as at reporting dates are as follows:

	As at 30.6.2012			As at 31.12.2011		
	Principal	Credit	Risk	Principal	Credit	Risk
	amount	equivalent*	weighted*	amount	equivalent*	weighted*
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Obligations under underwriting agreements	93,060	46,530	46,530	-	-	-
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	1,287,193	-	-	1,699,221	-	-
- maturity exceeding one year	201,084	100,541	100,541	106,298	53,149	53,149
Foreign exchange related contracts:						
- less than one year	422,887	5,675	1,331	166,916	48,813	9,762
- one year to less than five years	887,120	54,163	10,833	856,290	59,888	11,977
Interest rate related contracts:						
- one year to less than five years	1,525,000	27,709	5,542	1,110,000	25,048	5,010
	4,416,344	234,618	164,777	3,938,725	186,898	79,898

* The credit equivalent amount and risk weighted amount are arrived at using the credit evaluation conversion factor as per Bank Negara Malaysia's Guidelines.

OSKIB has adopted the Standardised Approach for credit risk and market risk and the Basic Indicator Approach for operational risk computation.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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A26. Interest/profit rate risk

	Non-trading book						Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
As at 30.6.2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short term funds	1,766,655	31,354	17,363	6,000	-	435,156	-	2,256,528	3.00
Deposits and placements with a bank	-	-	2,982	-	-	-	-	2,982	7.00
Securities held-for-trading	-	-	-	-	-	-	385,310	385,310	-
Securities held-to-maturity	9,523	81,756	73,455	273,813	134,828	-	-	573,375	4.13
Securities available-for-sale	363,996	405,332	373,264	1,549,274	690,786	58,533	-	3,441,185	3.92
Derivative financial assets *	-	-	-	-	-	16,761	-	16,761	-
Loans, advances and financing									
- Non-impaired	538,801	331,888	542,259	578,585	126,766	-	-	2,118,299	8.33
- Impaired	1,431	-	-	406	-	-	-	1,837	8.50
Trade receivables	68,443	-	-	-	-	2,696,110	-	2,764,553	2.99
Statutory deposits with Central Banks	-	-	-	-	44,742	204,486	-	249,228	0.16
Other assets	1,513	-	200	-	-	238,220	-	239,933	3.11
Other non-interest sensitive assets	-	-	-	-	-	639,386	-	639,386	-
Total Assets	2,750,362	850,330	1,009,523	2,408,078	997,122	4,288,652	385,310	12,689,377	

* Interest rate exposure of interest rate swaps classified as derivative financial assets/liabilities is disclosed under off-balance sheet interest sensitivity gap on the following page.

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012

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A26. Interest/profit rate risk (Cont'd)

	Non-trading book						Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
As at 30.6.2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
LIABILITIES									
Deposits from customers	2,751,886	1,823,236	923,047	22,967	-	43	-	5,521,179	3.16
Deposits and placements of banks and other financial institutions	235,264	92,735	21,555	9,132	-	-	-	358,686	2.96
Obligations on securities sold under repurchase agreements	49,809	98,338	110,921	-	-	-	-	259,068	1.02
Obligations on securities borrowed	-	-	-	-	-	78,644	-	78,644	-
Derivative financial liabilities *	-	-	-	-	-	119,709	-	119,709	-
Borrowings	549,388	-	-	-	-	-	-	549,388	3.66
Subordinated notes	-	-	-	-	400,000	-	-	400,000	6.86
Other non-interest sensitive liabilities	-	-	-	-	-	3,584,297	-	3,584,297	-
Total Liabilities	3,586,347	2,014,309	1,055,523	32,099	400,000	3,782,693	-	10,870,971	
Equity attributable to owners of the Company	-	-	-	-	-	1,518,352	-	1,518,352	
Non-controlling interests	-	-	-	-	-	300,054	-	300,054	
Total Equity	-	-	-	-	-	1,818,406	-	1,818,406	
Total Liabilities and Equity	3,586,347	2,014,309	1,055,523	32,099	400,000	5,601,099	-	12,689,377	
On-balance sheet interest sensitivity gap	(835,985)	(1,163,979)	(46,000)	2,375,979	597,122	(1,312,447)	385,310	-	
Off-balance sheet interest sensitivity gap	-	80,000	760,000	685,000	-	-	-	1,525,000	
Total Interest Sensitivity Gap	(835,985)	(1,083,979)	714,000	3,060,979	597,122	(1,312,447)	385,310	1,525,000	
Cumulative interest rate sensitivity gap	(835,985)	(1,919,964)	(1,205,964)	1,855,015	2,452,137	1,139,690	1,525,000	1,525,000	

