

OCBC BANK (MALAYSIA) BERHAD
(Company No. 295400-W)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Domiciled in Malaysia
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019**

CONTENTS	PAGE
STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4 - 5
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	6
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	7 - 8
STATEMENT OF CHANGES IN EQUITY	9 - 10
STATEMENTS OF CASH FLOWS	11 - 12
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	13 - 58

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2019

	Note	Group		Bank	
		30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
ASSETS					
Cash and cash equivalents	9	3,855,188	4,897,506	3,227,490	4,347,492
Deposits and placements with banks and other financial institutions	10	41,598	399,956	573,026	980,299
Investment account placements	11	-	-	2,041,711	1,318,776
Financial assets at fair value through profit or loss (FVTPL)	12	3,313,774	1,873,515	3,297,607	1,863,535
Financial investments at fair value through other comprehensive income (FVOCI)	13	15,394,660	17,802,426	11,685,110	13,586,543
Loans, advances and financing	14	69,605,130	68,581,496	58,017,897	58,265,289
Derivative financial assets	16	756,103	760,761	756,820	762,277
Other assets	17	525,419	418,998	754,415	599,461
Statutory deposits with Bank Negara Malaysia		2,088,562	1,913,172	1,729,962	1,561,972
Investments in subsidiaries		-	-	557,051	557,051
Property and equipment		178,872	164,368	167,377	154,484
Prepaid lease payments		694	712	694	712
Tax recoverable		20,972	9,436	-	-
Deferred tax assets		30,565	60,135	22,736	51,925
Total assets		95,811,537	96,882,481	82,831,896	84,049,816
LIABILITIES					
Deposits from customers	18	77,758,247	75,851,221	65,937,432	64,124,328
Deposits and placements of banks and other financial institutions	19	3,763,893	7,070,077	3,692,388	6,986,949
Bills and acceptances payable		94,851	92,841	81,570	78,292
Recourse obligation on loans sold to Cagamas Berhad		700,000	700,000	700,000	700,000
Derivative financial liabilities	16	817,131	716,168	817,118	716,113
Other liabilities	21	3,279,996	3,045,533	3,185,391	2,953,139
Provision for taxation and zakat		55,582	50,019	55,515	49,969
Subordinated bonds	20	1,492,719	1,893,169	1,492,719	1,893,169
Total liabilities		87,962,419	89,419,028	75,962,133	77,501,959
EQUITY					
Share capital		754,000	754,000	754,000	754,000
Reserves		7,095,118	6,709,453	6,115,763	5,793,857
Total equity		7,849,118	7,463,453	6,869,763	6,547,857
Total liabilities and equity		95,811,537	96,882,481	82,831,896	84,049,816
Commitments and contingencies	30	110,078,702	93,074,549	106,435,696	88,855,432

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Group	Note	Quarter ended		Year to date ended	
		30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Interest income	22	914,468	917,166	1,865,584	1,786,034
Interest expense	22	(539,407)	(541,800)	(1,110,075)	(1,051,517)
Net interest income	22	375,061	375,366	755,509	734,517
Income from Islamic banking operations	23	113,370	115,060	221,687	220,679
Net fee and commission income	24	97,558	91,569	182,080	175,058
Net trading income	25	32,270	38,029	72,818	106,609
Other operating income	26	60,964	7,053	79,583	6,087
Operating income		679,223	627,077	1,311,677	1,242,950
Operating expenses	27	(310,436)	(285,855)	(604,798)	(570,145)
Operating profit before impairment allowance and provision		368,787	341,222	706,879	672,805
Impairment allowance and provisions	28	(49,235)	(64,217)	(163,433)	(71,456)
Profit before income tax and zakat		319,552	277,005	543,446	601,349
Income tax expense	29	(75,342)	(69,597)	(127,939)	(149,876)
Zakat		(17)	-	(17)	-
Profit for the period		244,193	207,408	415,490	451,473
Other comprehensive income/(expense), net of income tax					
Items that will not be reclassified to profit or loss					
Change in fair value reserve (equity instruments)		2,555	223	2,555	2,955
Items that may subsequently be reclassified to profit or loss					
Fair value reserve (debt instruments)					
- Change in fair value		70,453	(31,001)	212,985	(61,311)
- Amount transferred to profit or loss		(60,078)	(306)	(73,269)	6,618
- Related tax		(2,494)	7,512	(33,532)	13,274
Change in expected credit loss (ECL) reserve on debt instruments at FVOCI		(168)	(10,142)	(564)	(10,094)
Other comprehensive income/(expense) for the period, net of tax		10,268	(33,714)	108,175	(48,558)
Total comprehensive income for the period		254,461	173,694	523,665	402,915
Profit attributable to:					
Owner of the Bank		244,193	207,458	415,490	451,515
Non-controlling interest		-	(50)	-	(42)
		244,193	207,408	415,490	451,473

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
 CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (CONTINUED)**

	Quarter ended		Year to date ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Group				
Total comprehensive income attributable to:				
Owner of the Bank	254,461	173,744	523,665	402,957
Non-controlling interest	-	(50)	-	(42)
	<u>254,461</u>	<u>173,694</u>	<u>523,665</u>	<u>402,915</u>
Basic earnings per ordinary share (sen)	<u>84.9</u>	<u>72.1</u>	<u>144.5</u>	<u>157.0</u>

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Note	Quarter ended		Year to date ended	
		30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Bank					
Interest income	22	933,457	934,661	1,905,362	1,819,622
Interest expense	22	(550,144)	(553,246)	(1,131,510)	(1,073,817)
Net interest income	22	383,313	381,415	773,852	745,805
Net fee and commission income	24	97,558	91,519	181,929	174,474
Net trading income	25	32,270	38,028	72,818	106,596
Other operating income	26	89,496	49,033	134,573	73,737
Operating income		602,637	559,995	1,163,172	1,100,612
Operating expenses	27	(290,205)	(265,941)	(564,883)	(531,656)
Operating profit before impairment allowance and provision		312,432	294,054	598,289	568,956
Impairment allowance and provisions	28	(27,679)	(77,022)	(114,399)	(83,214)
Profit before income tax and zakat		284,753	217,032	483,890	485,742
Income tax expense	29	(70,031)	(51,097)	(117,564)	(117,859)
Profit for the period		214,722	165,935	366,326	367,883
Other comprehensive income/(expense), net of income tax					
Items that will not be reclassified to profit or loss					
Change in fair value reserve (equity instruments)		2,555	223	2,555	2,955
Items that may subsequently be reclassified to profit or loss					
Fair value reserve (debt instruments)					
- Change in fair value		58,915	(26,981)	186,740	(52,155)
- Amount transferred to profit or loss		(53,898)	(356)	(66,408)	6,349
- Related tax		(1,204)	6,559	(28,878)	10,990
Change in ECL reserve on debt instruments at FVOCI		(104)	(8,454)	(429)	(7,672)
Other comprehensive income/(expense) for the period, net of income tax		6,264	(29,009)	93,580	(39,533)
Total comprehensive income for the period		220,986	136,926	459,906	328,350
Profit attributable to owner of the Bank		214,722	165,935	366,326	367,883
Total comprehensive income attributable to owner of the Bank		220,986	136,926	459,906	328,350
Basic earnings per ordinary share (sen)		74.7	57.8	127.4	128.0

