

**OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

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

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

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OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Note	Group		Bank	
		31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
ASSETS					
Cash and cash equivalents	9	2,934,573	4,897,506	2,827,593	4,347,492
Deposits and placements with banks and other financial institutions	10	449,968	399,956	991,596	980,299
Investment account placements	11	-	-	1,253,579	1,318,776
Financial assets at fair value through profit or loss	12	2,684,873	1,873,515	2,668,775	1,863,535
Financial investments at fair value through other comprehensive income	13	18,825,093	17,802,426	14,549,389	13,586,543
Loans, advances and financing	14	68,426,974	68,581,496	57,828,423	58,265,289
Derivative financial assets	16	697,038	760,761	697,798	762,277
Other assets	17	495,125	418,998	687,629	599,461
Statutory deposits with Bank Negara Malaysia		1,994,530	1,913,172	1,626,330	1,561,972
Investments in subsidiaries		-	-	557,051	557,051
Property and equipment		185,167	164,368	172,401	154,484
Prepaid lease payments		703	712	703	712
Tax recoverable		15,329	9,436	-	-
Deferred tax assets		21,904	60,135	13,691	51,925
Total assets		96,731,277	96,882,481	83,874,958	84,049,816
LIABILITIES					
Deposits from customers	18	76,484,073	75,851,221	64,752,253	64,124,328
Deposits and placements of banks and other financial institutions	19	5,736,515	7,070,077	5,720,781	6,986,949
Bills and acceptances payable		101,723	92,841	88,776	78,292
Recourse obligation on loans sold to Cagamas Berhad		700,000	700,000	700,000	700,000
Derivative financial liabilities	16	732,245	716,168	732,244	716,113
Other liabilities	21	3,338,081	3,045,533	3,188,194	2,953,139
Tax payable and zakat		26,285	50,019	26,235	49,969
Subordinated bonds	20	1,879,698	1,893,169	1,879,698	1,893,169
Total liabilities		88,998,620	89,419,028	77,088,181	77,501,959
EQUITY					
Share capital		754,000	754,000	754,000	754,000
Reserves		6,978,657	6,709,453	6,032,777	5,793,857
Total equity		7,732,657	7,463,453	6,786,777	6,547,857
Total liabilities and equity		96,731,277	96,882,481	83,874,958	84,049,816
Commitments and contingencies	30	101,045,384	93,074,549	97,150,316	88,855,432

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Note	Group		Bank	
		Year to date ended		Year to date ended	
		31 March 2019	31 March 2018	31 March 2019	31 March 2018
		RM'000	RM'000	RM'000	RM'000
Interest income		951,116	868,868	971,905	884,961
Interest expense		(570,668)	(509,717)	(581,366)	(520,571)
Net interest income	22	380,448	359,151	390,539	364,390
Income from Islamic banking operations	23	108,317	105,619	-	-
Net fee and commission income	24	84,522	83,489	84,371	82,955
Net trading income	25	40,548	68,580	40,548	68,568
Other operating income/(expense)	26	18,619	(966)	45,077	24,704
Operating income		632,454	615,873	560,535	540,617
Operating expenses	27	(294,362)	(284,290)	(274,678)	(265,715)
Operating profit before impairment allowance and provision		338,092	331,583	285,857	274,902
Impairment allowances	28	(114,198)	(7,239)	(86,720)	(6,192)
Profit before income tax and zakat		223,894	324,344	199,137	268,710
Income tax expense	29	(52,597)	(80,279)	(47,533)	(66,762)
Profit for the period		171,297	244,065	151,604	201,948
Other comprehensive income, net of income tax					
<i>Items that will not be reclassified to profit or loss</i>					
Movement in fair value reserve (equity instruments)					
- Change in fair value		-	2,732	-	2,732
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Movement in fair value reserve (debt instruments)					
- Change in fair value		142,532	(30,310)	127,825	(25,174)
- Transferred to profit or loss		(13,191)	6,924	(12,510)	6,705
- Related tax		(31,038)	5,762	(27,674)	4,431
Change in expected credit loss reserve on debt instruments at fair value through other comprehensive income		(396)	48	(325)	782
Other comprehensive income/(expense) for the period, net of income tax		97,907	(14,844)	87,316	(10,524)
Total comprehensive income for the period		269,204	229,221	238,920	191,424

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019 (continued)**

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to:				
Owner of the Bank	171,297	244,057	151,604	201,948
Non-controlling interest	-	8	-	-
	<u>171,297</u>	<u>244,065</u>	<u>151,604</u>	<u>201,948</u>
Total comprehensive income attributable to:				
Owner of the Bank	269,204	229,213	238,920	191,424
Non-controlling interest	-	8	-	-
	<u>269,204</u>	<u>229,221</u>	<u>238,920</u>	<u>191,424</u>
Basic earnings per ordinary share (sen)	<u>59.6</u>	<u>84.9</u>	<u>52.7</u>	<u>70.2</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

<u>Group</u>	Share capital RM'000	Regulatory reserve RM'000	Non-distributable		Fair value reserve RM'000	Distributable	Total equity RM'000
			Capital reserve RM'000	ECL reserve RM'000		Retained earnings RM'000	
At 1 January 2019	754,000	600,000	56,619	1,405	83,650	5,967,779	7,463,453
Fair value reserve							
- Change in fair value	-	-	-	-	142,532	-	142,532
- Transferred to profit or loss	-	-	-	-	(13,191)	-	(13,191)
- Income tax effect	-	-	-	-	(31,038)	-	(31,038)
Expected credit loss ("ECL") reserve							
- Change in ECL	-	-	-	(396)	-	-	(396)
Total other comprehensive (expense)/income for the period	-	-	-	(396)	98,303	-	97,907
Profit for the period	-	-	-	-	-	171,297	171,297
Total comprehensive (expense)/income for the period	-	-	-	(396)	98,303	171,297	269,204
At 31 March 2019	754,000	600,000	56,619	1,009	181,953	6,139,076	7,732,657

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<u>Group</u>	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000	
	Share capital RM'000	Regulatory reserve RM'000	Capital reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000		Non-controlling interest RM'000
At 1 January 2018 (as previously reported)	754,000	486,000	56,619	-	107,999	5,473,294	1,494	6,879,406
Effect of adopting MFRS 9	-	-	-	11,629	(15,811)	80,894	-	76,712
Restated at 1 January 2018	<u>754,000</u>	<u>486,000</u>	<u>56,619</u>	<u>11,629</u>	<u>92,188</u>	<u>5,554,188</u>	<u>1,494</u>	<u>6,956,118</u>
Fair value reserve								
- Change in fair value	-	-	-	-	(27,578)	-	-	(27,578)
- Transferred to profit or loss	-	-	-	-	6,924	-	-	6,924
- Related tax	-	-	-	-	5,762	-	-	5,762
ECL reserve								
- Change in ECL	-	-	-	48	-	-	-	48
Total other comprehensive income/(expense) for the period	-	-	-	48	(14,892)	-	-	(14,844)
Profit for the period	-	-	-	-	-	244,057	8	244,065
Total comprehensive income/(expense) for the period	-	-	-	48	(14,892)	244,057	8	229,221
Transfer to regulatory reserve	-	67,000	-	-	-	(67,000)	-	-
<i>Contributions by and distributions to owner of the Bank</i>								
Dividend payable								
- Final 2017 ordinary	-	-	-	-	-	(150,000)	-	(150,000)
At 31 March 2018	<u>754,000</u>	<u>553,000</u>	<u>56,619</u>	<u>11,677</u>	<u>77,296</u>	<u>5,581,245</u>	<u>1,502</u>	<u>7,035,339</u>

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STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

