

Company No. 295400-W

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

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

Company No. 295400-W

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

	Note	Group		Bank	
		30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
ASSETS					
Cash and cash equivalents	9	5,585,329	8,293,096	5,508,024	7,669,764
Deposits and placements with banks and other financial institutions	10	-	1,447,920	1,455,122	2,015,307
Financial assets held-for-trading	11	1,555,525	1,528,361	1,555,525	1,528,361
Financial investments available-for-sale	12	14,630,980	11,253,505	10,879,515	8,077,528
Loans, advances and financing	13	67,995,612	67,421,623	58,243,734	57,799,889
Derivative financial assets	15	1,250,914	1,995,516	1,250,646	1,995,481
Other assets	16	347,255	280,597	528,497	464,465
Statutory deposits with Bank Negara Malaysia		1,839,744	2,000,966	1,515,244	1,673,966
Investments in subsidiaries		-	-	558,492	558,492
Property and equipment		166,474	188,201	156,174	174,785
Prepaid lease payments		757	784	757	784
Tax recoverable		188	8,867	-	-
Deferred tax assets		23,727	28,321	23,064	22,977
Total assets		93,396,505	94,447,757	81,674,794	81,981,799
LIABILITIES					
Deposits from customers	17	72,436,123	70,934,813	62,035,955	59,700,547
Deposits and placements of banks and other financial institutions	18	6,853,602	9,462,112	6,464,640	8,977,185
Bills and acceptances payable		115,203	153,888	95,168	123,405
Recourse obligation on loans sold to Cagamas Berhad		1,424,992	1,328,516	1,424,992	1,328,516
Derivative financial liabilities	15	1,222,382	1,820,414	1,222,280	1,820,044
Other liabilities	20	2,696,075	2,236,749	2,557,225	2,111,137
Tax payable and zakat		78,141	11,090	61,761	11,045
Subordinated bonds	19	1,913,462	2,075,852	1,913,462	2,075,852
Total liabilities		86,739,980	88,023,434	75,775,483	76,147,731
EQUITY					
Share capital		754,000	287,500	754,000	287,500
Reserves		5,901,224	6,135,427	5,145,311	5,546,568
Non-controlling interest		1,301	1,396	-	-
Total equity		6,656,525	6,424,323	5,899,311	5,834,068
Total liabilities and equity		93,396,505	94,447,757	81,674,794	81,981,799
Commitments and contingencies	30	96,403,213	99,396,990	92,945,550	96,678,130

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 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

Group	Note	Quarter ended		Year to date ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Interest income	21	892,455	853,379	2,618,690	2,635,974
Interest expense	21	(537,615)	(539,183)	(1,572,916)	(1,656,151)
Net interest income	21	354,840	314,196	1,045,774	979,823
Income from Islamic banking operations	22	108,459	115,514	333,794	361,005
Net fee and commission income	23	79,906	66,647	255,887	193,806
Net trading income	24	41,093	45,917	141,872	152,980
Other operating income	25	7,005	8,549	22,091	56,254
Operating income		591,303	550,823	1,799,418	1,743,868
Operating expenses	26	(280,175)	(267,216)	(820,226)	(804,367)
Operating profit before impairment allowance and provision		311,128	283,607	979,192	939,501
Impairment allowance on loans, advances and financing	27	24,026	(22,854)	(32,419)	(91,116)
Write back of provision for commitments and contingencies		-	6,526	-	6,526
(Charge)/write back of impairment allowance on other receivables		(9)	312	(38)	2,045
Profit before income tax and zakat		335,145	267,591	946,735	856,956
Income tax expense	29	(89,567)	(66,607)	(239,668)	(210,051)
Zakat		(13)	(12)	(38)	(34)
Profit for the period		245,565	200,972	707,029	646,871
Other comprehensive income/(expense), net of income tax					
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>					
Fair value (available-for-sale) reserve					
- Change in fair value		17,260	53,652	68,091	146,376
- Amount transferred to profit or loss		(1,474)	(2,976)	(4,564)	(34,794)
Income tax expense relating to components of other comprehensive income		(3,791)	(7,384)	(15,254)	(25,362)
Other comprehensive income for the period, net of tax		11,995	43,292	48,273	86,220
Total comprehensive income for the period		257,560	244,264	755,302	733,091
Profit attributable to:					
Owner of the Bank		245,560	200,902	707,124	646,825
Non-controlling interest		5	70	(95)	46
		245,565	200,972	707,029	646,871
Total comprehensive income attributable to:					
Owner of the Bank		257,555	244,194	755,397	733,045
Non-controlling interest		5	70	(95)	46
		257,560	244,264	755,302	733,091
Basic earnings per ordinary share (sen)		85.4	69.9	245.9	225.0

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 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

Bank	Note	Quarter ended		Year to date ended	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
		RM'000	RM'000	RM'000	RM'000
Interest income	21	912,520	866,097	2,678,907	2,680,607
Interest expense	21	(552,515)	(546,657)	(1,617,774)	(1,679,456)
Net interest income	21	360,005	319,440	1,061,133	1,001,151
Net fee and commission income	23	79,596	65,995	255,326	193,154
Net trading income	24	41,093	45,917	141,872	152,980
Other operating income	25	31,393	35,761	94,395	139,983
Operating income		512,087	467,113	1,552,726	1,487,268
Operating expenses	26	(259,122)	(244,433)	(756,997)	(735,618)
Operating profit before impairment allowance and provision		252,965	222,680	795,729	751,650
Impairment allowance on loans, advances and financing	27	(6,286)	(2,979)	(5,156)	(36,163)
Impairment allowance on Restricted Profit Sharing Investment Accounts	28	-	-	(42,834)	-
Write back of provision for commitments and contingencies		-	6,526	-	6,526
(Charge)/write back of impairment allowance on other receivables		(9)	312	(38)	2,045
Profit before income tax and zakat		246,670	226,539	747,701	724,058
Income tax expense	29	(66,387)	(58,102)	(191,360)	(182,162)
Profit for the period		180,283	168,437	556,341	541,896
Other comprehensive income/(expense), net of income tax					
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>					
Fair value (available-for-sale) reserve					
- Change in fair value		11,402	36,574	46,687	106,983
- Amount transferred to profit or loss		(1,106)	(2,976)	(4,577)	(36,443)
Income tax expense relating to components of other comprehensive income		(2,472)	(3,284)	(10,108)	(15,467)
Other comprehensive income for the period, net of income tax		7,824	30,314	32,002	55,073
Total comprehensive income for the period		188,107	198,751	588,343	596,969
Profit attributable to owner of the Bank		180,283	168,437	556,341	541,896
Total comprehensive income attributable to owner of the Bank		188,107	198,751	588,343	596,969
Basic earnings per ordinary share (sen)		62.7	58.6	193.5	188.5

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

<u>Group</u>	<i>Non-distributable</i>					<i>Distributable</i>				Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve* RM'000	Regulatory reserve** RM'000	Capital redemption reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Non-controlling interest RM'000	
At 1 January 2017	287,500	462,500	507,000	375,000	4,000	56,619	79,050	4,651,258	1,396	6,424,323
Fair value (available-for-sale) reserve										
- Change in fair value	-	-	-	-	-	-	68,091	-	-	68,091
- Transferred to profit or loss	-	-	-	-	-	-	(4,564)	-	-	(4,564)
Income tax effect	-	-	-	-	-	-	(15,254)	-	-	(15,254)
Total other comprehensive income for the period	-	-	-	-	-	-	48,273	-	-	48,273
Profit for the period	-	-	-	-	-	-	-	707,124	(95)	707,029
Total comprehensive income for the period	-	-	-	-	-	-	48,273	707,124	(95)	755,302
Transfer pursuant to Companies Act 2016 (note 1(c))	466,500	(462,500)	-	-	(4,000)	-	-	-	-	-
Transfer pursuant to BNM's policy document on Capital Funds (note 1(d))	-	-	(507,000)	-	-	-	-	507,000	-	-
Transfer from retained earnings	-	-	-	56,000	-	-	-	(56,000)	-	-
<i>Contributions by and distributions to owner of the Bank</i>										
Dividends paid										
- Final 2016 ordinary	-	-	-	-	-	-	-	(393,100)	-	(393,100)
- Interim 2017 ordinary	-	-	-	-	-	-	-	(130,000)	-	(130,000)
At 30 September 2017	754,000	-	-	431,000	-	56,619	127,323	5,286,282	1,301	6,656,525

* During the financial period ended 30 September 2017, the Group transferred RM507 million from statutory reserve account to retained earnings pursuant to Bank Negara Malaysia's (BNM) revised policy document on Capital Funds which is effective from 3 May 2017.