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018 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 JUNE 2019

<u>Group</u>	Share capital RM'000	Non-distributable			Distributable		Total equity RM'000
		Regulatory reserve RM'000	Capital reserve RM'000	ECL reserve RM'000	Fair value 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	-	-	-	-	215,540	-	215,540
- Amount transferred to profit or loss	-	-	-	-	(73,269)	-	(73,269)
- Income tax effect	-	-	-	-	(33,532)	-	(33,532)
Change in ECL reserve	-	-	-	(564)	-	-	(564)
Total other comprehensive (expense)/income for the period	-	-	-	(564)	108,739	-	108,175
Profit for the period	-	-	-	-	-	415,490	415,490
Total comprehensive (expense)/income for the period	-	-	-	(564)	108,739	415,490	523,665
Contributions by and distributions to owner of the Bank							
Final 2018 ordinary dividend paid	-	-	-	-	-	(138,000)	(138,000)
At 30 June 2019	754,000	600,000	56,619	841	192,389	6,245,269	7,849,118

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018 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 JUNE 2019 (continued)

<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	754,000	486,000	56,619	11,629	92,188	5,554,188	1,494	6,956,118
Fair value reserve								
- Change in fair value	-	-	-	-	(58,356)	-	-	(58,356)
- Transferred to profit or loss	-	-	-	-	6,618	-	-	6,618
- Related tax	-	-	-	-	13,274	-	-	13,274
Change in ECL reserve	-	-	-	(10,094)	-	-	-	(10,094)
Total other comprehensive expense for the period	-	-	-	(10,094)	(38,464)	-	-	(48,558)
Profit for the period	-	-	-	-	-	451,515	(42)	451,473
Total comprehensive (expense)/income for the period	-	-	-	(10,094)	(38,464)	451,515	(42)	402,915
Transferred to regulatory reserve	-	114,000	-	-	-	(114,000)	-	-
Contributions by and distributions to owner of the Bank								
Final 2017 ordinary dividend paid	-	-	-	-	-	(150,000)	-	(150,000)
Interim 2018 ordinary dividend paid	-	-	-	-	-	-	(49)	(49)
At 30 June 2018	754,000	600,000	56,619	1,535	53,724	5,741,703	1,403	7,208,984

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018 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 JUNE 2019

	Share capital RM'000	Non-distributable			Distributable	Total equity RM'000
		Regulatory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
<u>Bank</u>						
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	-	-	-	189,295	-	189,295
- Amount transferred to profit or loss	-	-	-	(66,408)	-	(66,408)
- Income tax effect	-	-	-	(28,878)	-	(28,878)
Change in ECL reserve	-	-	(429)	-	-	(429)
Total other comprehensive (expense)/income for the period	-	-	(429)	94,009	-	93,580
Profit for the period	-	-	-	-	366,326	366,326
Total comprehensive (expense)/income for the period	-	-	(429)	94,009	366,326	459,906
<i>Contributions by and distributions to owners of the Bank</i>						
Final 2018 ordinary dividend paid	-	-	-	-	(138,000)	(138,000)
At 30 June 2019	754,000	509,000	727	175,467	5,430,569	6,869,763

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2018 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 JUNE 2019 (continued)

	Share capital RM'000	Non-distributable		Fair value reserve RM'000	Distributable	Total equity RM'000
		Regulatory reserve RM'000	ECL reserve RM'000		Retained earnings RM'000	
Bank						
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	754,000	395,000	8,983	89,183	4,904,194	6,151,360
Fair value reserve						
- Change in fair value	-	-	-	(49,200)	-	(49,200)
- Transferred to profit or loss	-	-	-	6,349	-	6,349
- Related tax	-	-	-	10,990	-	10,990
Change in ECL reserve	-	-	(7,672)	-	-	(7,672)
Total other comprehensive expense for the period	-	-	(7,672)	(31,861)	-	(39,533)
Profit for the period	-	-	-	-	367,883	367,883
Total comprehensive (expense)/income for the period	-	-	(7,672)	(31,861)	367,883	328,350
Transferred to regulatory reserve	-	114,000	-	-	(114,000)	-
Contributions by and distributions to owners of the Bank						
Final 2017 ordinary dividend payable	-	-	-	-	(150,000)	(150,000)
At 30 June 2018	754,000	509,000	1,311	57,322	5,008,077	6,329,710

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

	Group		Bank	
	Year to date ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before income tax and zakat	543,446	601,349	483,890	485,742
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	18	18	18	18
Depreciation of property, plant and equipment	23,860	13,932	21,149	11,687
Dividends received from financial investments at FVOCI	(450)	(450)	(450)	(450)
Dividends received from subsidiary	-	-	-	(2,800)
Surplus assets received from winding-up of a subsidiary	-	-	-	(12,262)
Impairment allowance and provisions	163,433	71,456	114,399	83,214
Finance cost	449	-	383	-
Net (gain)/loss on disposal of:				
- Financial investments at FVOCI	(73,269)	6,618	(66,408)	6,349
- Property and equipment	19	(1)	16	(2)
Share-based expenses	4,316	3,088	4,115	2,913
Unrealised (gain)/loss on:				
- Financial assets at FVTPL	(3,601)	(1,261)	(3,624)	(1,728)
- Hedging derivatives	29	(30)	29	(30)
- Trading derivatives	95,121	(343,890)	95,951	(343,793)
- Subordinated bonds	(450)	(2,023)	(450)	(2,023)
Operating profit before changes in working capital	752,921	348,806	649,018	226,835
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	358,373	(223,755)	407,288	(422,112)
Investment account placements	-	-	(753,950)	222,598
Financial assets at FVTPL	(1,436,658)	(11,968)	(1,430,448)	(134,241)
Loans, advances and financing	(1,187,555)	75,268	163,655	194,876
Other assets	(107,497)	(21,052)	(156,006)	55,294
Statutory deposits with Bank Negara Malaysia	(175,390)	(139,583)	(167,990)	(146,483)
Derivative financial assets and liabilities	8,915	7,678	8,926	7,675
Deposits from customers	1,907,026	(801,313)	1,813,104	(359,721)
Deposits and placements of banks and other financial institutions	(3,306,184)	1,163,406	(3,294,561)	1,537,591
Bills and acceptances payable	2,010	145,121	3,278	151,966
Other liabilities	209,780	365,460	210,721	318,813
Cash (used in)/generated from operations	(2,974,259)	908,068	(2,546,965)	1,653,091
Income tax and zakat paid	(137,892)	(120,227)	(111,708)	(99,875)
Net cash (used in)/generated from operating activities	(3,112,151)	787,841	(2,658,673)	1,553,216