Bank	Share capital	<i>Non-distributable</i>			<i>Distributable</i>	Total equity
		Regulatory reserve	ECL reserve	Fair value reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	754,000	509,000	1,156	81,458	5,202,243	6,547,857
Fair value reserve						
- Change in fair value	-	-	-	127,825	-	127,825
- Transferred to profit or loss	-	-	-	(12,510)	-	(12,510)
- Income tax effect	-	-	-	(27,674)	-	(27,674)
ECL reserve						
- Change in ECL	-	-	(325)	-	-	(325)
Total other comprehensive (expense)/income for the period	-	-	(325)	87,641	-	87,316
Profit for the period	-	-	-	-	151,604	151,604
Total comprehensive (expense)/income for the period	-	-	(325)	87,641	151,604	238,920
At 31 March 2019	754,000	509,000	831	169,099	5,353,847	6,786,777

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Bank	<i>Non-distributable</i>			<i>Distributable</i>	Total equity	
	Share capital	Regulatory reserve	ECL reserve	Fair value reserve		Retained earnings
	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2018 (as previously reported)	754,000	395,000	-	104,377	4,830,643	6,084,020
Effect of adopting MFRS 9	-	-	8,983	(15,194)	73,551	67,340
Restated at 1 January 2018	<u>754,000</u>	<u>395,000</u>	<u>8,983</u>	<u>89,183</u>	<u>4,904,194</u>	<u>6,151,360</u>
Fair value reserve						
- Change in fair value	-	-	-	(22,442)	-	(22,442)
- Transferred to profit or loss	-	-	-	6,705	-	6,705
- Related tax	-	-	-	4,431	-	4,431
ECL reserve						
- Change in ECL	-	-	782	-	-	782
Total other comprehensive income/(expense) for the period	-	-	782	(11,306)	-	(10,524)
Profit for the period	-	-	-	-	201,948	201,948
Total comprehensive income/(expense) for the period	-	-	782	(11,306)	201,948	191,424
Transfer to regulatory reserve	-	67,000	-	-	(67,000)	-
<i>Contributions by and distributions to owner of the Bank</i>						
Dividend payable						
- Final 2017 ordinary	-	-	-	-	(150,000)	(150,000)
At 31 March 2018	<u>754,000</u>	<u>462,000</u>	<u>9,765</u>	<u>77,877</u>	<u>4,889,142</u>	<u>6,192,784</u>

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	Group		Bank	
	Year to date ended 31 March 2019 RM'000	31 March 2018 RM'000	Year to date ended 31 March 2019 RM'000	31 March 2018 RM'000
Cash flows from operating activities				
Profit before income tax and zakat	223,894	324,344	199,137	268,710
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	9	9	9	9
Depreciation of property and equipment	11,999	6,903	10,599	5,834
Impairment allowances	114,198	7,239	86,720	6,192
Finance cost	251	-	215	-
Net (gain)/loss on disposal of:				
- Financial investments at fair value through other comprehensive income	(13,191)	6,924	(12,510)	6,705
- Property and equipment	8	2	8	1
Equity settled share-based payment transactions	1,855	1,471	1,766	1,390
Unrealised (gain)/loss on:				
- Financial assets at fair value through profit or loss	(3,090)	(2,716)	(3,092)	(3,185)
- Hedging derivatives	5	12	5	12
- Trading derivatives	85,034	(78,363)	85,840	(77,767)
- Subordinated bonds	(13,471)	(43,639)	(13,471)	(43,639)
Operating profit before changes in working capital	407,501	222,186	355,226	164,262
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(50,000)	(262,080)	(11,285)	(389,003)
Investment account placements	-	-	34,373	260,055
Financial assets at fair value through profit or loss	(808,268)	(530,105)	(802,148)	(652,377)
Loans, advances and financing	39,914	1,593,851	380,560	1,318,011
Other assets	(76,225)	81,760	(88,182)	172,346
Statutory deposits with Bank Negara Malaysia	(81,358)	(191,790)	(64,358)	(201,790)
Derivative financial assets and liabilities	(5,814)	(57,961)	(5,810)	(57,962)
Deposits from customers	632,852	1,104,214	627,925	796,897
Deposits and placements of banks and other financial institutions	(1,333,562)	(681,522)	(1,266,168)	(429,622)
Bills and acceptances payable	8,882	(33,762)	10,484	(31,032)
Other liabilities	264,788	139,872	210,964	127,280
Cash (used in)/generated from operations	(1,001,290)	1,384,663	(618,419)	1,077,065
Income tax and zakat paid	(75,033)	(58,984)	(60,708)	(49,937)
Net cash (used in)/generated from operating activities	(1,076,323)	1,325,679	(679,127)	1,027,128
Cash flows from investing activities				
Acquisition of financial investments at fair value through other comprehensive income	(5,736,003)	(3,731,737)	(3,826,003)	(2,025,177)
Acquisition of property and equipment	(2,467)	(2,519)	(2,436)	(1,956)
Proceeds from disposal of financial investments at fair value through other comprehensive income	4,856,443	3,190,812	2,991,557	1,414,145
Proceeds from disposal of property and equipment	44	1	44	1
Net cash used in investing activities	(881,983)	(543,443)	(836,838)	(612,987)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019 (continued)

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
Payment of lease liabilities	(4,714)	-	(4,021)	-
Recourse obligation on loans sold to Cagamas Berhad	-	(5,800)	-	(5,800)
Net cash used in financing activities	(4,714)	(5,800)	(4,021)	(5,800)
Net (decrease)/increase in cash and cash equivalents	(1,963,020)	776,436	(1,519,986)	408,341
Cash and cash equivalents at 1 January	4,898,851	6,158,448	4,348,837	5,571,918
Cash and cash equivalents at 31 March	2,935,831	6,934,884	2,828,851	5,980,259

Details of cash and cash equivalents are disclosed in Note 9 to the unaudited condensed interim financial statements.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019

GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements of the Bank as at and for the financial period ended 31 March 2019 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Bank is principally engaged in banking and related financial services, whilst the subsidiaries are principally engaged in the businesses of Islamic Banking, corporate finance and related advisory services and, the provision of nominee services. There has been no significant change in the nature of these activities during the financial period.

FINANCIAL PERFORMANCE

The Group's net profit for the quarter ended 31 March 2019 decreased by 30%, from RM244 million to RM171 million for the corresponding quarter last year, mainly due to higher impairment allowances by RM107 million on higher expected credit loss for corporates.

The Group registered a steady 6% growth in net interest income, higher gains on disposal of financial instruments and improved Islamic banking income in the first quarter of 2019. However, trading income declined on lower mark-to-market gains from foreign exchange and higher losses from short interest rate futures as US Treasuries yields continued to drop.

Operating expenses were well controlled at 3.5% increase even as we built up our frontline sales force.

Total assets size stood at RM96.7 billion; RM0.1 billion lower compared against 31 December 2018 (RM96.8 billion).

The Group and the Bank remained well capitalised with Common Equity Tier 1 capital ratios of 13.087% and 13.072%, Tier 1 capital ratios of 14.435% and 14.724% and Total Capital ratios of 16.997% and 17.256%, respectively, after the 2018 final dividend.

ECONOMIC PERFORMANCE AND PROSPECTS

The global economy is expected to grow at a slower pace in 2019 due to global trade developments such as the trade tensions between the US and China as well as the uncertain pace of the monetary policy normalisation of the US.

Despite the downside risks affecting the global economy, the Malaysian economy is well supported by the country's strong fundamentals amid a low inflation regime. These fundamentals include a surplus in the current account of the balance of payments, strong domestic demand with high growth in private consumption, a strong financial sector and a stable labour market.

Riding on the sustained growth momentum of the Malaysian economy, which is expected to expand by between 4.3% and 4.8% in 2019, the Group will continue to deepen its presence in its core businesses and focus on cross selling innovative products to existing and potential customers. The Group will invest in expanding its existing capabilities as well as introduce more initiatives in its digital transformation journey in order to meet customers' needs.

1 BASIS OF PREPARATION

The accounting policies set out below have been applied consistently to the periods presented in these unaudited condensed interim financial statements and have been applied consistently by Group entities, unless otherwise stated.

The unaudited condensed interim financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency. All financial information presented in RM have been rounded to the nearest thousand, unless otherwise stated.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance

The unaudited condensed interim financial statements of the Group and the Bank have been prepared under the historical cost convention (except as disclosed in the notes to the unaudited condensed interim financial statements), in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134, International Financial Reporting Standard 34 and the requirements of the Companies Act 2016 in Malaysia and Shariah requirements (operations of Islamic Banking).