** The Group maintains a regulatory reserve to meet local regulatory requirements, which restricts the amount of reserves that can be distributed to the shareholder.

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 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 (CONTINUED)**

<u>Group</u>	<i>Non-distributable</i>					<i>Distributable</i>				Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Capital redemption reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	Non-controlling interest RM'000	
At 1 January 2016	287,500	462,500	507,000	155,000	4,000	56,619	96,457	4,501,313	-	6,070,389
Fair value (available-for-sale) reserve										
- Change in fair value	-	-	-	-	-	-	146,376	-	-	146,376
- Transferred to profit or loss	-	-	-	-	-	-	(34,794)	-	-	(34,794)
Income tax effect	-	-	-	-	-	-	(25,362)	-	-	(25,362)
Total other comprehensive income for the period	-	-	-	-	-	-	86,220	-	-	86,220
Profit for the period	-	-	-	-	-	-	-	646,825	46	646,871
Total comprehensive income for the period	-	-	-	-	-	-	86,220	646,825	46	733,091
Acquisition by non-controlling interest	-	-	-	-	-	-	-	-	804	804
<i>Contributions by and distributions to owner of the Bank</i>										
Dividends paid										
- Final 2015 ordinary	-	-	-	-	-	-	-	(437,700)	-	(437,700)
At 30 September 2016	287,500	462,500	507,000	155,000	4,000	56,619	182,677	4,710,438	850	6,366,584

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 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017**

	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve* RM'000	Regulatory reserve** RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000
Bank								
At 1 January 2017	287,500	462,500	322,000	375,000	4,000	88,558	4,294,510	5,834,068
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	46,687	-	46,687
- Transferred to profit or loss	-	-	-	-	-	(4,577)	-	(4,577)
Income tax effect	-	-	-	-	-	(10,108)	-	(10,108)
Total other comprehensive income for the period	-	-	-	-	-	32,002	-	32,002
Profit for the year	-	-	-	-	-	-	556,341	556,341
Total comprehensive income for the period	-	-	-	-	-	32,002	556,341	588,343
Transfer pursuant to Companies Act 2016 (note 1(c))	466,500	(462,500)	-	-	(4,000)	-	-	-
Transfer pursuant to BNM's policy document on Capital Funds (note 1(d))	-	-	(322,000)	-	-	-	322,000	-
<i>Contributions by and distributions to owner of the Bank</i>								
Dividends paid								
- Final 2016 ordinary	-	-	-	-	-	-	(393,100)	(393,100)
- Interim 2017 ordinary	-	-	-	-	-	-	(130,000)	(130,000)
At 30 September 2017	754,000	-	-	375,000	-	120,560	4,649,751	5,899,311

* During the financial period ended 30 September 2017, the Bank transferred RM322 million from statutory reserve account to retained earnings pursuant to BNM's revised policy document on Capital Funds which is effective from 3 May 2017.

** The Bank maintains a regulatory reserve to meet local regulatory requirements, which restricts the amount of reserves that can be distributed to the shareholder.

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 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 (CONTINUED)

	<i>Non-distributable</i>					<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Bank								
At 1 January 2016	287,500	462,500	322,000	155,000	4,000	99,719	4,296,938	5,627,657
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	106,983	-	106,983
- Transferred to profit or loss	-	-	-	-	-	(36,443)	-	(36,443)
Income tax effect	-	-	-	-	-	(15,467)	-	(15,467)
Total other comprehensive income for the period	-	-	-	-	-	55,073	-	55,073
Profit for the period	-	-	-	-	-	-	541,896	541,896
Total comprehensive income for the period	-	-	-	-	-	55,073	541,896	596,969
<i>Contributions by and distributions to owner of the Bank</i>								
Dividends paid								
- Final 2015 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
At 30 September 2016	<u>287,500</u>	<u>462,500</u>	<u>322,000</u>	<u>155,000</u>	<u>4,000</u>	<u>154,792</u>	<u>4,401,134</u>	<u>5,786,926</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 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	Group		Bank	
	Year to date ended 30 September 2017 RM'000	Year to date ended 30 September 2016 RM'000	Year to date ended 30 September 2017 RM'000	Year to date ended 30 September 2016 RM'000
Cash flows from operating activities				
Profit before income tax and zakat	946,735	856,956	747,701	724,058
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	27	27	27	27
Depreciation of property and equipment	25,390	30,063	21,971	26,046
Dividends received from financial assets held-for-trading	-	(999)	-	(999)
Dividends received from financial investments available-for-sale	(752)	(450)	(752)	(450)
Impairment/(Write back of) allowance on:				
- Loans, advances and financing	32,419	91,116	5,156	36,163
- Restricted Profit Sharing Investment Accounts	-	-	42,834	-
- Provision for commitments and contingencies	-	(6,526)	-	(6,526)
- Other receivables	38	(2,045)	38	(2,045)
Net (gain)/loss on disposal of:				
- Financial investments available-for-sale	(4,564)	(34,794)	(4,577)	(36,443)
- Investment properties	-	(478)	-	(478)
- Property and equipment	269	(41)	261	(41)
Share-based expenses	4,122	4,528	3,926	4,343
Unrealised (gain)/loss on:				
- Financial assets held-for-trading	(977)	3,609	(977)	3,609
- Hedging derivatives	226	(906)	226	(906)
- Trading derivatives	189,874	35,016	189,874	35,016
- Subordinated bonds	(62,962)	(37,433)	(62,962)	(37,433)
Operating profit before changes in working capital	1,129,845	937,643	942,746	743,941
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	1,447,920	(1,739,411)	529,492	(1,383,709)
Financial assets held-for-trading	(26,187)	711,722	(26,187)	711,722
Loans, advances and financing	(606,408)	1,353,831	(449,001)	754,875
Other assets	(66,698)	47,144	(64,072)	11,141
Statutory deposits with Bank Negara Malaysia	161,222	285,366	158,722	235,666
Derivative financial assets and liabilities	(43,489)	118,167	(42,988)	118,326
Deposits from customers	213,399	341,733	1,047,497	(1,331,740)
Deposits and placements of banks and other financial institutions	(2,608,510)	184,255	(2,512,545)	819,823
Bills and acceptances payable	(38,685)	(1,798)	(28,237)	1,664
Other liabilities	1,743,449	54,056	1,730,117	29,986
Cash generated from operations	1,305,858	2,292,708	1,285,544	711,695
Income tax and zakat paid	(174,926)	(193,643)	(150,839)	(168,750)
Net cash generated from operating activities	1,130,932	2,099,065	1,134,705	542,945

OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 (CONTINUED)

	Group		Bank	
	Year to date ended 30 September 2017 RM'000	30 September 2016 RM'000	Year to date ended 30 September 2017 RM'000	30 September 2016 RM'000
Cash flows from investing activities				
Acquisition of financial investments available-for-sale	(11,636,981)	(9,034,617)	(5,736,981)	(5,159,495)
Acquisition of property and equipment	(4,105)	(10,355)	(3,795)	(5,666)
Dividends received from financial investments available-for-sale	752	450	752	450
Acquisition of a subsidiary, net of cash and cash equivalents acquired	-	(345)	-	(1,875)
Proceeds from disposal of financial investments available-for-sale	8,328,084	10,941,737	2,982,168	7,715,832
Proceeds from disposal of investment properties	-	2,073	-	2,073
Proceeds from disposal of property and equipment	175	807	176	197
Net cash (used in)/generated from investing activities	(3,312,075)	1,899,750	(2,757,680)	2,551,516
Cash flows from financing activities				
Dividends paid to owner of the Bank	(523,100)	(437,700)	(523,100)	(437,700)
Redemption of subordinated bonds	(600,000)	-	(600,000)	-
Proceeds from issuance of subordinated bonds	500,000	-	500,000	-
Recourse obligation on loans sold to Cagamas Berhad	96,476	184,857	96,476	184,857
Net cash used in financing activities	(526,624)	(252,843)	(526,624)	(252,843)
Net (decrease)/increase in cash and cash equivalents	(2,707,767)	3,745,972	(2,149,599)	2,841,618
Cash and cash equivalents at 1 January	8,293,096	5,443,390	7,669,764	4,862,227
Cash and cash equivalents at 30 September	5,585,329	9,189,362	5,520,165	7,703,845

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 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements of the Bank as at and for the financial period ended 30 September 2017 comprise the Bank and its subsidiaries (collectively 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 achieved net profit after tax of RM707 million for the financial period ended 30 September 2017; a growth of RM60 million or 9.3%. Net interest income increased to RM1 billion; a RM66 million or 6.7% growth against last year mainly due to lower interest expense on customer deposits of RM103 million offset by lower loans, advances and financing interest income of RM80 million following the drop in BNM's Overnight Policy Rate by 25 basis point in July last year. Income from Islamic banking operations reduced to RM334 million; a RM27 million or 7.5% decrease against last year mainly due to a smaller higher yielding unsecured portfolio. Net fee and commission income rose by RM62 million or 32% contributed mainly by better unit trust fee income and arrangement fees. Impairment allowances and provisions reduced by RM50 million or 60.7% mainly due to net collective impairment allowance written-back of RM35 million and lower net individual impairment allowance charge of RM25 million.