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019 (continued)

	Group		Bank	
	Year to date ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of financial investments at FVOCI	(9,564,642)	(10,069,035)	(6,239,642)	(6,142,475)
Acquisition of property and equipment	(8,066)	(12,230)	(8,002)	(9,167)
Dividends received from financial investments at FVOCI	450	450	450	450
Dividends received from subsidiary	-	-	-	2,800
Final distribution of surplus assets received on completion of winding-up of a subsidiary	-	-	-	13,853
Proceeds from disposal of financial investments at FVOCI	12,189,504	8,060,391	8,331,926	3,774,564
Proceeds from disposal of property and equipment	44	17	44	19
Net cash generated from/(used in) investing activities	2,617,290	(2,020,407)	2,084,776	(2,359,956)
Cash flows from financing activities				
Payment of lease liabilities	(9,413)	-	(8,061)	-
Dividends paid to owner of the Bank	(138,000)	(150,000)	(138,000)	(150,000)
Dividends paid to non-controlling interest	-	(49)	-	-
Recourse obligation on loans sold to Cagamas Berhad	-	20,883	-	20,883
Redemption of subordinated bonds	(400,000)	-	(400,000)	-
Net cash used in financing activities	(547,413)	(129,166)	(546,061)	(129,117)
Net decrease in cash and cash equivalents	(1,042,274)	(1,361,732)	(1,119,958)	(935,857)
Cash and cash equivalents at 1 January	4,898,851	6,158,261	4,348,837	5,571,918
Cash and cash equivalents at 30 June	3,856,577	4,796,529	3,228,879	4,636,061

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 - 30 JUNE 2019

GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements of the Bank as at and for the financial period ended 30 June 2019 comprise the Bank and its subsidiaries (together referred to as the "Group").

The Bank is principally engaged in banking and related financial services, whilst its 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 of RM415 million for the first 6 months of 2019; a decline of RM36 million or 8% compared to the corresponding period last year, mainly from higher impairment allowances by RM92 million on higher expected credit loss for corporates and cautious outlook affecting macro-economic variables.

The Group registered a RM69 million or 6% growth in total income, mainly contributed by a RM21 million or 3% growth in net interest income and higher gains on disposal of financial instruments of RM73 million.

Overheads expanded by 6% or RM35 million to RM605 million as the Group continued to invest in capability building initiatives.

Total assets stood at RM96 billion; RM1.1 billion or 1% lower than December last year mainly from lower holdings of financial assets at fair value through other comprehensive income of RM2.4 billion and cash and cash equivalents of RM1 billion, largely mitigated by an increase in financial assets at fair value through profit or loss of RM1.4 billion and loans, advances and financing of RM1 billion.

The Group's capital ratios are healthy with Common Equity Tier 1 (CET 1) capital ratio of 13.7%, Tier 1 capital ratio of 14.6% and total capital ratio of 17.2%, after taking into account proposed dividend.

ECONOMIC PERFORMANCE AND PROSPECTS

The recent escalation in prolonged trade tensions between the world's two largest economies is expected to raise pressure on the economic growth of Asia-Pacific countries, including Malaysia. The soft global economic outlook would, in turn, have an adverse impact on the external trade of emerging and developing economies arising from subdued global demand.

Despite the challenging global economic and financial environment, the Malaysian economy grew within expectations with GDP of 4.5% in the first quarter of 2019, backed by strong private consumption and stable labour market conditions. Although the government has resumed several major infrastructure projects to boost investment activity, there remains downside risks that stem from ongoing uncertainties globally and domestically. This will continue to play a significant role in the country's economic growth.

Against this backdrop, the Group will continue to expand its lending and financing efforts to encompass certain select sectors, in addition to extend the reach of its wealth management products and services to its existing customers. The Group will also accelerate its digitalization journey to continuously enhance our customers' banking experience.

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 - 30 JUNE 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 for the assets and liabilities which are stated at fair values as disclosed in the notes to the unaudited condensed interim financial statements: financial assets at FVTPL, financial investments at FVOCI, loans, advances and financing at FVTPL and derivative financial instruments. The unaudited condensed interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, International Accounting Standards 34, 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)*

The initial application of the above mentioned accounting standards, interpretation and amendments do not have any material impact to the financial statements of the Group and the Bank except as mentioned below:

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 implementing MFRS 16 on 1 January 2019, the Group and the Bank recognised 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 amendments to accounting standards 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 3, *Business Combinations*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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 amendments to accounting standards when they become effective. The initial application of the abovementioned amendments to accounting standards 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 and the Bank'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 30 June 2019.

6 DIVIDENDS

The Directors recommend an interim dividend of 48 sen per ordinary share in respect of the financial period ended 30 June 2019 totalling RM138 million.

7 SIGNIFICANT AND SUBSEQUENT EVENTS

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

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 June 2019.

9 CASH AND CASH EQUIVALENTS

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Cash and balances with banks and other financial institutions	454,179	361,561	411,412	307,702
Money at call and deposit placements with financial institutions maturing within one month	883,494	593,549	1,147,467	1,003,135
Deposit placements with Bank Negara Malaysia	<u>2,518,904</u>	<u>3,943,741</u>	<u>1,670,000</u>	<u>3,038,000</u>
	3,856,577	4,898,851	3,228,879	4,348,837
Expected credit loss ("ECL") allowance	<u>(1,389)</u>	<u>(1,345)</u>	<u>(1,389)</u>	<u>(1,345)</u>
	<u>3,855,188</u>	<u>4,897,506</u>	<u>3,227,490</u>	<u>4,347,492</u>

(a) By geographical distribution

Malaysia	3,470,100	4,771,543	2,853,163	4,243,691
Singapore	209,029	59,490	200,720	41,230
Other ASEAN countries	5,656	2,866	4,741	2,112
Rest of the world	171,792	64,952	170,255	61,804
	<u>3,856,577</u>	<u>4,898,851</u>	<u>3,228,879</u>	<u>4,348,837</u>

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

Included in the Bank's cash and cash equivalents are deposits and placements with its Islamic banking subsidiary, OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") of RM264 million (31 December 2018: RM410 million), which are unsecured and profit bearing.