The unaudited condensed interim financial statements incorporate all activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking refers generally to the acceptance of deposits and granting of financing under Shariah principles.

The following accounting standards and amendments have been adopted by the Group and the Bank during the current period:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Tax (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures*

MFRS 16, *Leases* which came into effect on 1 January 2019 introduces a single, on-balance sheet lease accounting model for leases. A lessee recognises a lease liability to make lease payments and an asset representing the "right-of-use" of the underlying asset during the lease term. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest/finance expense recognised in the profit or loss. Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117, *Leases* whereby lessors will continue to classify leases as either finance or operating leases.

The Group and the Bank applied MFRS 16 using the modified retrospective approach. Therefore, the cumulative effect of adopting MFRS 16, if any, is recognised to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information. The Group and the Bank elected to apply the practical expedient to grandfather the assessment of contracts that were previously identified as leases under MFRS 117. This means that the lease definition under MFRS 16 was applied only to new or changed contracts entered on or after 1 January 2019.

On transition to MFRS 16, the Group and the Bank recognized an additional RM29 million and RM25 million respectively of right-of-use assets and RM29 million and RM25 million respectively of lease liabilities.

The Group and the Bank have not adopted the following accounting standards, amendments and interpretations issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective:

Effective for annual periods commencing on or after 1 January 2020

- Amendments to MFRS 2, *Share-Based Payment*
- Amendments to MFRS 3, *Business Combinations*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

Effective date to be announced by MASB

- Amendments to MFRS 10 and MFRS 128, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned accounting standards and amendments when they become effective in the respective financial periods. The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements of the Group and the Bank.

(b) Use of estimates and judgements

The preparation of the unaudited condensed interim financial statements in conformity with MFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2018.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group and the Bank in these unaudited condensed interim financial statements are the same as those applied by the Group and the Bank in its audited financial statements as at and for the financial year ended 31 December 2018, except as disclosed in Note 1(a).

3 SEASONALITY OF OPERATIONS

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

4 SHARE CAPITAL

There were no changes in the share capital of the Bank during the financial period.

5 CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 31 March 2019.

6 DIVIDENDS

No dividend has been proposed for the financial period ended 31 March 2019.

7 SUBSEQUENT EVENTS

On 17 April 2019, the Bank redeemed the full amount of the Innovative Tier 1 Capital Securities ("IT1 CS") of RM400 million in nominal value. The IT1 CS was issued on 17 April 2009.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**8 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 31 March 2019.

9 CASH AND CASH EQUIVALENTS

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Cash and balances with banks and other financial institutions	408,138	361,561	339,663	307,702
Money at call and deposit placements with financial institutions maturing within one month	538,220	593,549	891,188	1,003,135
Deposit placements with Bank Negara Malaysia	1,989,473	3,943,741	1,598,000	3,038,000
	<u>2,935,831</u>	<u>4,898,851</u>	<u>2,828,851</u>	<u>4,348,837</u>
Stage 1 12-months ECL	(1,258)	(1,345)	(1,258)	(1,345)
	<u>2,934,573</u>	<u>4,897,506</u>	<u>2,827,593</u>	<u>4,347,492</u>

Included in the Bank's cash and cash equivalents are deposits and placements with OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") of RM353 million (31 December 2018: RM410 million), which are unsecured and profit bearing.

Movements in ECL are as follows:

	31 March 2019			31 December 2018		
	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL non credit impaired RM'000	Total ECL non credit impaired RM'000	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL non credit impaired RM'000	Total ECL non credit impaired RM'000
Group and Bank						
At 1 January	1,345	-	1,345	170	45	215
Net remeasurement during the period/year	(70)	-	(70)	1,087	(45)	1,042
Other movements	(17)	-	(17)	88	-	88
At 31 March/31 December	<u>1,258</u>	<u>-</u>	<u>1,258</u>	<u>1,345</u>	<u>-</u>	<u>1,345</u>

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Licensed banks	450,000	400,000	991,628	980,343
Stage 1 12-months ECL	(32)	(44)	(32)	(44)
	<u>449,968</u>	<u>399,956</u>	<u>991,596</u>	<u>980,299</u>

Included in the Bank's deposits and placements with licensed banks are deposits and placements with OCBC Al-Amin of RM542 million (31 December 2018: RM580 million), which are unsecured and profit bearing.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)**

Movements in ECL are as follows:

	31 March 2019			31 December 2018		
	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL non credit impaired RM'000	Total ECL non credit impaired RM'000	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL non credit impaired RM'000	Total ECL non credit impaired RM'000
Group and Bank						
At 1 January	44	-	44	17	15	32
New financial assets originated or purchased	79	-	79	35	-	35
Financial assets derecognised	(16)	-	(16)	-	-	-
Net remeasurement during the period/year	(75)	-	(75)	(8)	(15)	(23)
At 31 March/31 December	32	-	32	44	-	44

11 INVESTMENT ACCOUNT PLACEMENTS

	Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
Restricted Profit Sharing Investment Accounts	1,344,101	1,379,286
Expected credit loss	(90,522)	(60,510)
	<u>1,253,579</u>	<u>1,318,776</u>

The exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") is an arrangement with OCBC Al-Amin which contract is based on Mudharabah principle to fund a specific business venture where the Bank solely provides capital and the business venture is managed solely by OCBC Al-Amin. The profit of the business venture arrangement is shared with the Bank as mudarib based on a pre-agreed ratio, and losses borne by the Bank.

Except for an exposure to a specific RPSIA funded financing of RM116 million (31 December 2018: RM116 million) for which the Bank has provided for Stage 3 ECL allowance as at 31 March 2019, the rest of the RPSIA exposures are categorised as Pass according to the Bank's classification grade.

Movements in ECL are as follows:

	Stage 1	Stage 2	Stage 3	Total ECL
	12 months ECL RM'000	Lifetime ECL non credit impaired RM'000	Lifetime ECL credit impaired RM'000	
Bank				
At 1 January 2019	3,392	-	57,118	60,510
Net remeasurement during the period	1,030	-	29,794	30,824
Other movements	-	-	(812)	(812)
At 31 March 2019	4,422	-	86,100	90,522

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)

11 INVESTMENT ACCOUNT PLACEMENTS (continued)

	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL non credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2018	8,561	-	59,818	68,379
New financial assets originated or purchased	478	-	-	478
Financial assets derecognised	(819)	-	-	(819)
Net remeasurement during the year	(4,828)	-	-	(4,828)
Other movements	-	-	(2,700)	(2,700)
At 31 December 2018	<u>3,392</u>	<u>-</u>	<u>57,118</u>	<u>60,510</u>

12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
At fair value				
Malaysian Government Investment Issues	998,056	500,813	998,056	500,813
Malaysian Government Securities	631,466	261,220	631,466	261,220
Malaysian Government Treasury Bills	943,717	377,339	943,717	377,339
Bank Negara Malaysia Monetary Notes	-	75,221	-	75,221
Corporate Bonds and Sukuk	111,448	658,736	95,350	648,756
Debentures	186	186	186	186
	<u>2,684,873</u>	<u>1,873,515</u>	<u>2,668,775</u>	<u>1,863,535</u>

13 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
At fair value				
Malaysian Government Investment Issues	6,874,475	5,433,495	4,262,627	3,110,701
Malaysian Government Securities and Sukuk	3,121,710	3,213,339	3,121,710	3,213,339
Malaysian Government Debt Securities and Sukuk	348,861	357,061	103,148	112,488
Bank Negara Malaysia Monetary Notes	449,138	445,470	449,138	445,470
Foreign Government Debt Securities and Sukuk	510,400	614,177	354,155	443,825
Negotiable Instruments of Deposit and Islamic Negotiable Instruments of Deposit	3,033,133	2,992,396	2,109,805	1,920,316
Corporate and Islamic Corporate Bonds, Sukuk and Sanadat Mudharabah Cagamas	4,388,158	4,647,270	4,049,588	4,241,186
Unquoted shares in Malaysia	99,218	99,218	99,218	99,218
	<u>18,825,093</u>	<u>17,802,426</u>	<u>14,549,389</u>	<u>13,586,543</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**13 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")
(continued)**