Total assets stood at RM93.4 billion or 1.1% lower than last year mainly from lower cash holdings and placements with banks and other financial institutions (-RM4.2 billion) and lower derivative assets (-RM0.7 billion). These were partially offset by higher holdings of financial investments available-for-sale (+RM3.4 billion) and increased loans, advances and financing (+RM0.6 billion).

The Group and the Bank remained well capitalised with Common Equity Tier 1 (CET 1) capital ratios of 12.753% and 12.128% respectively and total capital ratios of 17.447% and 16.711% respectively, well above regulatory requirements.

ECONOMIC PERFORMANCE AND PROSPECTS

On the global economic front, the earlier projected increase in growth is strengthening. Notable pickups in investment, trade, and industrial production, coupled with stronger business and consumer confidence, are supporting the recovery. In Asia, growth is driven by sustained domestic activity and strong external demand.

In September 2017, Bank Negara Malaysia ("BNM") announced that the Malaysian economy recorded faster growth in the second quarter of 2017, driven by firmer domestic activity and exports. Looking ahead, growth prospects will be sustained by the more positive global growth outlook and stronger spillovers from the external sector to the domestic economy. Domestic demand will remain the key driver of growth, supported by improving incomes and overall labour market conditions, new and ongoing infrastructure projects and sustained capital investment by firms in the manufacturing and services sectors. Overall, growth in 2017 will be stronger than earlier expected.

Headline inflation is projected to moderate on expectations of a smaller effect from global cost factors. Underlying inflation, as measured by core inflation, will be sustained by the more robust domestic demand but is expected to remain contained. The banking system liquidity remains sufficient with financial institutions continuing to operate with strong capital and liquidity buffers. The growth of financing to the private sector has been sustained and is supportive of economic activity. Though the Bank has observed strength in the domestic economy, we will remain watchful of headwinds in the operating environment. We will continue to maintain a selective lending profile with our operations continuing to be underpinned by business banking and retail banking, in particular the wealth management segment. We will continue to strive to preserve the quality of our assets and monitor our liquidity and capital position closely.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)

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.

(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 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 are accounting standards and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank:

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures*

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*

Effective date to be announced by MASB

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the above mentioned 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 except as described below:

MFRS 9, *Financial Instruments*

MFRS 9, *Financial Instruments* will replace MFRS 139, *Financial Instruments: Recognition and Measurement*. Retrospective application is required but comparative information is not compulsory. MFRS 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*. Under MFRS 15, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good and service.

MFRS 16, Leases

MFRS 16 requires on-statement of financial position recognition of operating lease commitments on right of use assets.

The Group and the Bank are currently assessing the financial impact of adopting MFRS 9, MFRS 15 and MFRS 16.

(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 2016.

(c) Companies Act 2016

The unaudited condensed interim financial statements of the Group and the Bank are prepared in accordance with the requirements of the Companies Act 2016 ("the new Act") which replaced the Companies Act 1965. The key changes introduced which affected the financial statements of the Group and the Bank are:

- (i) the removal of the authorised share capital;
- (ii) the ordinary shares of the Bank will cease to have par or nominal value;
- (iii) the Bank's share premium will become part of the share capital; and
- (iv) the removal of the requirement to maintain a capital redemption reserve.

Pursuant to the Companies Act 2016, the Group and the Bank no longer maintain a share premium account and capital redemption reserve which balances have been transferred to retained earnings during the period.

(d) Revised Policy Documents on Capital Funds issued by BNM

On 3 May 2017, BNM revised its policy documents on Capital Funds and Capital Funds for Islamic Banks ("revised policy documents"). The key changes are:

- (i) the removal of the requirement to maintain a reserve fund; and
- (ii) the removal of share premium and reserve fund as a component of capital funds.

Pursuant to BNM's revised policy documents, the Group and the Bank have transferred the balances in the statutory reserve fund to retained earnings during the period.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**2 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Group in these unaudited condensed interim financial statements are the same as those applied by the Group in its audited financial statements as at and for the financial year ended 31 December 2016.

3 SEASONALITY OF OPERATIONS

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

4 SHARE CAPITAL

During the period, the Bank transferred RM462.5 million from its share premium account and RM4 million from its capital redemption reserve account to share capital pursuant to the Companies Act 2016.

5 CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the financial period ended 30 September 2017.

6 DIVIDENDS

Since the end of the previous financial year, the Bank paid:

- i) a final dividend of 136.7 sen per ordinary share totalling RM393.1 million in respect of the previous financial year on 11 August 2017; and
- ii) an interim dividend of 45.2 sen per ordinary share totalling RM130 million in respect of the financial period ended 30 June 2017 on 27 September 2017.

7 SIGNIFICANT AND SUBSEQUENT EVENTS

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

8 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There was no unusual item affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 30 September 2017.

9 CASH AND CASH EQUIVALENTS

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	336,930	487,786	297,912	460,808
Money at call and deposit placements with financial institutions maturing within one month	220,127	2,259,015	1,393,612	3,596,456
Deposit placements with Bank Negara Malaysia	5,028,272	5,546,295	3,828,641	3,612,500
	<u>5,585,329</u>	<u>8,293,096</u>	<u>5,520,165</u>	<u>7,669,764</u>
Collective impairment allowance for RPSIA	-	-	(12,141)	-
	<u>5,585,329</u>	<u>8,293,096</u>	<u>5,508,024</u>	<u>7,669,764</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**9 CASH AND CASH EQUIVALENTS (continued)**

a) Included in the Bank's cash and cash equivalents are:

- (i) exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") as part of an arrangement with OCBC Al-Amin Bank Berhad ("OCBC Al-Amin"). The RPSIA is a contract based on 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. As at 30 September 2017, collective impairment allowance of RM12 million (31 December 2016: Nil) was provided on the RPSIA placements amounting to RM882 million (31 December 2016: RM950 million).
- (ii) deposits and placements with OCBC Al-Amin of RM303 million (31 December 2016: RM388 million), which are unsecured and profit bearing.

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
Licensed banks	-	1,447,920	1,485,815	2,015,307
Allowance for RPSIA				
- Individual impairment	-	-	(10,879)	-
- Collective impairment	-	-	(19,814)	-
	-	1,447,920	1,455,122	2,015,307

a) Included in the Bank's deposits and placements with licensed banks are:

- (i) gross exposures to RPSIA as part of an arrangement with OCBC Al-Amin amounting to RM1,365 million (31 December 2016: RM417 million), against which impairment allowance of RM31 million (31 December 2016: Nil) has been provided.
- (ii) deposits and placements with OCBC Al-Amin of RM121 million (31 December 2016: RM150 million), which are unsecured and profit bearing.

b) Movements in impairment allowance on RPSIA

	Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
Individual impairment allowance		
At 1 January	-	-
Made during the period/year	10,879	-
At 30 September/31 December	10,879	-
Collective impairment allowance		
At 1 January	-	-
Made during the period/year	31,955	-
At 30 September/31 December	31,955	-

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**11 FINANCIAL ASSETS HELD-FOR-TRADING**

	Group and Bank	
	30 September 2017	31 December 2016
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	250,147	318,634
Malaysian Government Securities	111,134	40,013
Malaysian Government Treasury Bills	150,685	153,437
Corporate Bonds and Sukuk	1,043,559	1,016,277
	<u>1,555,525</u>	<u>1,528,361</u>