(b) Movements in ECL allowance on cash and cash equivalents

	30 June 2019			31 December 2018		
	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non-credit impaired RM'000	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL 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	45	3	48	1,087	(45)	1,042
Other movements	(4)	-	(4)	88	-	88
At 30 June/31 December	<u>1,386</u>	<u>3</u>	<u>1,389</u>	<u>1,345</u>	<u>-</u>	<u>1,345</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
Licensed banks	41,627	400,000	573,055	980,343
Stage 1 12 months ECL allowance	(29)	(44)	(29)	(44)
	41,598	399,956	573,026	980,299

(a) By geographical distribution

Malaysia	41,627	400,000	573,055	980,343
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The analysis by geography is determined based on where the credit risk resides.

(b) By residual contractual maturity

Maturity within one year	41,627	400,000	573,055	980,343
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Included in the Bank's deposits and placements with licensed banks are deposits and placements with OCBC Al-Amin of RM531 million (31 December 2018: RM580 million), which are unsecured and profit bearing.

(c) Movements in ECL allowance on deposits and placements with banks and other financial institutions

Group and Bank	30 June 2019			31 December 2018		
	Stage 1	Stage 2	Total ECL	Stage 1	Stage 2	Total ECL
	12 months	Lifetime	non-credit	12 months	Lifetime	non-credit
	ECL	ECL	impaired	ECL	ECL	impaired
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	44	-	44	17	15	32
New financial assets originated or purchased	89	-	89	35	-	35
Financial assets derecognised	(25)	-	(25)	-	-	-
Net remeasurement during the period/year	(79)	-	(79)	(8)	(15)	(23)
At 30 June/31 December	29	-	29	44	-	44

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

11 INVESTMENT ACCOUNT PLACEMENTS

	Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
Restricted Profit Sharing Investment Accounts	2,132,017	1,379,286
ECL allowance	(90,306)	(60,510)
	<u>2,041,711</u>	<u>1,318,776</u>

(a) By geographical distribution

Malaysia	1,602,966	823,672
Singapore	529,051	555,614
	<u>2,132,017</u>	<u>1,379,286</u>

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

(b) By residual contractual maturity

Within one year	2,017,547	1,263,316
Over five years	114,470	115,970
	<u>2,132,017</u>	<u>1,379,286</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 RM114 million (31 December 2018: RM116 million) on which Stage 3 ECL allowance has been provided as at 30 June 2019, the rest of the RPSIA exposures are categorised as Pass according to the Bank's classification grade.

(c) Movements in ECL allowance on investment account placements

Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12 months ECL non-credit impaired RM'000	Lifetime ECL non-credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2019	3,392	-	57,118	60,510
New financial assets originated or purchased	316	-	-	316
Net remeasurement during the period	905	-	29,794	30,699
Other movements	-	-	(1,219)	(1,219)
At 30 June 2019	<u>4,613</u>	<u>-</u>	<u>85,693</u>	<u>90,306</u>
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>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

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

	Group		Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues	677,556	500,813	677,556	500,813
Malaysian Government Securities	981,829	261,220	981,829	261,220
Malaysian Government Treasury Bills	1,567,644	377,339	1,567,644	377,339
Bank Negara Malaysia Monetary Notes	-	75,221	-	75,221
Corporate Bonds and Sukuk	86,559	658,736	70,392	648,756
Debentures	186	186	186	186
	3,313,774	1,873,515	3,297,607	1,863,535

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

	Group		Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues	5,783,852	5,433,495	3,434,816	3,110,701
Malaysian Government Securities and Sukuk	3,643,810	3,213,339	3,643,810	3,213,339
Malaysian Government Debt Securities and Sukuk	160,677	357,061	65,263	112,488
Bank Negara Malaysia Monetary Notes	-	445,470	-	445,470
Foreign Government Debt Securities and Sukuk	272,724	614,177	206,031	443,825
Negotiable Instruments of Deposit and Islamic Negotiable Instruments of Deposit	1,546,316	2,992,396	826,545	1,920,316
Corporate and Islamic Corporate Bonds, Sukuk and Sanadat Mudharabah Cagamas	3,885,508	4,647,270	3,406,872	4,241,186
Unquoted shares in Malaysia	101,773	99,218	101,773	99,218
	15,394,660	17,802,426	11,685,110	13,586,543

ECL allowance for financial investments at FVOCI is recognised in the ECL reserve.

(a) Movements in ECL allowance on financial investments at FVOCI

Group	30 June 2019			31 December 2018		
	Stage 1	Stage 2	Total ECL non-credit impaired	Stage 1	Stage 2	Total ECL non-credit impaired
	12 months ECL	Lifetime ECL		12 months ECL	Lifetime ECL	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	105	-	105	2,728	-	2,728
Financial assets derecognised	(433)	(41)	(474)	(1,805)	-	(1,805)
Net remeasurement during the period/year	(185)	(9)	(194)	(7,978)	(3,178)	(11,156)
Other movements	(1)	-	(1)	10	(1)	9
At 30 June/31 December	841	-	841	1,355	50	1,405

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

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

(a) Movements in ECL allowance on financial investments at FVOCI (continued)

Bank	30 June 2019			31 December 2018		
	Stage 1	Stage 2	Total ECL	Stage 1	Stage 2	Total ECL
	12 months	Lifetime	non-credit	12 months	Lifetime	non-credit
	ECL	ECL	impaired	ECL	ECL	impaired
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	24	-	24	2,242	-	2,242
Financial assets derecognised	(389)	-	(389)	(752)	-	(752)
Net remeasurement during the period/year	(63)	-	(63)	(6,817)	(2,509)	(9,326)
Other movements	(1)	-	(1)	9	-	9
At 30 June/31 December	727	-	727	1,156	-	1,156

14 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	3,012,173	3,031,000	3,012,173	3,031,000
Term loans/financing:				
- Housing loans/financing	24,783,953	25,592,189	22,839,088	23,629,878
- Syndicated term loans/financing	3,917,682	3,495,338	3,194,353	2,741,928
- Hire purchase receivables	362,243	393,155	10	10
- Other term loans/financing	22,389,402	22,049,075	18,121,109	18,340,739
Credit cards	633,482	619,195	633,482	619,195
Bills receivable	211,586	208,252	175,659	190,746
Trust receipts	24,685	32,800	24,540	32,800
Claims on customers under acceptance credits	3,200,662	3,308,240	2,804,044	2,849,402
Revolving credit	10,044,146	8,759,195	6,041,092	5,647,098
Staff loans/financing	52,208	53,935	52,208	53,935
Other loans/financing	1,948,720	1,912,691	1,789,279	1,762,415
	70,580,942	69,455,065	58,687,037	58,899,146
At fair value				
Other term loans/financing	10,183	24,836	10,183	24,836
Gross loans, advances and financing	70,591,125	69,479,901	58,697,220	58,923,982
ECL allowance	(985,995)	(898,405)	(679,323)	(658,693)
Net loans, advances and financing	69,605,130	68,581,496	58,017,897	58,265,289