Movements in ECL are as follows:

<u>Group</u>	<u>31 March 2019</u>			<u>31 December 2018</u>		
	<u>Stage 1 12 months ECL RM'000</u>	<u>Stage 2 Lifetime ECL non credit impaired RM'000</u>	<u>Total ECL RM'000</u>	<u>Stage 1 12 months ECL RM'000</u>	<u>Stage 2 Lifetime ECL non credit impaired RM'000</u>	<u>Total ECL RM'000</u>
At 1 January	1,355	50	1,405	8,380	3,249	11,629
Transferred to Stage 1	-	-	-	32	(32)	-
Transferred to Stage 2	-	-	-	(12)	12	-
New financial assets originated or purchased	47	-	47	2,728	-	2,728
Financial assets derecognised	(106)	-	(106)	(1,805)	-	(1,805)
Net remeasurement during the period/year	(323)	(4)	(327)	(7,978)	(3,178)	(11,156)
Other movements	(10)	-	(10)	10	(1)	9
At 31 March/31 December	<u>963</u>	<u>46</u>	<u>1,009</u>	<u>1,355</u>	<u>50</u>	<u>1,405</u>
<u>Bank</u>						
At 1 January	1,156	-	1,156	6,464	2,519	8,983
Transferred to Stage 1	-	-	-	14	(14)	-
Transferred to Stage 2	-	-	-	(4)	4	-
New financial assets originated or purchased	3	-	3	2,242	-	2,242
Financial assets derecognised	(84)	-	(84)	(752)	-	(752)
Net remeasurement during the period/year	(234)	-	(234)	(6,817)	(2,509)	(9,326)
Other movements	(10)	-	(10)	9	-	9
At 31 March/31 December	<u>831</u>	<u>-</u>	<u>831</u>	<u>1,156</u>	<u>-</u>	<u>1,156</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**14 LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
At amortised cost				
Overdrafts	3,012,770	3,031,000	3,012,770	3,031,000
Term loans/financing:				
- Housing loans/financing	25,232,297	25,592,189	23,266,861	23,629,878
- Syndicated term loans/financing	3,470,167	3,495,338	2,727,637	2,741,928
- Hire purchase receivables	380,217	393,155	10	10
- Other term loans/financing	22,376,836	22,049,075	18,283,600	18,340,739
Credit cards	598,754	619,195	598,754	619,195
Bills receivable	263,499	208,252	256,190	190,746
Trust receipts	24,709	32,800	24,598	32,800
Claims on customers under acceptance credits	3,354,696	3,308,240	2,871,778	2,849,402
Revolving credit	8,652,747	8,759,195	5,579,745	5,647,098
Staff loans/financing	52,894	53,935	52,894	53,935
Other loans/financing	2,003,921	1,912,691	1,859,916	1,762,415
	<u>69,423,507</u>	<u>69,455,065</u>	<u>58,534,753</u>	<u>58,899,146</u>
At fair value				
Other term loans/financing	-	24,836	-	24,836
Gross loans, advances and financing	<u>69,423,507</u>	<u>69,479,901</u>	<u>58,534,753</u>	<u>58,923,982</u>
Expected credit loss	<u>(996,533)</u>	<u>(898,405)</u>	<u>(706,330)</u>	<u>(658,693)</u>
Net loans, advances and financing	<u>68,426,974</u>	<u>68,581,496</u>	<u>57,828,423</u>	<u>58,265,289</u>
a) By type of customer				
Domestic banking institutions	16,342	28,477	16,342	28,477
Domestic non-bank financial institutions	1,596,614	1,548,954	1,514,409	1,494,633
Domestic business enterprises				
- Small and medium enterprises	13,004,970	12,911,253	10,879,962	10,884,461
- Others	22,751,575	22,674,910	17,574,273	17,627,218
Individuals	28,271,684	28,727,164	25,990,565	26,423,245
Foreign entities	3,782,322	3,589,143	2,559,202	2,465,948
	<u>69,423,507</u>	<u>69,479,901</u>	<u>58,534,753</u>	<u>58,923,982</u>
b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	25,144	19,531	8,617	9,924
- Hire purchase receivables	168,838	185,330	10	10
- Other fixed rate loans/financing	6,980,368	6,893,475	5,300,585	5,152,777
Variable rate				
- Base rate/base lending rate/base financing rate plus	41,153,671	41,602,867	37,229,310	37,812,593
- Cost plus	20,366,890	20,169,093	15,281,213	15,344,600
- Other variable rates	728,596	609,605	715,018	604,078
	<u>69,423,507</u>	<u>69,479,901</u>	<u>58,534,753</u>	<u>58,923,982</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**14 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
c) By sector				
Agriculture, hunting, forestry and fishing	3,670,030	3,511,185	2,034,845	1,951,580
Mining and quarrying	422,226	478,479	322,678	360,751
Manufacturing	8,202,321	7,937,725	6,593,171	6,426,866
Electricity, gas and water	481,645	483,927	445,862	446,321
Construction	3,033,547	2,969,574	2,171,292	2,177,234
Real estate	7,672,544	7,691,493	6,615,148	6,729,713
Wholesale & retail trade and restaurants & hotels	7,672,502	7,718,554	6,668,048	6,684,988
Transport, storage and communication	1,008,749	1,138,770	905,488	936,379
Finance, insurance and business services	2,416,399	2,375,844	2,157,985	2,168,218
Community, social and personal services	2,531,658	2,591,561	1,813,848	1,887,565
Household				
- Purchase of residential properties	26,255,145	26,636,501	24,283,126	24,667,646
- Purchase of non-residential properties	979,980	1,008,631	938,942	968,538
- Others	2,830,508	2,897,614	2,442,671	2,478,784
Others	2,246,253	2,040,043	1,141,649	1,039,399
	69,423,507	69,479,901	58,534,753	58,923,982
d) By geographical distribution				
Malaysia	65,771,413	66,023,847	55,975,551	56,460,334
Singapore	1,765,277	1,785,469	1,156,249	1,153,642
Other ASEAN countries	564,249	562,584	372,455	368,063
Rest of the world	1,322,568	1,108,001	1,030,498	941,943
	69,423,507	69,479,901	58,534,753	58,923,982
The analysis by geography is determined based on where the credit risk resides.				
e) By residual contractual maturity				
Within one year	20,002,170	20,198,290	15,877,900	16,028,474
One year to less than three years	4,555,577	4,426,273	3,992,851	3,783,786
Three years to less than five years	5,535,766	5,160,252	4,155,657	4,017,397
Over five years	39,329,994	39,695,086	34,508,345	35,094,325
	69,423,507	69,479,901	58,534,753	58,923,982

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**15 IMPAIRED LOANS, ADVANCES AND FINANCING**