12 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues	5,296,824	3,359,455	3,328,066	1,630,506
Malaysian Government Securities	2,472,931	2,894,073	2,472,931	2,894,073
Malaysian Treasury Bills and Islamic Treasury Bills	246,774	274,404	197,275	224,533
Malaysian Government Debt Securities and Sukuk	174,911	156,533	77,471	63,755
Foreign Government Debt Securities	517,779	299,295	292,778	65,575
Negotiable Instruments of Deposit and Islamic Negotiable Instruments of Deposit	1,594,447	698,689	911,619	69,022
Corporate and Islamic Corporate Bonds, Sukuk and Sanadat Mudharabah Cagamas	4,218,590	3,462,036	3,490,651	3,021,044
Quoted shares in Malaysia	-	296	-	296
Debentures	190	190	190	190
	<u>14,522,446</u>	<u>11,144,971</u>	<u>10,770,981</u>	<u>7,968,994</u>
At cost				
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
	<u>14,630,992</u>	<u>11,253,517</u>	<u>10,879,527</u>	<u>8,077,540</u>
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	<u>14,630,980</u>	<u>11,253,505</u>	<u>10,879,515</u>	<u>8,077,528</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**13 LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	2,925,682	2,970,107	2,925,682	2,970,107
Term loans/financing:				
- Housing loans/financing	27,416,561	27,947,751	25,399,883	25,912,204
- Syndicated term loans/financing	2,836,965	3,016,198	2,481,188	2,598,221
- Hire purchase receivables	454,723	625,141	10	10
- Other term loans/financing	23,090,725	23,830,021	19,257,287	19,675,264
Credit cards	524,353	549,295	524,353	549,295
Bills receivable	602,490	231,171	560,113	208,925
Trust receipts	27,875	31,387	27,791	31,208
Claims on customers under acceptance credits	3,228,083	2,806,992	2,761,864	2,406,286
Revolving credit	6,428,132	5,010,338	3,690,911	2,972,243
Staff loans/financing	64,411	71,747	64,411	71,747
Other loans/financing	1,470,268	1,430,792	1,365,662	1,236,674
Gross loans, advances and financing	<u>69,070,268</u>	<u>68,520,940</u>	<u>59,059,155</u>	<u>58,632,184</u>
Allowance for loans, advances and financing				
- Individual impairment	(365,868)	(352,074)	(287,112)	(272,031)
- Collective impairment	(708,788)	(747,243)	(528,309)	(560,264)
Net loans, advances and financing	<u>67,995,612</u>	<u>67,421,623</u>	<u>58,243,734</u>	<u>57,799,889</u>
a) By type of customer				
Domestic banking institutions	23,373	19,935	23,373	19,935
Domestic non-bank financial institutions	1,382,256	1,024,234	1,305,718	974,367
Domestic business enterprises				
- Small and medium enterprises	13,116,233	13,372,591	11,005,769	10,928,382
- Others	19,652,761	19,345,643	15,758,053	15,242,722
Individuals	31,037,769	32,227,873	28,462,482	29,463,311
Foreign entities	3,857,876	2,530,664	2,503,760	2,003,467
	<u>69,070,268</u>	<u>68,520,940</u>	<u>59,059,155</u>	<u>58,632,184</u>
b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	98,230	111,939	73,790	88,819
- Hire purchase receivables	278,710	375,320	10	10
- Other fixed rate loans/financing	7,063,978	6,934,981	5,069,952	4,473,020
Variable rate				
- Base rate/base lending rate/base financing rate plus	41,212,110	42,982,201	37,926,142	39,575,066
- Cost plus	16,947,363	14,986,653	12,813,361	11,626,854
- Other variable rates	3,469,877	3,129,846	3,175,900	2,868,415
	<u>69,070,268</u>	<u>68,520,940</u>	<u>59,059,155</u>	<u>58,632,184</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**13 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	30 September	31 December	30 September	31 December
	2017	2016	2017	2016
	RM'000	RM'000	RM'000	RM'000
c) By sector				
Agriculture, hunting, forestry and fishing	2,786,272	2,951,479	1,609,154	1,801,409
Mining and quarrying	633,544	466,247	353,065	164,609
Manufacturing	7,986,424	8,052,298	6,457,763	6,291,990
Electricity, gas and water	311,617	326,346	255,690	265,128
Construction	2,035,770	2,006,565	1,611,172	1,558,302
Real estate	6,851,816	7,169,048	6,306,572	6,582,631
Wholesale & retail trade and restaurants & hotels	6,975,104	7,392,696	5,961,840	6,192,222
Transport, storage and communication	2,291,058	1,470,462	2,094,858	1,229,616
Finance, insurance and business services	2,551,068	1,996,285	2,254,300	1,672,889
Community, social and personal services	2,016,650	1,493,162	1,457,531	970,036
Household				
- Purchase of residential properties	28,542,562	29,073,277	26,485,038	27,002,709
- Purchase of non-residential properties	1,152,587	1,240,879	1,109,589	1,195,878
- Others	3,077,241	3,356,246	2,482,868	2,598,666
Others	1,858,555	1,525,950	619,715	1,106,099
	69,070,268	68,520,940	59,059,155	58,632,184
d) By geographical distribution				
Malaysia	65,807,790	66,241,758	56,628,385	56,618,931
Singapore	1,597,113	824,722	1,009,145	769,941
Other ASEAN	423,751	440,078	369,486	437,252
Rest of the world	1,241,614	1,014,382	1,052,139	806,060
	69,070,268	68,520,940	59,059,155	58,632,184
The analysis by geography is determined based on where the credit risk resides.				
e) By residual contractual maturity				
Within one year	17,678,774	14,951,475	13,802,849	11,907,168
One year to less than three years	2,632,146	3,192,506	1,779,305	1,896,950
Three years to less than five years	6,804,672	5,590,777	5,795,072	4,857,214
Over five years	41,954,676	44,786,182	37,681,929	39,970,852
	69,070,268	68,520,940	59,059,155	58,632,184

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)

14 IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,485,728	1,434,370	1,188,176	1,148,946
Impaired during the period/year	904,700	1,213,897	560,668	891,489
Reclassified as unimpaired	(392,164)	(391,656)	(325,470)	(331,217)
Amount recovered	(274,509)	(456,119)	(177,568)	(292,849)
Amount written off	(95,485)	(316,844)	(39,818)	(226,494)
Effect of foreign exchange difference	(10,819)	2,080	(5,534)	(1,699)
At 30 September	1,617,451	1,485,728	1,200,454	1,188,176
Individual impairment allowance	(365,868)	(352,074)	(287,112)	(272,031)
Collective impairment allowance	(13,268)	(12,941)	(8,210)	(8,795)
Net impaired loans, advances and financing	1,238,315	1,120,713	905,132	907,350

a) By sector

Agriculture, hunting, forestry and fishing	6,738	7,238	6,305	6,709
Mining and quarrying	112,978	98,384	112,978	98,204
Manufacturing	340,639	336,139	310,611	297,745
Construction	15,928	32,071	13,196	29,094
Real estate	20,568	33,689	15,226	25,445
Wholesale & retail trade and restaurants & hotels	192,783	198,105	144,791	159,467
Transport, storage and communication	29,399	31,752	24,486	24,656
Finance, insurance and business services	22,010	12,787	7,258	6,435
Community, social and personal services	7,116	11,453	6,115	8,669
Household				
- Purchase of residential properties	530,604	488,707	463,553	433,333
- Purchase of non-residential properties	28,504	29,863	28,246	29,611
- Others	101,848	112,794	67,137	68,259
Others	208,336	92,746	552	549
	1,617,451	1,485,728	1,200,454	1,188,176

b) By geographical distribution

Malaysia	1,599,813	1,472,156	1,182,816	1,174,604
Singapore	12,336	8,222	12,336	8,222
Rest of the world	5,302	5,350	5,302	5,350
	1,617,451	1,485,728	1,200,454	1,188,176

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**14 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
At 1 January	352,074	408,850	272,031	326,417
Made during the period/year	242,609	409,503	135,321	255,038
Amount written back	(129,227)	(141,675)	(76,958)	(76,062)
Amount written off	(95,485)	(316,844)	(39,818)	(226,494)
Discount unwind and financing income earned on impaired financing	(4,103)	(6,223)	(3,464)	(5,331)
Effect of foreign exchange difference	-	(1,537)	-	(1,537)
At 30 September/31 December	<u>365,868</u>	<u>352,074</u>	<u>287,112</u>	<u>272,031</u>
Collective impairment allowance				
At 1 January	747,243	750,743	560,264	560,264
Written back during the period/year	(38,455)	(3,500)	(31,955)	-
At 30 September/31 December	<u>708,788</u>	<u>747,243</u>	<u>528,309</u>	<u>560,264</u>