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

14 LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
(a) By type of customer				
Domestic banking institutions	10,814	28,477	10,814	28,477
Domestic non-bank financial institutions	2,759,045	1,548,954	1,758,531	1,494,633
Domestic business enterprises				
- Small and medium enterprises	12,875,066	12,911,253	10,578,707	10,884,461
- Others	23,461,451	22,674,910	18,310,592	17,627,218
Individuals	27,731,212	28,727,164	25,493,939	26,423,245
Foreign entities	3,753,537	3,589,143	2,544,637	2,465,948
	<u>70,591,125</u>	<u>69,479,901</u>	<u>58,697,220</u>	<u>58,923,982</u>
(b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	37,177	19,531	2,372	9,924
- Hire purchase receivables	159,305	185,330	10	10
- Other fixed rate loans/financing	6,971,724	6,893,475	5,408,312	5,152,777
Variable rate				
- Base rate/Base lending rate/Base financing rate plus	40,663,356	41,602,867	36,629,209	37,812,593
- Cost plus	22,005,958	20,169,093	15,946,197	15,344,600
- Other variable rates	753,605	609,605	711,120	604,078
	<u>70,591,125</u>	<u>69,479,901</u>	<u>58,697,220</u>	<u>58,923,982</u>
(c) By sector				
Agriculture, hunting, forestry and fishing	3,972,779	3,511,185	2,314,516	1,951,580
Mining and quarrying	366,994	478,479	266,496	360,751
Manufacturing	7,970,387	7,937,725	6,420,905	6,426,866
Electricity, gas and water	475,256	483,927	441,303	446,321
Construction	3,091,907	2,969,574	2,194,922	2,177,234
Real estate	7,870,784	7,691,493	6,787,589	6,729,713
Wholesale & retail trade and restaurants & hotels	8,010,156	7,718,554	6,881,824	6,684,988
Transport, storage and communication	1,096,220	1,138,770	892,966	936,379
Finance, insurance and business services	3,556,148	2,375,844	2,375,815	2,168,218
Community, social and personal services	2,412,478	2,591,561	1,799,119	1,887,565
Household				
- Purchase of residential properties	25,787,386	26,636,501	23,835,924	24,667,646
- Purchase of non-residential properties	949,197	1,008,631	909,330	968,538
- Others	2,767,727	2,897,614	2,403,919	2,478,784
Others	2,263,706	2,040,043	1,172,592	1,039,399
	<u>70,591,125</u>	<u>69,479,901</u>	<u>58,697,220</u>	<u>58,923,982</u>
(d) By geographical distribution				
Malaysia	66,967,572	66,023,847	56,149,119	56,460,334
Singapore	1,761,696	1,785,469	1,157,855	1,153,642
Other ASEAN countries	561,279	562,584	376,994	368,063
Rest of the world	1,300,578	1,108,001	1,013,252	941,943
	<u>70,591,125</u>	<u>69,479,901</u>	<u>58,697,220</u>	<u>58,923,982</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

14 LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
(e) By residual contractual maturity				
Within one year	22,176,404	20,198,290	17,121,787	16,028,474
One year to less than three years	3,664,675	4,426,273	3,082,040	3,783,786
Three years to five years	5,812,533	5,160,252	4,426,393	4,017,397
Over five years	38,937,513	39,695,086	34,067,000	35,094,325
	70,591,125	69,479,901	58,697,220	58,923,982

15 IMPAIRED LOANS, ADVANCES AND FINANCING

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
(i) Movements in credit impaired loans, advances and financing				
At 1 January	1,333,041	1,430,623	957,941	1,047,051
Impaired during the period/year	506,959	997,132	383,115	703,604
Reclassified as non-credit impaired	(220,948)	(524,576)	(192,370)	(434,105)
Amount recovered	(231,224)	(332,646)	(171,784)	(233,032)
Amount written off	(89,010)	(239,897)	(68,985)	(126,127)
Effect of foreign exchange difference	200	2,405	199	550
At 30 June/31 December	1,299,018	1,333,041	908,116	957,941
Stage 3 ECL allowance	(377,428)	(368,702)	(219,424)	(248,504)
Net impaired loans, advances and financing	921,590	964,339	688,692	709,437

(a) By sector

Agriculture, hunting, forestry and fishing	6,138	8,050	5,836	5,769
Mining and quarrying	15,867	20,788	15,867	20,788
Manufacturing	186,624	206,423	144,626	181,310
Construction	53,693	19,102	42,203	9,998
Real estate	42,893	76,524	39,022	69,557
Wholesale & retail trade and restaurants & hotels	205,601	215,284	104,958	112,675
Transport, storage and communication	59,239	64,468	54,854	58,870
Finance, insurance and business services	20,477	20,179	11,119	10,416
Community, social and personal services	4,752	6,008	3,539	4,617
Household				
- Purchase of residential properties	459,682	455,136	395,004	395,000
- Purchase of non-residential properties	33,364	32,913	32,073	32,167
- Others	80,765	77,513	58,615	56,290
Others	129,923	130,653	400	484
	1,299,018	1,333,041	908,116	957,941

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	30 June 2019	31 December 2018	30 June 2019	31 December 2018
	RM'000	RM'000	RM'000	RM'000

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

(b) By geographical distribution

Malaysia	1,271,400	1,304,041	880,498	928,941
Singapore	12,288	15,335	12,288	15,335
Rest of the world	15,330	13,665	15,330	13,665
	1,299,018	1,333,041	908,116	957,941

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

(c) By period overdue

Less than 3 months	304,543	264,524	171,059	146,291
3 months to less than 6 months	150,523	169,634	125,220	140,621
6 months to less than 9 months	103,898	132,172	91,106	117,472
Over 9 months	740,054	766,711	520,731	553,557
	1,299,018	1,333,041	908,116	957,941

(d) By collateral type

Property	705,498	738,856	607,993	641,825
Fixed deposits	2,300	665	2,300	665
Stock and shares	2,084	5,314	44	44
Machinery	4,031	487	-	-
Secured - others	106,505	93,537	19,100	17,405
Unsecured - corporate and other guarantees	164,843	198,061	134,503	168,665
Unsecured - clean	313,757	296,121	144,176	129,337
	1,299,018	1,333,041	908,116	957,941