(i) Movements in credit-impaired loans, advances and financing

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
At 1 January	1,333,041	1,430,623	957,941	1,047,051
Impaired during the period/year	243,394	997,132	190,699	703,604
Reclassified as unimpaired	(119,655)	(524,576)	(102,125)	(434,105)
Amount recovered	(87,166)	(332,646)	(57,113)	(233,032)
Amount written off	(22,003)	(239,897)	(10,789)	(126,127)
Effect of foreign exchange difference	(279)	2,405	(87)	550
At 31 March/31 December	<u>1,347,332</u>	<u>1,333,041</u>	<u>978,526</u>	<u>957,941</u>
Stage 3 ECL	<u>(416,634)</u>	<u>(368,702)</u>	<u>(266,122)</u>	<u>(248,504)</u>
Net impaired loans, advances and financing	<u>930,698</u>	<u>964,339</u>	<u>712,404</u>	<u>709,437</u>

a) By sector

Agriculture, hunting, forestry and fishing	5,978	8,050	5,775	5,769
Mining and quarrying	19,790	20,788	19,790	20,788
Manufacturing	197,677	206,423	175,488	181,310
Construction	49,366	19,102	36,678	9,998
Real estate	93,377	76,524	86,509	69,557
Wholesale & retail trade and restaurants & hotels	212,754	215,284	111,040	112,675
Transport, storage and communication	58,783	64,468	54,359	58,870
Finance, insurance and business services	19,885	20,179	10,157	10,416
Community, social and personal services	5,378	6,008	4,133	4,617
Household				
- Purchase of residential properties	458,768	455,136	400,170	395,000
- Purchase of non-residential properties	22,985	32,913	21,691	32,167
- Others	72,483	77,513	52,251	56,290
Others	130,108	130,653	485	484
	<u>1,347,332</u>	<u>1,333,041</u>	<u>978,526</u>	<u>957,941</u>

b) By geographical distribution

Malaysia	1,292,953	1,304,041	924,147	928,941
Singapore	16,269	15,335	16,269	15,335
Rest of the world	38,110	13,665	38,110	13,665
	<u>1,347,332</u>	<u>1,333,041</u>	<u>978,526</u>	<u>957,941</u>

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

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15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in impairment allowance on loans, advances and financing

Group	31 March 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 months ECL RM'000	Lifetime ECL non-credit impaired RM'000	Lifetime ECL credit impaired RM'000		12 months ECL RM'000	Lifetime ECL non-credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January	241,198	288,505	368,702	898,405	182,120	301,558	389,432	873,110
Transferred to Stage 1	78,581	(70,759)	(7,822)	-	434,605	(378,042)	(56,563)	-
Transferred to Stage 2	(19,162)	29,804	(10,642)	-	(62,394)	88,759	(26,365)	-
Transferred to Stage 3	(28)	(50,557)	50,585	-	(1,776)	(134,817)	136,593	-
New financial assets originated or purchased	50,753	9,814	-	60,567	217,977	53,838	-	271,815
Financial assets derecognised	(34,588)	(16,027)	(3,789)	(54,404)	(133,696)	(75,932)	(16,197)	(225,825)
Net remeasurement during the period/year	(53,204)	126,245	47,116	120,157	(393,686)	432,466	199,337	238,117
Written off	-	-	(22,003)	(22,003)	-	-	(239,897)	(239,897)
Other movements	(609)	(67)	(5,513)	(6,189)	(1,952)	675	(17,638)	(18,915)
At 31 March/31 December	262,941	316,958	416,634	996,533	241,198	288,505	368,702	898,405
At 1 January								
- Loans, advances and financing	228,310	274,791	368,702	871,803	170,197	297,300	389,432	856,929
- Credit commitments and financial guarantees	12,888	13,714	-	26,602	11,923	4,258	-	16,181
	241,198	288,505	368,702	898,405	182,120	301,558	389,432	873,110
At 31 March/31 December								
- Loans, advances and financing	251,688	293,144	416,634	961,466	228,310	274,791	368,702	871,803
- Credit commitments and financial guarantees	11,253	23,814	-	35,067	12,888	13,714	-	26,602
	262,941	316,958	416,634	996,533	241,198	288,505	368,702	898,405

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15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in impairment allowance on loans, advances and financing (continued)

	31 March 2019				31 December 2018			
	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total impairment allowance RM'000	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total impairment allowance RM'000
Bank								
At 1 January	178,849	231,340	248,504	658,693	137,705	204,111	263,555	605,371
Transferred to Stage 1	63,052	(57,890)	(5,162)	-	264,941	(235,683)	(29,258)	-
Transferred to Stage 2	(14,211)	21,515	(7,304)	-	(40,173)	58,969	(18,796)	-
Transferred to Stage 3	(23)	(31,414)	31,437	-	(611)	(71,541)	72,152	-
New financial assets originated or purchased	42,955	9,349	-	52,304	166,324	43,404	-	209,728
Financial asset derecognised	(28,322)	(14,630)	(2,392)	(45,344)	(110,014)	(58,865)	(10,791)	(179,670)
Net remeasurement during the period/year	(53,128)	93,237	14,968	55,077	(237,880)	290,629	110,309	163,058
Written off	-	-	(10,789)	(10,789)	-	-	(126,127)	(126,127)
Other movements	(404)	(67)	(3,140)	(3,611)	(1,443)	316	(12,540)	(13,667)
At 31 March/31 December	188,768	251,440	266,122	706,330	178,849	231,340	248,504	658,693
At 1 January								
- Loans, advances and financing	169,102	217,864	248,504	635,470	129,038	201,164	263,555	593,757
- Credit commitments and financial guarantees	9,747	13,476	-	23,223	8,667	2,947	-	11,614
	178,849	231,340	248,504	658,693	137,705	204,111	263,555	605,371
At 31 March/31 December								
- Loans, advances and financing	180,166	232,821	266,122	679,109	169,102	217,864	248,504	635,470
- Credit commitments and financial guarantees	8,602	18,619	-	27,221	9,747	13,476	-	23,223
	188,768	251,440	266,122	706,330	178,849	231,340	248,504	658,693

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)

16 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group	31 March 2019			31 December 2018		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	4,488,407	11,826	17,571	3,797,284	35,951	13,089
- Swaps	13,173,699	447,324	452,414	13,811,028	529,082	496,040
- Options	1,987,575	7,405	2,518	866,437	5,990	2,116
Interest rate derivatives						
- Swaps	46,321,412	156,505	185,593	41,248,610	104,588	114,755
- Options	180,000	70	335	180,000	56	312
- Futures	943,188	3,152	411	333,719	142	1,081
Equity and other derivatives						
- Swaps	573,087	16,549	16,549	217,800	11,699	11,699
- Commodity futures	76,617	974	2,754	42,091	166	3,702
- Credit linked notes	1,413,582	53,233	53,233	1,241,549	72,971	72,971
	69,157,567	697,038	731,378	61,738,518	760,645	715,765
Hedging						
Interest rate derivatives						
- Swaps	115,313	-	867	116,211	116	403
	69,272,880	697,038	732,245	61,854,729	760,761	716,168
Bank						
Trading						
Foreign exchange derivatives						
- Forwards	4,527,273	11,782	17,569	3,808,900	35,958	13,034
- Swaps	13,173,636	447,327	452,414	13,842,531	530,373	496,040
- Options	1,987,575	7,405	2,518	866,437	5,990	2,116
Interest rate derivatives						
- Swaps	46,321,412	157,306	185,594	41,248,610	104,806	114,755
- Options	180,000	70	335	180,000	56	312
- Futures	943,188	3,152	411	333,719	142	1,081
Equity and other derivatives						
- Swaps	573,087	16,549	16,549	217,800	11,699	11,699
- Commodity futures	76,617	974	2,754	42,091	166	3,702
- Credit linked notes	1,413,582	53,233	53,233	1,241,549	72,971	72,971
	69,196,370	697,798	731,377	61,781,637	762,161	715,710
Hedging						
Interest rate derivatives						
- Swaps	115,313	-	867	116,211	116	403
	69,311,683	697,798	732,244	61,897,848	762,277	716,113

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**17 OTHER ASSETS**

	Note	Group		Bank	
		31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Amount due from subsidiaries	(a)	-	-	20,616	10,034
Interest/Profit receivable		212,539	188,515	187,443	164,453
Unquoted redeemable Islamic subordinated sukuk of a subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		282,586	230,483	279,570	224,974
		<u>495,125</u>	<u>418,998</u>	<u>687,629</u>	<u>599,461</u>

(a) The amount due from subsidiaries is unsecured, interest/profit free and repayable on demand.

(b) On 24 November 2016, the Bank subscribed for RM200 million redeemable 10 years non-callable 5 years subordinated sukuk under the principle of Murabahah at a profit rate of 4.80% per annum payable semi-annually in arrears from the issue date with the last periodic profit payment to be made up to (but excluding) the maturity date or early redemption of the Murabahah subordinated sukuk, whichever is earlier.