QUARTERLY REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
(Page 3 of 4)
A26. Interest/profit rate risk (Cont'd)

As at 31.12.2011 (Restated)	Non-trading book						Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
ASSETS									
Cash and short term funds	1,695,727	11,528	14,198	12,494	5,000	660,174	-	2,399,121	3.26
Deposits and placements with a bank	-	50,000	-	-	-	-	-	50,000	3.20
Securities held-for-trading	-	-	-	-	-	-	313,340	313,340	-
Securities held-to-maturity	-	89,514	67,491	236,965	245,926	-	-	639,896	3.40
Securities available-for-sale	168,196	318,801	231,790	1,270,137	1,186,471	55,395	-	3,230,790	3.70
Derivative financial assets *	-	-	-	-	-	8,401	-	8,401	-
Loans, advances and financing									
- Non-impaired	457,889	111,556	692,807	284,514	103,557	-	-	1,650,323	8.37
- Impaired	-	-	-	-	-	5,035	-	5,035	-
Trade receivables	33,512	-	-	-	-	1,489,931	-	1,523,443	2.11
Statutory deposits with Central Banks	-	-	-	-	33,724	179,610	-	213,334	0.07
Other assets	-	100	100	-	-	121,262	-	121,462	3.36
Other non-interest sensitive assets	-	-	-	-	-	626,947	-	626,947	-
Total Assets	2,355,324	581,499	1,006,386	1,804,110	1,574,678	3,146,755	313,340	10,782,092	

* Interest rate exposure of interest rate swaps classified as derivative financial assets/liabilities is disclosed under off-balance sheet interest sensitivity gap on the following page.

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A26. Interest/profit rate risk (Cont'd)

	Non-trading book						Trading book	Total	Effective interest rate
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years	Over 5 years	Non-interest sensitive			
As at 31.12.2011 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	%
LIABILITIES									
Deposits from customers	2,824,894	685,679	1,109,726	47,832	-	42,022	-	4,710,153	3.48
Deposits and placements of banks and other financial institutions	271,768	333,187	53,794	-	-	-	-	658,749	3.07
Obligations on securities sold under repurchase agreements	147,253	17,980	125,850	-	-	-	-	291,083	0.07
Derivative financial liabilities *	-	-	-	-	-	108,867	-	108,867	-
Borrowings	238,996	-	121	-	-	-	-	239,117	3.90
Subordinated notes	-	-	-	-	400,000	-	-	400,000	6.86
Other non-interest sensitive liabilities	-	-	-	-	-	2,612,549	-	2,612,549	-
Total Liabilities	3,482,911	1,036,846	1,289,491	47,832	400,000	2,763,438	-	9,020,518	
Equity attributable to owners of the Company	-	-	-	-	-	1,460,386	-	1,460,386	
Non-controlling interests	-	-	-	-	-	301,188	-	301,188	
Total Equity	-	-	-	-	-	1,761,574	-	1,761,574	
Total Liabilities and Equity	3,482,911	1,036,846	1,289,491	47,832	400,000	4,525,012	-	10,782,092	
On-balance sheet interest sensitivity gap	(1,127,587)	(455,347)	(283,105)	1,756,278	1,174,678	(1,378,257)	313,340	-	
Off-balance sheet interest sensitivity gap	-	-	585,000	525,000	-	-	-	1,110,000	
Total Interest Sensitivity Gap	(1,127,587)	(455,347)	301,895	2,281,278	1,174,678	(1,378,257)	313,340	1,110,000	
Cumulative interest rate sensitivity gap	(1,127,587)	(1,582,934)	(1,281,039)	1,000,239	2,174,917	796,660	1,110,000	1,110,000	