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

Group	30 June 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total ECL RM'000	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months	Lifetime	Lifetime		12 months	Lifetime	Lifetime	
	ECL	ECL	ECL		ECL	ECL	ECL	
non-credit impaired RM'000	non-credit impaired RM'000	credit impaired RM'000	non-credit impaired RM'000		non-credit impaired RM'000	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	144,486	(131,108)	(13,378)	-	434,605	(378,042)	(56,563)	-
Transferred to Stage 2	(46,299)	65,996	(19,697)	-	(62,394)	88,759	(26,365)	-
Transferred to Stage 3	(71)	(85,564)	85,635	-	(1,776)	(134,817)	136,593	-
New financial assets originated or purchased	98,803	28,135	-	126,938	217,977	53,838	-	271,815
Financial assets derecognised	(73,454)	(40,592)	(17,465)	(131,511)	(133,696)	(75,932)	(16,197)	(225,825)
Net remeasurement during the period/year	(111,305)	229,690	72,834	191,219	(393,686)	432,466	199,337	238,117
Written off	-	-	(89,010)	(89,010)	-	-	(239,897)	(239,897)
Other movements	233	(86)	(10,193)	(10,046)	(1,952)	675	(17,638)	(18,915)
At 30 June/31 December	253,591	354,976	377,428	985,995	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
- Loan/financing related 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 30 June/31 December								
- Loans, advances and financing	243,384	318,933	377,428	939,745	228,310	274,791	368,702	871,803
- Loan/financing related credit commitments and financial guarantees	10,207	36,043	-	46,250	12,888	13,714	-	26,602
	253,591	354,976	377,428	985,995	241,198	288,505	368,702	898,405

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

	30 June 2019				31 December 2018			
	Stage 1 12 months ECL non-credit impaired RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000	Stage 1 12 months ECL non-credit impaired RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL 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	116,135	(107,515)	(8,620)	-	264,941	(235,683)	(29,258)	-
Transferred to Stage 2	(34,916)	49,615	(14,699)	-	(40,173)	58,969	(18,796)	-
Transferred to Stage 3	(63)	(51,922)	51,985	-	(611)	(71,541)	72,152	-
New financial assets originated or purchased	83,863	26,019	-	109,882	166,324	43,404	-	209,728
Financial assets derecognised	(61,895)	(35,678)	(12,107)	(109,680)	(110,014)	(58,865)	(10,791)	(179,670)
Net remeasurement during the period/year	(98,835)	164,849	29,248	95,262	(237,880)	290,629	110,309	163,058
Written off	-	-	(68,985)	(68,985)	-	-	(126,127)	(126,127)
Other movements	146	(93)	(5,902)	(5,849)	(1,443)	316	(12,540)	(13,667)
At 30 June/31 December	183,284	276,615	219,424	679,323	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
- Loan/financing related 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 30 June/31 December								
- Loans, advances and financing	174,696	257,610	219,424	651,730	169,102	217,864	248,504	635,470
- Loan/financing related credit commitments and financial guarantees	8,588	19,005	-	27,593	9,747	13,476	-	23,223
	183,284	276,615	219,424	679,323	178,849	231,340	248,504	658,693

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

(a) By sector

	Group				Bank			
	Stage 1 and Stage 2 ECL RM'000	Stage 3 ECL RM'000	Stage 3 ECL Made during the year RM'000	Written off RM'000	Stage 1 and Stage 2 ECL RM'000	Stage 3 ECL RM'000	Stage 3 ECL Made during the year RM'000	Written off RM'000
30 June 2019								
Agriculture, hunting, forestry and fishing	53,631	116	117	-	44,859	108	110	-
Mining and quarrying	7,752	49	113	-	6,602	49	113	-
Manufacturing	102,774	36,526	22,074	42,600	83,174	24,346	10,572	42,374
Electricity, gas and water	14,499	-	-	-	14,376	-	-	-
Construction	107,051	26,743	21,331	472	69,306	17,171	16,468	118
Real estate	32,097	3,798	1,918	184	23,621	3,528	1,626	-
Wholesale & retail trade and restaurants & hotels	76,805	60,528	16,707	6,886	62,043	45,134	11,948	3,469
Transport, storage and communication	7,176	27,875	1,737	1,568	5,486	26,811	801	432
Finance, insurance and business services	19,865	4,576	2,710	867	19,102	3,125	1,601	439
Community, social and personal services	5,476	739	607	550	-	564	312	522
Household								
- Purchase of residential properties	48,837	85,854	40,956	12,792	43,834	73,094	34,316	11,109
- Purchase of non-residential properties	5,720	2,936	1,776	1,683	5,163	2,734	1,579	1,683
- Others	97,285	41,995	48,046	21,408	73,430	22,760	25,130	8,839
Others	29,599	85,693	29,794	-	8,903	-	-	-
	608,567	377,428	187,886	89,010	459,899	219,424	104,576	68,985

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

(a) By sector (continued)

	Group				Bank			
	Stage 1 and Stage 2 ECL RM'000	Stage 3 ECL RM'000	Stage 3 ECL Made during the year RM'000	Written off RM'000	Stage 1 and Stage 2 ECL RM'000	Stage 3 ECL RM'000	Stage 3 ECL Made during the year RM'000	Written off RM'000
31 December 2018								
Agriculture, hunting, forestry and fishing	36,089	2	57	66	30,836	-	25	25
Mining and quarrying	6,877	-	67,075	66,800	4,242	-	67,029	66,758
Manufacturing	70,032	61,288	13,543	5,503	52,572	59,941	10,478	2,978
Electricity, gas and water	13,150	-	-	-	13,013	-	-	-
Construction	79,116	8,402	12,148	2,777	65,320	2,095	4,499	1,853
Real estate	27,384	12,018	8,620	6	19,339	9,472	8,561	6
Wholesale & retail trade and restaurants & hotels	70,123	62,777	71,820	21,945	55,607	43,226	46,297	13,385
Transport, storage and communication	2,604	29,014	7,144	3,950	516	27,501	4,272	2,660
Finance, insurance and business services	19,314	4,125	4,579	2,625	18,632	2,661	2,093	998
Community, social and personal services	5,049	997	1,902	1,785	426	882	1,312	1,294
Household								
- Purchase of residential properties	54,431	91,367	105,878	19,346	48,304	79,825	91,953	16,992
- Purchase of non-residential properties	4,620	3,407	3,469	3,261	4,168	3,375	3,375	3,169
- Others	114,457	38,187	93,642	45,768	81,439	19,526	42,586	16,009
Others	26,457	57,118	66,065	66,065	15,775	-	-	-
	529,703	368,702	455,942	239,897	410,189	248,504	282,480	126,127