15 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Financial derivatives are instruments which values change in response to the change in one or more "underlying" such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet the specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The tables below analyse the principal amounts and the positive (assets) and negative (liabilities) fair values of the Group's and the Bank's financial derivatives. The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting date for both trading and hedging instruments. They do not necessarily indicate the amount of future cash flows or the fair value of the derivatives and therefore, do not represent total amount of risk. The positive (assets) and negative (liabilities) fair values represent the favourable and unfavourable fair value respectively of hedging and trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

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15 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

<u>Group</u>	30 September 2017			31 December 2016		
	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	4,141,968	20,891	51,467	4,678,567	156,938	51,988
- Swaps	16,217,889	1,070,016	956,792	20,154,764	1,641,525	1,556,905
- Options	714,992	2,229	1,095	908,827	27,221	6,169
Interest rate derivatives						
- Swaps	42,582,432	138,640	185,407	42,931,058	154,410	182,040
- Options	180,000	560	1,411	230,000	947	2,079
- Futures	2,274,087	-	600	251,166	-	368
Equity and other derivatives						
- Swaps	135,600	7,144	7,144	178,580	2,857	2,857
- Exchange traded futures	53	-	-	-	-	-
- Options	3,780	-	-	-	-	-
- Commodity futures	71,032	716	1,157	103,151	1,007	1,007
- Credit linked notes	532,990	10,715	10,715	990,100	10,215	10,215
	<u>66,854,823</u>	<u>1,250,911</u>	<u>1,215,788</u>	<u>70,426,213</u>	<u>1,995,120</u>	<u>1,813,628</u>
Hedging						
Interest rate derivatives						
- Swaps	583,517	3	6,594	963,806	396	6,786
	<u>67,438,340</u>	<u>1,250,914</u>	<u>1,222,382</u>	<u>71,390,019</u>	<u>1,995,516</u>	<u>1,820,414</u>
Bank						
Trading						
Foreign exchange derivatives						
- Forwards	4,128,463	20,623	51,355	4,698,927	156,903	51,618
- Swaps	16,219,146	1,070,016	956,802	20,154,764	1,641,525	1,556,905
- Options	714,992	2,229	1,095	908,827	27,221	6,169
Interest rate derivatives						
- Swaps	42,582,432	138,640	185,407	42,931,058	154,410	182,040
- Options	180,000	560	1,411	230,000	947	2,079
- Futures	2,274,087	-	600	251,166	-	368
Equity and other derivatives						
- Swaps	135,600	7,144	7,144	178,580	2,857	2,857
- Exchange traded futures	53	-	-	-	-	-
- Options	3,780	-	-	-	-	-
- Commodity futures	71,032	716	1,157	103,151	1,007	1,007
- Credit linked notes	532,990	10,715	10,715	990,100	10,215	10,215
	<u>66,842,575</u>	<u>1,250,643</u>	<u>1,215,686</u>	<u>70,446,573</u>	<u>1,995,085</u>	<u>1,813,258</u>
Hedging						
Interest rate derivatives						
- Swaps	583,517	3	6,594	963,806	396	6,786
	<u>67,426,092</u>	<u>1,250,646</u>	<u>1,222,280</u>	<u>71,410,379</u>	<u>1,995,481</u>	<u>1,820,044</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**16 OTHER ASSETS**

	Note	Group		Bank	
		30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
Amount due from subsidiary	(a)	-	-	9,357	7,936
Interest/Profit receivable		133,241	114,735	116,216	94,125
Unquoted Islamic subordinated bonds of subsidiary					
- Redeemable subordinated bond		-	-	200,000	200,000
Other receivables, deposits and prepayments		216,481	168,471	205,391	165,013
Impairment allowance on other receivables	(b)	(2,467)	(2,609)	(2,467)	(2,609)
		<u>347,255</u>	<u>280,597</u>	<u>528,497</u>	<u>464,465</u>

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

(b) Impairment allowance on other receivables

	Group and Bank	
	30 September 2017 RM'000	31 December 2016 RM'000
At 1 January	2,609	2,862
Made during the period/year	38	2,609
Amount written back	-	(2,321)
Amount written off	(38)	(541)
Currency translation adjustment	(142)	-
At 30 September/31 December	<u>2,467</u>	<u>2,609</u>

17 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30 September 2017 RM'000	31 December 2016 RM'000 Restated	30 September 2017 RM'000	31 December 2016 RM'000 Restated
a) By type of deposit				
Demand deposits	14,371,015	16,132,182	11,130,000	12,585,544
Fixed/General investment deposits	45,398,852	44,674,058	38,969,198	37,799,241
Saving deposits	7,747,017	7,761,006	7,287,255	7,325,787
Negotiable instruments of deposit	2,322,228	-	2,322,518	-
Short-term money market deposits	2,597,011	2,367,567	2,326,984	1,989,975
	<u>72,436,123</u>	<u>70,934,813</u>	<u>62,035,955</u>	<u>59,700,547</u>
b) By type of customer				
Government and statutory bodies	1,318,724	1,433,303	68,260	24,901
Non-bank financial institutions	3,172,428	4,356,308	2,529,716	3,414,586
Business enterprises	29,425,685	28,223,974	23,984,606	22,575,588
Individuals	32,992,601	32,794,918	30,093,618	29,696,046
Foreign entities	4,722,163	3,305,490	4,622,590	3,223,713
Others	804,522	820,820	737,165	765,713
	<u>72,436,123</u>	<u>70,934,813</u>	<u>62,035,955</u>	<u>59,700,547</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**17 DEPOSITS FROM CUSTOMERS (continued)**

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
c) By maturity structure for fixed/term/general investment deposits and short-term money market deposits				
Within six months	37,077,395	34,700,437	31,881,741	29,539,773
Six months to one year	11,938,904	11,572,471	10,563,548	9,553,938
One year to three years	1,293,404	747,601	1,165,033	674,688
Three years to five years	8,388	21,116	8,378	20,817
	50,318,091	47,041,625	43,618,700	39,789,216

The comparative figures have been restated to conform with current year presentation which excludes structured investments pursuant to BNM's circular issued on 21 June 2017 on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 and Islamic Financial Services Act 2013.

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Licensed banks	6,729,102	9,364,978	6,374,379	8,882,596
Bank Negara Malaysia	-	5,000	-	5,000
Other financial institutions	124,500	92,134	90,261	89,589
	6,853,602	9,462,112	6,464,640	8,977,185

19 SUBORDINATED BONDS

	Group and Bank	
	30 September 2017	31 December 2016
	RM'000	RM'000
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
RM600 million Redeemable Subordinated Bonds 2012/2022	-	599,428
USD110 million Additional Tier 1 Capital Securities	464,503	493,361
USD130 million Redeemable Subordinated Bonds 2015/2025	548,959	583,063
RM390 million Redeemable Subordinated Bonds 2017/2027	390,000	-
RM110 million Redeemable Subordinated Bonds 2017/2027	110,000	-
	1,913,462	2,075,852

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**20 OTHER LIABILITIES**

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Amount due to subsidiary	-	-	22,208	44,145
Equity compensation benefits	10,943	13,761	10,318	13,054
Interest/Profit payable	593,021	571,432	520,644	477,734
Structured investments	1,703,796	1,287,911	1,703,796	1,287,911
Other payables and accruals	388,315	363,645	300,259	288,293
	2,696,075	2,236,749	2,557,225	2,111,137

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

The comparative figures have been restated to conform with current year presentation which includes structured investments pursuant to BNM's circular issued on 21 June 2017 on Classification and Regulatory Treatment for Structured Products under the Financial Services Act 2013 and Islamic Financial Services Act 2013. Structured products were previously reported as part of deposits from customers.