18 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
a) By type of deposit				
Demand deposits	16,577,767	15,947,506	12,803,111	11,996,549
Fixed/General investment deposits	43,835,114	43,985,063	37,258,801	37,926,275
Saving deposits	9,085,356	8,663,523	8,557,893	8,144,688
Negotiable instruments of deposits	3,723,719	4,238,206	3,673,867	4,238,205
Short-term money market deposits	3,262,117	3,016,923	2,458,581	1,818,611
	<u>76,484,073</u>	<u>75,851,221</u>	<u>64,752,253</u>	<u>64,124,328</u>
b) By type of customer				
Government and statutory bodies	2,163,376	1,845,890	188,396	146,443
Non-bank financial institutions	4,024,292	3,662,170	2,551,687	2,141,938
Business enterprises	28,743,470	28,498,385	23,728,314	23,168,402
Individuals	34,346,171	34,266,213	31,238,660	31,255,498
Foreign entities	6,514,799	6,869,564	6,401,222	6,757,216
Others	691,965	708,999	643,974	654,831
	<u>76,484,073</u>	<u>75,851,221</u>	<u>64,752,253</u>	<u>64,124,328</u>
c) By maturity structure for fixed/term/general investment deposits, negotiable instruments of deposit and short-term money market deposits				
Within six months	35,336,749	36,768,412	30,352,481	31,468,142
Six months to one year	15,054,540	14,143,387	12,813,375	12,203,426
One year to three years	426,104	324,817	221,836	307,957
Three years to five years	3,557	3,576	3,557	3,566
	<u>50,820,950</u>	<u>51,240,192</u>	<u>43,391,249</u>	<u>43,983,091</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Licensed banks and other financial institutions	<u>5,736,515</u>	<u>7,070,077</u>	<u>5,720,781</u>	<u>6,986,949</u>

20 SUBORDINATED BONDS

	Group and Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
USD110 million Additional Tier 1 Capital Securities	449,028	455,202
USD130 million Redeemable Subordinated Bonds 2015/2025	530,670	537,967
RM390 million Redeemable Subordinated Bonds 2017/2027	390,000	390,000
RM110 million Redeemable Subordinated Bonds 2017/2027	110,000	110,000
	<u>1,879,698</u>	<u>1,893,169</u>

On 17 April 2019, the Bank redeemed the full amount of the Innovative Tier 1 Capital Securities of RM400 million in nominal amount.

21 OTHER LIABILITIES

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Amount due to subsidiaries	-	-	1,107	36,850
Equity compensation benefits	14,581	12,650	13,823	11,974
Interest/Profit payable	629,682	680,419	563,748	610,292
Structured investments	2,181,520	1,924,791	2,181,520	1,924,791
Lease liabilities	24,895	-	21,302	-
Other payables and accruals	487,320	427,590	406,611	369,149
Provision for commitments and contingencies	83	83	83	83
	<u>3,338,081</u>	<u>3,045,533</u>	<u>3,188,194</u>	<u>2,953,139</u>

The amount due to subsidiaries is unsecured, interest/profit free and repayable on demand.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**22 NET INTEREST INCOME**

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	739,788	701,866	739,788	701,866
- Recoveries from impaired loans, advances and financing	11,755	12,866	11,755	12,866
- Discount unwind from impaired loans, advances and financing	3,951	2,120	3,139	2,120
Money at call and deposit placements with banks and other financial institutions	32,131	37,197	49,761	50,164
Financial assets at FVTPL	12,879	18,716	12,879	18,716
Financial investments at FVOCI	132,050	80,824	132,842	81,582
Unquoted Islamic subordinated sukuk of subsidiary	-	-	2,367	2,367
Others	18,562	15,279	19,374	15,280
	951,116	868,868	971,905	884,961
Interest expense				
Deposits from customers	(474,840)	(432,327)	(474,840)	(432,327)
Deposits and placements of banks and other financial institutions	(26,985)	(3,878)	(37,683)	(14,732)
Recourse obligation on loans sold to Cagamas Berhad	(7,650)	(13,805)	(7,650)	(13,805)
Subordinated bonds	(22,898)	(22,399)	(22,898)	(22,399)
Others	(38,295)	(37,308)	(38,295)	(37,308)
	(570,668)	(509,717)	(581,366)	(520,571)
Net interest income	380,448	359,151	390,539	364,390

23 INCOME FROM ISLAMIC BANKING OPERATIONS

	Group	
	Year to date ended	
	31 March	31 March
	2019	2018
	RM'000	RM'000
Income derived from investment of depositors' funds and others	158,558	151,812
Income derived from investment of specific investment account funds	14,343	15,505
Income derived from investment of shareholder's funds	27,568	34,408
Income attributable to depositors	(81,454)	(85,253)
Income attributable to investment account holder	(10,698)	(10,853)
	108,317	105,619

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**24 NET FEE AND COMMISSION INCOME**

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Commission	37,576	43,524	37,425	42,990
Service charges and fees	43,779	30,454	43,779	30,454
Guarantee fees	941	7,217	941	7,217
Other fee income	2,226	2,294	2,226	2,294
	84,522	83,489	84,371	82,955

25 NET TRADING INCOME

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain	74,227	181,863	74,227	181,863
Realised gain on financial assets at FVTPL	13,852	7,585	13,852	7,585
Realised gain/(loss) on trading derivatives	35,217	(201,820)	35,217	(201,832)
Unrealised gain on financial assets at FVTPL	3,092	3,185	3,092	3,185
Unrealised (loss)/gain on trading derivatives	(85,840)	77,767	(85,840)	77,767
	40,548	68,580	40,548	68,568

26 OTHER OPERATING INCOME

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on disposal:				
- Financial investments at FVOCI	12,510	(6,705)	12,510	(6,705)
- Property and equipment	(8)	(1)	(8)	(1)
Rental of premises	1,042	1,083	1,057	1,100
Rental of safe deposit boxes	1,702	1,711	1,702	1,711
Shared services income received from subsidiaries	-	-	26,442	25,654
Shared services income received from related company	3,253	2,845	3,253	2,845
Unrealised loss on hedging derivatives	(5)	(12)	(5)	(12)
Others	125	113	126	112
	18,619	(966)	45,077	24,704

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**27 OPERATING EXPENSES**

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Wages, salaries and bonus	120,133	112,922	113,545	108,062
Employees Provident Fund contributions	18,425	17,833	17,364	16,994
Equity settled share-based payment transactions	1,855	1,471	1,766	1,390
Others	13,504	13,778	12,550	12,723
	<u>153,917</u>	<u>146,004</u>	<u>145,225</u>	<u>139,169</u>
Establishment expenses				
Depreciation of property and equipment	11,988	6,903	10,599	5,834
Rental of premises	-	4,673	-	3,953
Repair and maintenance	2,285	2,760	2,059	2,535
Information technology costs	7,954	7,506	7,799	7,084
Hire of equipment	241	224	208	188
Amortisation of prepaid lease payments	9	9	9	9
Others	4,587	4,254	3,860	3,684
	<u>27,064</u>	<u>26,329</u>	<u>24,534</u>	<u>23,287</u>
Marketing expenses				
Advertisement and business promotion	4,144	3,091	4,016	3,083
Transport and travelling	1,025	879	947	821
Others	640	467	625	460
	<u>5,809</u>	<u>4,437</u>	<u>5,588</u>	<u>4,364</u>
General administrative expenses				
Transaction processing fees	83,568	79,380	76,551	73,598
Others	24,004	28,140	22,780	25,297
	<u>107,572</u>	<u>107,520</u>	<u>99,331</u>	<u>98,895</u>
Total operating expenses	<u>294,362</u>	<u>284,290</u>	<u>274,678</u>	<u>265,715</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**28 IMPAIRMENT ALLOWANCES**

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
Stage 3 ECL				
- Made during the period	109,913	67,827	56,109	42,867
- Written back	(34,465)	(35,981)	(24,562)	(21,936)
Stage 1 and 2 ECL				
- Made/(Written back) during the period	50,196	(12,114)	30,019	(8,840)
Impaired loans, advances and financing				
- Recovered during the period	(10,965)	(12,498)	(5,260)	(5,404)
Investment account placements				
Stage 3 ECL				
- Made during the period	-	-	29,794	-
Stage 1 and 2 ECL				
- Made/(Written back) during the period	-	-	1,030	(1,234)
Financial investments at FVOCI				
Stage 1 and 2 ECL				
- (Written back)/Made during the period	(396)	48	(325)	782
Other financial assets				
Stage 3 ECL				
- Made during the period	14	4	14	4
Stage 1 and 2 ECL				
- Written back during the period	(99)	(47)	(99)	(47)
	114,198	7,239	86,720	6,192

29 INCOME TAX EXPENSE

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current period	45,406	70,193	36,974	56,870
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	7,191	10,086	10,559	9,892
	52,597	80,279	47,533	66,762

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**30 COMMITMENTS AND CONTINGENCIES**

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

The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined by BNM for regulatory capital adequacy purposes.