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

(b) By geographical distribution

	Group			Bank		
	Stage 1 and Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total ECL RM'000	Stage 1 and Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total ECL RM'000
30 June 2019						
Malaysia	556,321	375,748	932,069	428,119	217,744	645,863
Singapore	5,578	902	6,480	4,597	902	5,499
Other ASEAN countries	23,055	-	23,055	22,970	-	22,970
Rest of the world	23,613	778	24,391	4,213	778	4,991
	608,567	377,428	985,995	459,899	219,424	679,323
31 December 2018						
Malaysia	494,707	339,702	834,409	386,677	219,504	606,181
Singapore	6,027	15,335	21,362	4,377	15,335	19,712
Other ASEAN countries	13,325	-	13,325	13,240	-	13,240
Rest of the world	15,644	13,665	29,309	5,895	13,665	19,560
	529,703	368,702	898,405	410,189	248,504	658,693

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

16 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group	30 June 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	4,243,671	17,059	13,150	3,797,284	35,951	13,089
- Swaps	13,094,856	437,085	466,714	13,811,028	529,082	496,040
- Options	744,954	4,693	1,310	866,437	5,990	2,116
Interest rate derivatives						
- Swaps	57,051,044	226,494	262,403	41,248,610	104,588	114,755
- Options	180,000	86	307	180,000	56	312
- Futures	228,152	-	708	333,719	142	1,081
Equity and other derivatives						
- Swaps	758,553	25,829	25,829	217,800	11,699	11,699
- Exchange traded futures	2,421	-	6	-	-	-
- Commodity futures	69,289	1,599	1,575	42,091	166	3,702
- Credit linked notes	1,212,834	43,258	43,258	1,241,549	72,971	72,971
	<u>77,585,774</u>	<u>756,103</u>	<u>815,260</u>	<u>61,738,518</u>	<u>760,645</u>	<u>715,765</u>
Hedging						
Interest rate derivatives						
- Swaps	116,181	-	1,871	116,211	116	403
	<u>77,701,955</u>	<u>756,103</u>	<u>817,131</u>	<u>61,854,729</u>	<u>760,761</u>	<u>716,168</u>
Bank						
Trading						
Foreign exchange derivatives						
- Forwards	4,252,346	17,043	13,137	3,808,900	35,958	13,034
- Swaps	13,094,260	437,082	466,715	13,842,531	530,373	496,040
- Options	744,954	4,693	1,310	866,437	5,990	2,116
Interest rate derivatives						
- Swaps	57,051,044	227,230	262,402	41,248,610	104,806	114,755
- Options	180,000	86	307	180,000	56	312
- Futures	228,152	-	708	333,719	142	1,081
Equity and other derivatives						
- Swaps	758,553	25,829	25,829	217,800	11,699	11,699
- Exchange traded futures	2,421	-	6	-	-	-
- Commodity futures	69,289	1,599	1,575	42,091	166	3,702
- Credit linked notes	1,212,834	43,258	43,258	1,241,549	72,971	72,971
	<u>77,593,853</u>	<u>756,820</u>	<u>815,247</u>	<u>61,781,637</u>	<u>762,161</u>	<u>715,710</u>
Hedging						
Interest rate derivatives						
- Swaps	116,181	-	1,871	116,211	116	403
	<u>77,710,034</u>	<u>756,820</u>	<u>817,118</u>	<u>61,897,848</u>	<u>762,277</u>	<u>716,113</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

17 OTHER ASSETS

	Note	Group		Bank	
		30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Amount due from subsidiaries	(a)	-	-	64,541	10,034
Interest/Profit receivable		156,704	188,515	130,152	164,453
Unquoted redeemable Islamic subordinated bonds of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		368,715	230,483	359,722	224,974
		<u>525,419</u>	<u>418,998</u>	<u>754,415</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	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
(a) By type of deposit				
Demand deposits	16,353,420	15,947,506	12,419,594	11,996,549
Fixed/General investment deposits	44,007,619	43,985,063	37,086,924	37,926,275
Saving deposits	10,411,466	8,663,523	9,799,970	8,144,688
Negotiable instruments of deposit	3,722,697	4,238,206	3,722,697	4,238,205
Short-term money market deposits	3,263,045	3,016,923	2,908,247	1,818,611
	<u>77,758,247</u>	<u>75,851,221</u>	<u>65,937,432</u>	<u>64,124,328</u>
(b) By type of customer				
Government and statutory bodies	1,990,591	1,845,890	221,393	146,443
Non-bank financial institutions	3,986,489	3,662,170	2,898,173	2,141,938
Business enterprises	27,665,255	28,498,385	22,335,285	23,168,402
Individuals	36,563,167	34,266,213	33,101,164	31,255,498
Foreign entities	6,846,420	6,869,564	6,724,584	6,757,216
Others	706,325	708,999	656,833	654,831
	<u>77,758,247</u>	<u>75,851,221</u>	<u>65,937,432</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	36,579,858	36,768,412	31,388,241	31,468,142
Six months to one year	14,227,250	14,143,387	12,149,279	12,203,426
One year to three years	184,695	324,817	178,790	307,957
Three years to five years	1,558	3,576	1,558	3,566
	<u>50,993,361</u>	<u>51,240,192</u>	<u>43,717,868</u>	<u>43,983,091</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Licensed banks and other financial institutions	3,763,893	7,070,077	3,692,388	6,986,949

20 SUBORDINATED BONDS

	Group and Bank	
	30 June 2019 RM'000	31 December 2018 RM'000
RM400 million Innovative Tier 1 Capital Securities	-	400,000
USD110 million Additional Tier 1 Capital Securities	454,996	455,202
USD130 million Redeemable Subordinated Bonds 2015/2025	537,723	537,967
RM390 million Redeemable Subordinated Bonds 2017/2027	390,000	390,000
RM110 million Redeemable Subordinated Bonds 2017/2027	110,000	110,000
	1,492,719	1,893,169

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

21 OTHER LIABILITIES

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Amount due to subsidiaries	-	-	54,432	36,850
Equity compensation benefits	11,176	12,650	10,703	11,974
Interest/Profit payable	574,348	680,419	496,321	610,292
Structured investments	2,131,327	1,924,791	2,131,327	1,924,791
Lease liabilities	20,591	-	17,615	-
Other payables and accruals	542,474	427,590	474,913	369,149
Provision for commitments and contingencies	80	83	80	83
	3,279,996	3,045,533	3,185,391	2,953,139

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

Upon adoption of MFRS 16 commencing 1 January 2019 as disclosed in Note 1(a), lease liabilities are recognised in other liabilities.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