21 NET INTEREST INCOME

Group	Quarter ended		Year to date ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	702,299	700,147	2,077,229	2,153,307
- Recoveries from impaired loans, advances and financing	15,176	15,525	44,202	47,735
- Discount unwind from impaired loans, advances and financing	825	1,447	3,464	3,821
Money at call and deposit placements with banks and other financial institutions	47,141	43,145	133,557	102,549
Financial assets held-for-trading	15,150	10,456	49,057	35,948
Financial investments available-for-sale	90,333	70,173	241,748	255,005
Others	21,531	12,486	69,433	37,609
	892,455	853,379	2,618,690	2,635,974
Interest expense				
Deposits from customers	(434,737)	(449,967)	(1,258,266)	(1,361,027)
Deposits and placements of banks and other financial institutions	(17,232)	(10,198)	(52,740)	(33,116)
Recourse obligation on loans sold to Cagamas Berhad	(13,637)	(13,255)	(39,919)	(38,984)
Subordinated bonds	(23,105)	(26,142)	(70,622)	(77,831)
Others	(48,904)	(39,621)	(151,369)	(145,193)
	(537,615)	(539,183)	(1,572,916)	(1,656,151)
Net interest income	354,840	314,196	1,045,774	979,823

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**21 NET INTEREST INCOME (continued)**

	Quarter ended		Year to date ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Bank	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	702,299	700,147	2,077,229	2,153,307
- Recoveries from impaired loans, advances and financing	15,176	15,525	44,202	47,735
- Discount unwind from impaired loans, advances and financing	825	1,447	3,464	3,821
Money at call and deposit placements with banks and other financial institutions	63,834	52,389	184,172	136,888
Financial assets held-for-trading	15,150	10,456	49,057	35,948
Financial investments available-for-sale	91,285	70,899	244,170	257,146
Unquoted Islamic subordinated bond of subsidiary	2,420	2,748	7,180	8,153
Others	21,531	12,486	69,433	37,609
	<u>912,520</u>	<u>866,097</u>	<u>2,678,907</u>	<u>2,680,607</u>
Interest expense				
Deposits from customers	(434,737)	(449,967)	(1,258,266)	(1,361,027)
Deposits and placements of banks and other financial institutions	(32,132)	(17,672)	(97,598)	(56,421)
Recourse obligation on loans sold to Cagamas Berhad	(13,637)	(13,255)	(39,919)	(38,984)
Subordinated bonds	(23,105)	(26,142)	(70,622)	(77,831)
Others	(48,904)	(39,621)	(151,369)	(145,193)
	<u>(552,515)</u>	<u>(546,657)</u>	<u>(1,617,774)</u>	<u>(1,679,456)</u>
Net interest income	<u>360,005</u>	<u>319,440</u>	<u>1,061,133</u>	<u>1,001,151</u>

22 INCOME FROM ISLAMIC BANKING OPERATIONS

	Quarter ended		Year to date ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Group	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	147,432	180,447	458,242	545,310
Income derived from investment of specific investment account funds	21,286	10,680	64,075	33,253
Income derived from investment of shareholder's funds	30,442	28,036	91,799	75,196
Income attributable to depositors	(75,797)	(96,175)	(235,460)	(269,449)
Income attributable to investment account holder	(14,904)	(7,474)	(44,862)	(23,305)
	<u>108,459</u>	<u>115,514</u>	<u>333,794</u>	<u>361,005</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**23 NET FEE AND COMMISSION INCOME**

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Commission	44,190	33,697	130,971	86,717
Service charges and fees	23,123	21,770	90,949	73,449
Guarantee fees	10,476	8,515	27,566	25,314
Other fee income	2,117	2,665	6,401	8,326
	<u>79,906</u>	<u>66,647</u>	<u>255,887</u>	<u>193,806</u>
Bank				
Commission	43,880	33,045	130,410	86,065
Service charges and fees	23,123	21,770	90,949	73,449
Guarantee fees	10,476	8,515	27,566	25,314
Other fee income	2,117	2,665	6,401	8,326
	<u>79,596</u>	<u>65,995</u>	<u>255,326</u>	<u>193,154</u>

24 NET TRADING INCOME

<u>Group and Bank</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Foreign exchange gain/(loss)	93,647	(69,943)	364,576	220,414
Realised gain on financial assets held-for-trading	6,318	7,437	22,665	21,736
Realised (loss)/gain on trading derivatives	(59,251)	83,720	(56,472)	(50,545)
Unrealised gain/(loss) on financial assets held-for-trading	292	1,557	977	(3,609)
Unrealised gain/(loss) on trading derivatives	87	23,146	(189,874)	(35,016)
	<u>41,093</u>	<u>45,917</u>	<u>141,872</u>	<u>152,980</u>

25 OTHER OPERATING INCOME

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gain/(loss) on disposal:				
- Financial investments available-for-sale	1,106	2,976	4,577	36,443
- Investment properties	-	-	-	478
- Property and equipment	(2)	1	(261)	41
Gross dividends from financial investments available-for-sale unquoted in Malaysia	-	-	752	450
Gross dividends from financial assets held-for-trading quoted in Malaysia	-	-	-	999
Rental of premises	1,089	1,101	3,305	3,245
Rental of safe deposit boxes	1,383	1,367	4,718	4,641
Shared services income received from related company	3,230	2,708	8,871	8,724
Unrealised gain/(loss) on hedging derivatives	62	311	(226)	906
Others	137	85	355	327
	<u>7,005</u>	<u>8,549</u>	<u>22,091</u>	<u>56,254</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**25 OTHER OPERATING INCOME (continued)**

	Quarter ended		Year to date ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Bank	RM'000	RM'000	RM'000	RM'000
Gain/(loss) on disposal:				
- Financial investments available-for-sale	1,106	2,976	4,577	36,443
- Investment properties	-	-	-	478
- Property and equipment	(2)	1	(261)	41
Gross dividends from financial investments available-for-sale in Malaysia	-	-	752	450
Gross dividends from financial assets held-for-trading in Malaysia	-	-	-	999
Rental of premises	1,103	1,114	3,341	3,297
Rental of safe deposit boxes	1,383	1,367	4,718	4,641
Shared services income received from subsidiary	24,570	27,370	72,797	84,232
Shared services income received from related company	3,034	2,537	8,342	8,169
Unrealised gain/(loss) on hedging derivatives	62	311	(226)	906
Others	137	85	355	327
	31,393	35,761	94,395	139,983

26 OPERATING EXPENSES

	Quarter ended		Year to date ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Group	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Wages, salaries and bonus	105,256	101,777	305,143	306,815
Employees Provident Fund contributions	15,922	15,365	46,796	46,875
Share-based expenses	1,610	1,693	4,122	4,528
Others	11,851	9,369	31,795	30,450
	134,639	128,204	387,856	388,668
Establishment expenses				
Depreciation of property and equipment	8,138	9,855	25,390	30,063
Rental of premises	4,737	4,587	14,153	14,095
Repair and maintenance	2,482	2,995	7,798	9,485
Information technology costs	4,569	2,122	11,331	6,635
Hire of equipment	233	392	932	772
Amortisation of prepaid lease payments	9	9	27	27
Others	3,844	4,512	12,910	13,740
	24,012	24,472	72,541	74,817
Marketing expenses				
Advertisement and business promotion	4,662	5,479	13,384	16,810
Transport and travelling	1,012	767	2,789	3,141
Others	891	1,060	2,005	3,072
	6,565	7,306	18,178	23,023

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**26 OPERATING EXPENSES (continued)**

Group	Quarter ended		Year to date ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
General administrative expenses				
Transaction processing fees	78,715	76,017	240,442	233,450
Others	36,244	31,217	101,209	84,409
	<u>114,959</u>	<u>107,234</u>	<u>341,651</u>	<u>317,859</u>
Total other operating expenses	280,175	267,216	820,226	804,367
Bank				
Personnel expenses				
Wages, salaries and bonus	99,114	94,964	287,408	286,711
Employees Provident Fund contributions	15,040	14,357	44,057	43,754
Share-based expenses	1,519	1,596	3,926	4,343
Others	11,069	8,626	29,601	28,220
	<u>126,742</u>	<u>119,543</u>	<u>364,992</u>	<u>363,028</u>
Establishment expenses				
Depreciation of property and equipment	7,035	8,495	21,971	26,046
Rental of premises	3,969	4,002	11,975	12,028
Repair and maintenance	2,340	2,842	7,279	8,968
Information technology costs	4,508	1,988	11,144	6,161
Hire of equipment	208	317	811	655
Amortisation of prepaid lease payments	9	9	27	27
Others	3,343	3,949	11,223	11,757
	<u>21,412</u>	<u>21,602</u>	<u>64,430</u>	<u>65,642</u>
Marketing expenses				
Advertisement and business promotion	4,521	5,307	13,042	16,177
Transport and travelling	922	676	2,513	2,737
Others	872	970	1,959	2,933
	<u>6,315</u>	<u>6,953</u>	<u>17,514</u>	<u>21,847</u>
General administrative expenses				
Transaction processing fees	72,422	70,114	221,437	214,796
Others	32,231	26,221	88,624	70,305
	<u>104,653</u>	<u>96,335</u>	<u>310,061</u>	<u>285,101</u>
Total other operating expenses	259,122	244,433	756,997	735,618