Group	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
31 March 2019			
Direct credit substitutes	651,105	651,105	487,542
Transaction-related contingent items	2,891,668	1,475,515	954,959
Short-term self-liquidating trade-related contingencies	381,485	84,058	52,075
Forward asset purchases, forward deposits, partly paid shares and securities	20,390	20,390	-
Foreign exchange related contracts			
- Less than one year	14,439,477	149,697	35,929
- One year to less than five years	2,786,426	746,851	159,185
- Five years and above	2,423,778	200,764	56,373
Interest rate contracts			
- Less than one year	14,471,368	656	25
- One year to less than five years	25,284,891	373,718	87,795
- Five years and above	7,803,654	190,175	124,010
Equity and commodity related contracts	649,704	28,293	3,615
Credit derivative contracts	1,413,582	67,208	16,936
Formal standby facilities and credit lines			
- Maturity not exceeding one year	450	338	318
- Maturity exceeding one year	4,782,333	4,075,656	2,120,796
Other unconditionally cancellable commitments	23,045,073	2,207,355	349,206
Total	101,045,384	10,271,779	4,448,764
31 December 2018			
Direct credit substitutes	741,125	741,125	571,536
Transaction-related contingent items	2,930,357	1,493,568	944,101
Short-term self-liquidating trade-related contingencies	303,719	68,274	39,282
Forward asset purchases	29,687	29,687	-
Foreign exchange related contracts			
- Less than one year	13,173,634	226,291	46,669
- One year to less than five years	2,858,788	778,909	155,566
- Five years and above	2,442,327	208,443	61,178
Interest rate contracts			
- Less than one year	11,541,401	1,076	142
- One year to less than five years	24,466,718	320,082	69,005
- Five years and above	5,870,421	103,382	80,358
Equity and commodity related contracts	259,891	17,212	3,311
Credit derivative contracts	1,241,549	59,105	15,260
Formal standby facilities and credit lines			
- Maturity exceeding one year	5,074,481	4,259,104	2,441,626
Other unconditionally cancellable commitments	22,140,451	2,063,219	334,384
Total	93,074,549	10,369,477	4,762,418

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**30 COMMITMENTS AND CONTINGENCIES (continued)**

<u>Bank</u>	<u>Principal amount</u>	<u>Credit equivalent amount</u>	<u>Risk weighted amount</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
31 March 2019			
Direct credit substitutes	554,984	554,984	399,394
Transaction-related contingent items	2,495,030	1,274,777	812,354
Short-term self-liquidating trade-related contingencies	345,784	75,865	46,625
Forward asset purchases, forward deposits, partly paid shares and securities	20,390	20,390	-
Foreign exchange related contracts			
- Less than one year	14,478,280	149,581	35,891
- One year to less than five years	2,786,426	746,851	157,485
- Five years and above	2,423,778	200,764	56,373
Interest rate contracts			
- Less than one year	14,471,368	656	25
- One year to less than five years	25,284,891	373,718	87,795
- Five years and above	7,803,654	190,175	107,505
Equity and commodity related contracts	649,704	28,293	3,615
Credit derivative contracts	1,413,582	67,208	16,936
Formal standby facilities and credit lines			
- Maturity not exceeding one year	450	338	318
- Maturity exceeding one year	3,985,020	3,458,184	1,601,148
Other unconditionally cancellable commitments	20,436,975	2,109,690	333,953
Total	<u>97,150,316</u>	<u>9,251,474</u>	<u>3,659,417</u>
31 December 2018			
Direct credit substitutes	632,158	632,158	479,295
Transaction-related contingent items	2,537,891	1,295,076	800,326
Short-term self-liquidating trade-related contingencies	274,523	61,429	33,777
Forward asset purchases	29,687	29,687	-
Foreign exchange related contracts			
- Less than one year	13,216,753	227,897	46,550
- One year to less than five years	2,858,788	778,909	155,566
- Five years and above	2,442,327	208,443	61,178
Interest rate contracts			
- Less than one year	11,541,401	1,076	142
- One year to less than five years	24,466,718	320,082	69,005
- Five years and above	5,870,421	103,382	66,322
Equity and commodity related contracts	259,891	17,212	3,311
Credit derivative contracts	1,241,549	59,105	15,260
Formal standby facilities and credit lines			
- Maturity exceeding one year	4,083,340	3,502,632	1,641,569
Other unconditionally cancellable commitments	19,399,985	1,980,914	321,632
Total	<u>88,855,432</u>	<u>9,218,002</u>	<u>3,693,933</u>

31 CAPITAL COMMITMENTS

	<u>Group</u>		<u>Bank</u>	
	<u>31 March 2019</u>	<u>31 December 2018</u>	<u>31 March 2019</u>	<u>31 December 2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Capital expenditure commitments in respect of property and equipment contracted but not provided for	6,832	4,023	6,728	3,919

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**32 FAIR VALUES OF FINANCIAL INSTRUMENTS****Fair value hierarchy of financial instruments**

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

The valuation hierarchy and the types of instruments classified into each level within that hierarchy, are set out below:

	Level 1	Level 2	Level 3
Fair value determined	Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.	Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.	Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.
Type of financial assets	Actively traded government and agency securities Actively traded quoted equity securities of corporations	Corporate and other government bonds/sukuk and loans Over-the counter ("OTC") derivatives Cash and cash equivalents Deposits and placements with banks and other financial institutions Investment account placements Other assets	Private debt equity investments Corporate bonds/sukuk with illiquid markets Loans, advances and financing OTC derivatives Unquoted equity instruments
Type of financial liabilities		OTC derivatives Deposits from customers Deposits and placement of banks and other financial institutions Other liabilities Subordinated bonds/sukuk	OTC derivatives

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)

32 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy of financial instruments (continued)

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
31 March 2019				
Financial assets at fair value				
Financial assets at FVTPL	1,629,522	1,055,351	-	2,684,873
Financial investments at FVOCI	9,996,185	8,729,690	99,218	18,825,093
Derivative financial assets	3,735	640,000	53,303	697,038
	<u>11,629,442</u>	<u>10,425,041</u>	<u>152,521</u>	<u>22,207,004</u>
Financial liabilities at fair value				
Derivative financial liabilities	<u>1,073</u>	<u>677,604</u>	<u>53,568</u>	<u>732,245</u>
31 December 2018				
Financial assets at fair value				
Financial assets at FVTPL	762,033	1,111,482	-	1,873,515
Financial investments at FVOCI	8,646,834	9,056,374	99,218	17,802,426
Loans, advances and financing	-	-	24,836	24,836
Derivative financial assets	2,241	685,493	73,027	760,761
	<u>9,411,108</u>	<u>10,853,349</u>	<u>197,081</u>	<u>20,461,538</u>
Financial liabilities at fair value				
Derivative financial liabilities	<u>2,077</u>	<u>640,808</u>	<u>73,283</u>	<u>716,168</u>
Bank				
31 March 2019				
Financial assets at fair value				
Financial assets at FVTPL	1,629,522	1,039,253	-	2,668,775
Financial investments at FVOCI	7,384,337	7,065,834	99,218	14,549,389
Derivative financial assets	3,756	640,739	53,303	697,798
	<u>9,017,615</u>	<u>8,745,826</u>	<u>152,521</u>	<u>17,915,962</u>
Financial liabilities at fair value				
Derivative financial liabilities	<u>1,101</u>	<u>677,575</u>	<u>53,568</u>	<u>732,244</u>
31 December 2018				
Financial assets at fair value				
Financial assets at FVTPL	762,033	1,101,502	-	1,863,535
Financial investments at FVOCI	6,324,040	7,163,285	99,218	13,586,543
Loans, advances and financing	-	-	24,836	24,836
Derivative financial assets	2,309	686,941	73,027	762,277
	<u>7,088,382</u>	<u>8,951,728</u>	<u>197,081</u>	<u>16,237,191</u>
Financial liabilities at fair value				
Derivative financial liabilities	<u>2,080</u>	<u>640,750</u>	<u>73,283</u>	<u>716,113</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**32 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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