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**27 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING**

Group	Quarter ended		Year to date ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
- Made during the period	73,820	80,947	242,608	236,325
- Written back	(49,579)	(31,007)	(129,227)	(98,024)
Collective impairment allowance				
- Written back during the period	(31,955)	(1,800)	(38,455)	(3,500)
Impaired loans, advances and financing				
- Recovered during the period	(16,312)	(25,286)	(42,507)	(43,685)
	<u>(24,026)</u>	<u>22,854</u>	<u>32,419</u>	<u>91,116</u>
Bank				
Individual impairment allowance				
- Made during the period	45,747	40,853	135,320	119,932
- Written back	(30,513)	(17,798)	(76,958)	(53,835)
Collective impairment allowance				
- Written back	-	-	(31,955)	-
Impaired loans, advances and financing				
- Recovered during the period	(8,948)	(20,076)	(21,251)	(29,934)
	<u>6,286</u>	<u>2,979</u>	<u>5,156</u>	<u>36,163</u>

28 IMPAIRMENT ALLOWANCE ON RPSIA

Bank	Quarter ended		Year to date ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
- Made during the period	-	-	10,879	-
Collective impairment allowance				
- Made during the period	-	-	31,955	-
	<u>-</u>	<u>-</u>	<u>42,834</u>	<u>-</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**29 INCOME TAX EXPENSE**

Group	Quarter ended		Year to date ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current period	93,959	71,554	240,751	202,758
- Prior years	9,873	7,125	9,867	7,125
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(14,265)	(7,314)	(10,950)	4,926
- Prior years overprovision of deferred tax	-	(4,758)	-	(4,758)
	89,567	66,607	239,668	210,051
Bank				
Malaysian income tax				
- Current period	72,253	62,744	194,273	174,586
- Prior years	7,282	6,617	7,282	6,617
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(13,148)	(6,990)	(10,195)	5,228
- Prior years overprovision of deferred tax	-	(4,269)	-	(4,269)
	66,387	58,102	191,360	182,162

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. Apart from the provision for commitments and contingencies already made in the condensed interim financial statements, no material losses are 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 in BNM's Capital Adequacy Framework (Basel II) - Internal Ratings Approach.

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)

30 COMMITMENTS AND CONTINGENCIES (continued)

<u>Group</u>	<u>Principal amount</u> RM'000	<u>Positive fair value of derivative contracts</u> RM'000	<u>Negative fair value of derivative contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
30 September 2017					
Direct credit substitutes	609,334			609,334	455,023
Transaction-related contingent items	3,084,565			1,570,827	963,417
Short-term self-liquidating trade-related contingencies	295,890			63,954	35,676
Forward asset purchases	154,088			154,088	7,393
Foreign exchange related contracts					
- Less than one year	12,788,015	413,142	251,359	612,782	113,515
- One year to less than five years	5,394,634	338,136	513,245	835,416	220,022
- Five years and above	2,892,200	341,858	244,750	669,222	578,133
Interest rate related contracts					
- Less than one year	9,023,376	4,358	13,491	30,150	3,451
- One year to less than five years	25,134,178	59,712	83,429	652,353	162,841
- Five years and above	11,462,482	75,133	97,092	300,263	186,719
Equity and commodity related contracts	210,465	7,860	8,301	17,561	6,574
Credit derivative contracts	532,990	10,715	10,715	23,008	6,381
Formal standby facilities and credit lines					
- Maturity exceeding one year	4,028,329			3,599,224	1,288,087
Other unconditionally cancellable commitments	20,792,667			2,044,885	316,512
Total	96,403,213	1,250,914	1,222,382	11,183,067	4,343,744
31 December 2016					
Direct credit substitutes	536,337			536,337	384,295
Transaction-related contingent items	3,028,739			1,544,199	925,445
Short-term self-liquidating trade-related contingencies	348,532			75,793	46,309
Foreign exchange related contracts					
- Less than one year	16,678,507	937,006	335,589	1,203,769	243,598
- One year to less than five years	5,650,775	437,885	802,961	1,039,912	295,025
- Five years and above	3,412,876	450,793	476,512	920,662	681,144
Interest rate related contracts					
- Less than one year	11,511,700	12,117	8,210	33,214	4,894
- One year to less than five years	23,638,845	56,406	85,600	675,480	175,354
- Five years and above	9,225,485	87,230	97,463	326,847	202,746
Equity and commodity related contracts	281,731	3,864	3,864	18,179	4,996
Credit derivative contracts	990,100	10,215	10,215	35,395	7,498
Formal standby facilities and credit lines					
- Maturity exceeding one year	5,301,396			4,724,610	1,374,061
Other unconditionally cancellable commitments	18,791,967			2,036,334	342,547
Total	99,396,990	1,995,516	1,820,414	13,170,731	4,687,912

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30 COMMITMENTS AND CONTINGENCIES (continued)

<u>Bank</u>	<u>Principal amount</u> RM'000	<u>Positive fair value of derivative contracts</u> RM'000	<u>Negative fair value of derivative contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
30 September 2017					
Direct credit substitutes	520,700			520,700	396,908
Transaction-related contingent items	2,737,075			1,394,988	848,895
Short-term self-liquidating trade-related contingencies	241,146			53,005	27,513
Forward asset purchases	37,954			37,954	7,393
Foreign exchange related contracts					
- Less than one year	12,775,767	412,874	251,257	611,995	113,041
- One year to less than five years	5,394,634	338,136	513,245	835,416	220,022
- Five years and above	2,892,200	341,858	244,750	669,222	578,133
Interest rate related contracts					
- Less than one year	9,023,376	4,358	13,491	30,150	3,451
- One year to less than five years	25,134,178	59,712	83,429	652,353	162,841
- Five years and above	11,462,482	75,133	97,092	300,263	186,719
Equity and commodity related contracts	210,465	7,860	8,301	17,561	6,574
Credit derivative contracts	532,990	10,715	10,715	23,008	6,381
Formal standby facilities and credit lines					
- Maturity exceeding one year	3,666,346			3,308,004	1,075,618
Other unconditionally cancellable commitments	18,316,237			1,989,323	307,570
Total	92,945,550	1,250,646	1,222,280	10,443,942	3,941,059
31 December 2016					
Direct credit substitutes	451,454			451,454	330,032
Transaction-related contingent items	2,706,792			1,379,843	799,869
Short-term self-liquidating trade-related contingencies	325,751			71,237	43,433
Foreign exchange related contracts					
- Less than one year	16,698,867	936,971	335,219	1,203,407	243,369
- One year to less than five years	5,650,775	437,885	802,961	1,039,912	295,025
- Five years and above	3,412,876	450,793	476,512	920,662	681,144
Interest rate related contracts					
- Less than one year	11,511,700	12,117	8,210	33,214	4,894
- One year to less than five years	23,638,845	56,406	85,600	675,480	175,354
- Five years and above	9,225,485	87,230	97,463	326,847	202,746
Equity and commodity related contracts	281,731	3,864	3,864	18,179	4,996
Credit derivative contracts	990,100	10,215	10,215	35,395	7,498
Formal standby facilities and credit lines					
- Maturity exceeding one year	5,038,252			4,493,069	1,316,710
Other unconditionally cancellable commitments	16,745,502			1,992,705	335,017
Total	96,678,130	1,995,481	1,820,044	12,641,404	4,440,087

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**31 CAPITAL COMMITMENTS**

	Group		Bank	
	30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
Capital expenditure commitments in respect of property and equipment				
- Authorised but not contracted for	23,802	12,752	17,498	12,752
- Contracted but not provided for	3,265	1,948	3,226	1,857
	<u>27,067</u>	<u>14,700</u>	<u>20,724</u>	<u>14,609</u>

32 FAIR VALUE 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 Other assets	Private debt equity investments Corporate bonds/sukuk with illiquid markets Loans, advances and financing
Type of financial liabilities		OTC derivatives Deposits from customer Deposits and placement of banks and other financial institutions Other liabilities Subordinated bonds/sukuk	

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)