	Group and Bank	
	31 March 2019 RM'000	31 December 2018 RM'000
Financial assets at fair value		
At 1 January	197,081	15,662
Effect of adoption of MFRS 9	-	165,043
Settled/disposed	(24,836)	(34,686)
Recognised in profit or loss/other comprehensive income		
- Realised loss	(3,272)	(4,267)
- Unrealised (loss)/gain	(16,452)	55,329
At 31 March/31 December	<u>152,521</u>	<u>197,081</u>
Financial liabilities at fair value		
At 1 January	73,283	16,294
Recognised in profit or loss		
- Realised loss	(3,272)	(4,267)
- Unrealised (loss)/gain	(16,443)	61,256
At 31 March/31 December	<u>53,568</u>	<u>73,283</u>

The following table shows the valuation techniques used in the determination of fair value within Level 3, as well as the unobservable inputs used in the valuation model:

Group and Bank	31 March 2019 Fair value RM'000	31 December 2018 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Financial investments at FVOCI	99,218	99,218	FVOCI	Net asset value approach	Net asset value
Loans, advances and financing	-	24,836	FVTPL	Discounted cash flow analysis and market approach	Implied equity value, incentive fee and discount factor
Derivative financial assets	53,303	73,027	Hedge for trading	Option pricing model	Standard deviation
	<u>152,521</u>	<u>197,081</u>			
Liabilities					
Derivative financial liabilities	53,568	73,283	Hedge for trading	Option pricing model	Standard deviation

The Group and the Bank consider that any reasonably possible change to the unobservable input will not result in a significant financial impact.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)

33 SEGMENT INFORMATION

Operating Segment

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

Business Banking

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

Consumer Financial Services

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

Global Treasury

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

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

Others

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**33 SEGMENT INFORMATION (continued)**

Group	Business Banking RM'000	Consumer Financial Services RM'000	Global Treasury RM'000	Others RM'000	Total RM'000
31 March 2019					
Net interest/finance income	276,788	111,142	53,496	37,760	479,186
Non-interest/finance income	29,648	36,776	70,971	15,873	153,268
Operating income	306,436	147,918	124,467	53,633	632,454
Operating expenses	(117,586)	(133,849)	(25,594)	(17,333)	(294,362)
Operating profit before impairment allowance and provision	188,850	14,069	98,873	36,300	338,092
(Impairment)/write back of allowances and provision for commitments and contingencies	(113,726)	(707)	311	(76)	(114,198)
Profit before income tax and zakat	75,124	13,362	99,184	36,224	223,894
Income tax expense and zakat	(18,030)	(3,207)	(23,804)	(7,556)	(52,597)
Profit for the period	57,094	10,155	75,380	28,668	171,297
Gross loans, advances and financing	40,915,761	28,454,852	-	52,894	69,423,507
Gross credit-impaired loans, advances and financing	823,332	524,000	-	-	1,347,332
Deposits from customers	36,733,476	35,951,816	3,798,781	-	76,484,073
31 March 2018					
Net interest/finance income	249,376	117,323	44,976	35,928	447,603
Non-interest/finance income	36,159	44,035	75,772	12,304	168,270
Operating income	285,535	161,358	120,748	48,232	615,873
Operating expenses	(111,724)	(130,311)	(23,723)	(18,532)	(284,290)
Operating profit before impairment allowance and provision	173,811	31,047	97,025	29,700	331,583
(Impairment)/write back of allowances and provision for commitments and contingencies	(1,509)	(5,740)	(48)	58	(7,239)
Profit before income tax and zakat	172,302	25,307	96,977	29,758	324,344
Income tax expense and zakat	(37,661)	(5,102)	(23,286)	(14,230)	(80,279)
Profit for the period	134,641	20,205	73,691	15,528	244,065
31 December 2018					
Gross loans, advances and financing	40,526,120	28,894,747	-	59,034	69,479,901
Gross credit-impaired loans, advances and financing	798,153	534,856	-	32	1,333,041
Deposits from customers	35,703,473	35,835,274	4,312,474	-	75,851,221

Geographical Segment

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

There has been no change in the basis of segmentation or in the basis of measuring of segment profit or loss since the last audited financial statements as at and for the financial year ended 31 December 2018.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**34 CAPITAL ADEQUACY****Capital Management**

The capital ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components). Recognition of the Group's and the Bank's Additional Tier 1 and Tier 2 capital instruments are subject to a gradual phase out as required by BNM's Capital Adequacy Framework (Capital Components).

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Common Equity Tier 1 ("CET 1") capital				
Paid-up ordinary share capital	754,000	754,000	754,000	754,000
Retained earnings	5,829,780	5,967,780	5,064,242	5,202,242
Other reserves	838,571	740,269	678,099	590,458
Regulatory adjustment for CET 1 capital	(734,278)	(739,071)	(1,184,364)	(1,193,986)
CET 1 capital	6,688,073	6,722,978	5,311,977	5,352,714
Additional Tier 1 capital				
Innovative Tier 1 capital	240,000	320,000	240,000	320,000
Additional Tier 1 capital	449,028	455,203	449,028	455,203
Tier 1 capital	7,377,101	7,498,181	6,001,005	6,127,917
Tier 2 capital				
Stage 1 and Stage 2 ECL and qualifying regulatory reserves under the Standardised Approach	19,813	16,635	16,000	12,583
Surplus eligible provisions over expected losses	258,859	255,375	209,030	208,389
Subordinated bonds	1,030,670	1,037,967	1,030,670	1,037,966
Regulatory adjustment for Tier 2 capital	-	-	(200,000)	(200,000)
Tier 2 capital	1,309,342	1,309,977	1,055,700	1,058,938
Capital base	8,686,443	8,808,158	7,056,705	7,186,855
Before deducting proposed dividend				
CET 1 capital ratio	13.087%	13.503%	12.741%	13.112%
Tier 1 capital ratio	14.435%	15.061%	14.393%	15.011%
Total capital ratio	16.997%	17.692%	16.925%	17.605%
After deducting proposed dividend				
CET 1 capital ratio	13.087%	13.226%	12.741%	12.774%
Tier 1 capital ratio	14.435%	14.783%	14.393%	14.673%
Total capital ratio	16.997%	17.414%	16.925%	17.267%

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019 (continued)**34 CAPITAL ADEQUACY (continued)****Capital Adequacy Ratios**

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

	Group		Bank	
	31 March 2019 RM'000	31 December 2018 RM'000	31 March 2019 RM'000	31 December 2018 RM'000
Total RWA for credit risk	44,728,219	43,893,315	36,118,401	35,738,077
Total RWA for market risk	1,687,861	1,235,013	1,688,633	1,235,744
Total RWA for operational risk	4,690,445	4,658,703	3,885,758	3,849,013
	51,106,525	49,787,031	41,692,792	40,822,834

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

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

	31 March 2019	31 December 2018
After the effects of RPSIA		
CET 1 capital ratio	14.466%	15.054%
Tier 1 capital ratio	14.466%	15.054%
Total capital ratio	17.143%	17.825%