32 FAIR VALUE 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>
	RM'000	RM'000	RM'000	RM'000
30 September 2017				
Financial assets at fair value				
Held-for-trading	361,281	1,194,244	-	1,555,525
Available-for-sale	8,043,107	6,479,327	-	14,522,434
Derivative assets	1,185	1,238,454	11,275	1,250,914
	<u>8,405,573</u>	<u>8,912,025</u>	<u>11,275</u>	<u>17,328,873</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,317</u>	<u>1,207,938</u>	<u>12,127</u>	<u>1,222,382</u>
31 December 2016				
Financial assets at fair value				
Held-for-trading	358,647	1,169,714	-	1,528,361
Available-for-sale	6,073,487	5,071,472	-	11,144,959
Derivative assets	830	1,983,524	11,162	1,995,516
	<u>6,432,964</u>	<u>8,224,710</u>	<u>11,162</u>	<u>14,668,836</u>
Financial liabilities at fair value				
Derivative liabilities	<u>524</u>	<u>1,807,596</u>	<u>12,294</u>	<u>1,820,414</u>
Bank				
30 September 2017				
Financial assets at fair value				
Held-for-trading	361,281	1,194,244	-	1,555,525
Available-for-sale	5,800,997	4,969,972	-	10,770,969
Derivative assets	1,208	1,238,163	11,275	1,250,646
	<u>6,163,486</u>	<u>7,402,379</u>	<u>11,275</u>	<u>13,577,140</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,321</u>	<u>1,207,832</u>	<u>12,127</u>	<u>1,222,280</u>
31 December 2016				
Financial assets at fair value				
Held-for-trading	358,647	1,169,714	-	1,528,361
Available-for-sale	4,524,876	3,444,106	-	7,968,982
Derivative assets	819	1,983,500	11,162	1,995,481
	<u>4,884,342</u>	<u>6,597,320</u>	<u>11,162</u>	<u>11,492,824</u>
Financial liabilities at fair value				
Derivative liabilities	<u>543</u>	<u>1,807,207</u>	<u>12,294</u>	<u>1,820,044</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**32 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy 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	
	30 September 2017	31 December 2016
	RM'000	RM'000
Financial assets at fair value		
At 1 January	11,162	13,996
Purchased	-	670
Settled/disposed	(300)	(31)
Recognised in profit or loss		
- Realised loss	-	(2,812)
- Unrealised gain/(loss)	413	(661)
At 30 September/31 December	<u>11,275</u>	<u>11,162</u>
Financial liabilities at fair value		
At 1 January	12,294	18,880
Settled/disposed	-	(4,760)
Recognised in profit or loss		
- Realised loss	-	(1,667)
- Unrealised loss	(167)	(159)
At 30 September/31 December	<u>12,127</u>	<u>12,294</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	30 September 2017	31 December 2016	Classification	Valuation technique	Unobservable input
	Fair value RM'000	Fair value RM'000			
Assets					
Derivative assets	11,275	11,162	Hedge for trading	Option pricing model	Standard deviation
Liabilities					
Derivative liabilities	12,127	12,294	Hedge for trading	Option pricing model	Standard deviation

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

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.

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33 SEGMENT INFORMATION (continued)

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, current 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.

<u>Group</u>	Business Banking RM'000	Consumer Financial Services RM'000	Global Treasury RM'000	Others RM'000	Total RM'000
30 September 2017					
Net interest/finance income	772,523	356,182	150,763	56,838	1,336,306
Non-interest/finance income	103,252	141,006	164,283	54,571	463,112
Operating income	875,775	497,188	315,046	111,409	1,799,418
Operating expenses	(316,926)	(392,088)	(77,642)	(33,570)	(820,226)
Operating profit before impairment allowance and provision	558,849	105,100	237,404	77,839	979,192
Impairment allowances and provision for commitments and contingencies	9,371	(9,883)	(7)	(31,938)	(32,457)
Profit before income tax and zakat	568,220	95,217	237,397	45,901	946,735
Income tax expense and zakat	(136,400)	(22,852)	(56,975)	(23,479)	(239,706)
Profit for the period	431,820	72,365	180,422	22,422	707,029
Gross loans, advances and financing	38,130,898	30,874,473	-	64,897	69,070,268
Gross impaired loans, advances and financing	999,952	617,252	-	247	1,617,451
Deposits from customers	35,458,287	34,535,018	2,442,818	-	72,436,123

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (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
30 September 2016					
Net interest/finance income	782,106	371,757	146,932	12,717	1,313,512
Non-interest/finance income	94,791	99,659	201,572	34,334	430,356
Operating income	876,897	471,416	348,504	47,051	1,743,868
Operating expenses	(315,660)	(374,604)	(74,501)	(39,602)	(804,367)
Operating profit before impairment allowance and provision	561,237	96,812	274,003	7,449	939,501
Impairment allowances and provision for commitments and contingencies	(30,236)	(52,363)	1,363	(1,309)	(82,545)
Profit before income tax and zakat	531,001	44,449	275,366	6,140	856,956
Income tax expense and zakat	(127,442)	(10,667)	(66,088)	(5,888)	(210,085)
Profit for the period	403,559	33,782	209,278	252	646,871
31 December 2016					
Gross loans, advances and financing	36,826,699	31,622,494	-	71,747	68,520,940
Gross impaired loans, advances and financing	902,369	582,960	-	399	1,485,728
Deposits from customers	36,723,457	34,143,207	68,149	-	70,934,813

Geographical Segment

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

There have been no changes 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 2016.

34 CAPITAL ADEQUACY

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

	Group		Bank	
	30 September 2017 RM'000	31 December 2016 RM'000	30 September 2017 RM'000	31 December 2016 RM'000
Common Equity Tier 1 ("CET 1") capital				
Paid-up ordinary share capital	754,000	287,500	754,000	287,500
Ordinary share premium	-	462,500	-	462,500
Retained earnings	5,040,733	4,651,850	4,469,468	4,294,510
Other reserves	614,941	1,021,669	495,560	789,558
CET 1 capital	6,409,674	6,423,519	5,719,028	5,834,068
Regulatory adjustment for CET 1 capital	(528,649)	(464,663)	(913,606)	(792,660)
CET 1 capital	5,881,025	5,958,856	4,805,422	5,041,408
Additional Tier 1 capital				
Innovative Tier 1 capital	400,000	400,000	400,000	400,000
Additional Tier 1 capital	464,504	493,361	464,504	493,361
Tier 1 capital	6,745,529	6,852,217	5,669,926	5,934,769

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2017 (continued)**34 CAPITAL ADEQUACY (continued)**

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Tier 2 capital				
Collective impairment allowance under the Standardised Approach*	15,095	17,151	8,570	8,069
Surplus eligible provisions over expected losses	236,157	237,858	205,235	204,217
Subordinated bonds	1,048,959	1,183,063	1,048,959	1,183,063
	<u>1,300,211</u>	<u>1,438,072</u>	<u>1,262,764</u>	<u>1,395,349</u>
Regulatory adjustment for Tier 2 capital	-	-	(311,698)	(423,397)
Tier 2 capital	<u>1,300,211</u>	<u>1,438,072</u>	<u>951,066</u>	<u>971,952</u>
Capital base	<u>8,045,740</u>	<u>8,290,289</u>	<u>6,620,992</u>	<u>6,906,721</u>

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

Before deducting proposed dividend

CET 1 capital ratio	12.753%	12.788%	12.128%	12.775%
Tier 1 capital ratio	14.627%	14.706%	14.310%	15.039%
Total capital ratio	<u>17.447%</u>	<u>17.792%</u>	<u>16.711%</u>	<u>17.502%</u>

After deducting proposed dividend

CET 1 capital ratio	12.753%	11.945%	12.128%	11.779%
Tier 1 capital ratio	14.627%	13.862%	14.310%	14.043%
Total capital ratio	<u>17.447%</u>	<u>16.948%</u>	<u>16.711%</u>	<u>16.506%</u>

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

	Group		Bank	
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	40,567,160	41,015,041	34,891,450	34,681,744
Total RWA for market risk	1,044,177	1,164,134	1,046,582	1,159,646
Total RWA for operational risk	4,504,297	4,416,693	3,683,599	3,621,266
	<u>46,115,634</u>	<u>46,595,868</u>	<u>39,621,631</u>	<u>39,462,656</u>

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:

	30 September 2017	31 December 2016
CET 1 capital ratio	17.665%	15.342%
Tier 1 capital ratio	17.665%	15.342%
Total capital ratio	<u>21.254%</u>	<u>18.425%</u>