22 NET INTEREST INCOME

Group	Quarter ended		Year to date ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	728,442	723,802	1,468,230	1,425,668
- Recoveries from impaired loans, advances and financing	15,707	17,028	27,462	29,894
- Discount unwind from impaired loans, advances and financing	3,170	4,900	7,121	7,020
Money at call and deposit placements with banks and other financial institutions	26,045	44,347	58,176	81,544
Financial assets at FVTPL	27,830	17,658	40,709	36,374
Financial investments at FVOCI	110,237	88,336	242,287	169,160
Others	3,037	21,095	21,599	36,374
	<u>914,468</u>	<u>917,166</u>	<u>1,865,584</u>	<u>1,786,034</u>
Interest expense				
Deposits from customers	(479,508)	(448,517)	(954,348)	(880,844)
Deposits and placements of banks and other financial institutions	(13,377)	(10,059)	(40,362)	(13,937)
Recourse obligation on loans sold to Cagamas Berhad	(7,702)	(17,477)	(15,352)	(31,282)
Subordinated bonds	(17,629)	(22,691)	(40,527)	(45,090)
Others	(21,191)	(43,056)	(59,486)	(80,364)
	<u>(539,407)</u>	<u>(541,800)</u>	<u>(1,110,075)</u>	<u>(1,051,517)</u>
Net interest income	<u>375,061</u>	<u>375,366</u>	<u>755,509</u>	<u>734,517</u>
Bank				
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	728,442	723,802	1,468,230	1,425,668
- Recoveries from impaired loans, advances and financing	15,707	17,028	27,462	29,894
- Discount unwind from impaired loans, advances and financing	2,763	3,834	5,902	5,954
Money at call and deposit placements with banks and other financial institutions	41,832	58,675	91,593	108,839
Financial assets at FVTPL	27,830	17,658	40,709	36,374
Financial investments at FVOCI	111,046	89,111	243,888	170,693
Unquoted Islamic subordinated bond of subsidiary	2,394	2,394	4,761	4,761
Others	3,443	22,159	22,817	37,439
	<u>933,457</u>	<u>934,661</u>	<u>1,905,362</u>	<u>1,819,622</u>
Interest expense				
Deposits from customers	(479,508)	(448,517)	(954,348)	(880,844)
Deposits and placements of banks and other financial institutions	(24,115)	(21,505)	(61,798)	(36,237)
Recourse obligation on loans sold to Cagamas Berhad	(7,702)	(17,477)	(15,352)	(31,282)
Subordinated bonds	(17,629)	(22,691)	(40,527)	(45,090)
Others	(21,190)	(43,056)	(59,485)	(80,364)
	<u>(550,144)</u>	<u>(553,246)</u>	<u>(1,131,510)</u>	<u>(1,073,817)</u>
Net interest income	<u>383,313</u>	<u>381,415</u>	<u>773,852</u>	<u>745,805</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

23 INCOME FROM ISLAMIC BANKING OPERATIONS

<u>Group</u>	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	164,668	149,212	323,226	301,024
Income derived from investment of specific investment account funds	14,016	16,353	28,359	31,858
Income derived from investment of shareholder's fund	33,811	40,563	61,379	74,971
Income attributable to depositors	(88,387)	(79,620)	(169,841)	(164,873)
Income attributable to investment account holder	(10,738)	(11,448)	(21,436)	(22,301)
	<u>113,370</u>	<u>115,060</u>	<u>221,687</u>	<u>220,679</u>

24 NET FEE AND COMMISSION INCOME

<u>Group</u>	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Commission	56,554	42,648	94,130	86,172
Service charges and fees	37,488	39,126	81,267	69,580
Guarantee fees	1,126	7,076	2,067	14,293
Other fee income	2,390	2,719	4,616	5,013
	<u>97,558</u>	<u>91,569</u>	<u>182,080</u>	<u>175,058</u>

Bank

Commission	56,554	42,598	93,979	85,588
Service charges and fees	37,488	39,126	81,267	69,580
Guarantee fees	1,126	7,076	2,067	14,293
Other fee income	2,390	2,719	4,616	5,013
	<u>97,558</u>	<u>91,519</u>	<u>181,929</u>	<u>174,474</u>

25 NET TRADING INCOME

<u>Group</u>	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Foreign exchange (loss)/gain	(71,938)	(219,081)	2,289	(37,218)
Realised gain on financial assets at FVTPL	10,067	336	23,919	7,921
Realised gain/(loss) on derivatives	103,720	(7,795)	138,937	(209,615)
Unrealised gain/(loss) on financial assets at FVTPL	532	(1,457)	3,624	1,728
Unrealised (loss)/gain on derivatives	(10,111)	266,026	(95,951)	343,793
	<u>32,270</u>	<u>38,029</u>	<u>72,818</u>	<u>106,609</u>

Bank

Foreign exchange (loss)/gain	(71,938)	(219,081)	2,289	(37,218)
Realised gain on financial assets at FVTPL	10,067	336	23,919	7,921
Realised gain/(loss) on derivatives	103,720	(7,796)	138,937	(209,628)
Unrealised gain/(loss) on financial assets at FVTPL	532	(1,457)	3,624	1,728
Unrealised (loss)/gain on derivatives	(10,111)	266,026	(95,951)	343,793
	<u>32,270</u>	<u>38,028</u>	<u>72,818</u>	<u>106,596</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

26 OTHER OPERATING INCOME

Group	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on disposal:				
- Financial investments at FVOCI	53,898	356	66,408	(6,349)
- Property and equipment	(8)	3	(16)	2
Gross dividends from financial investments at FVOCI in Malaysia	450	450	450	450
Rental of premises	1,043	1,085	2,085	2,168
Rental of safe deposit boxes	1,619	1,617	3,321	3,328
Shared services income received from related company	3,812	3,386	7,065	6,231
Unrealised (loss)/gain on hedging derivatives	(24)	42	(29)	30
Others	174	114	299	227
	60,964	7,053	79,583	6,087

Bank

Gain/(Loss) on disposal:				
- Financial investments at FVOCI	53,898	356	66,408	(6,349)
- Property and equipment	(8)	3	(16)	2
Gross dividends from financial investments at FVOCI in Malaysia	450	450	450	450
Gross dividends from subsidiary	-	2,800	-	2,800
Rental of premises	1,058	1,099	2,115	2,199
Rental of safe deposit boxes	1,619	1,617	3,321	3,328
Shared services income received from subsidiary	28,518	26,904	54,960	52,558
Shared services income received from related company	3,812	3,386	7,065	6,231
Unrealised (loss)/gain on hedging derivatives	(24)	42	(29)	30
Surplus assets received from winding-up of a subsidiary	-	12,262	-	12,262
Others	173	114	299	226
	89,496	49,033	134,573	73,737

27 OPERATING EXPENSES

Group	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Wages, salaries and bonus	126,637	113,861	246,770	226,783
Employees Provident Fund contributions	19,032	17,594	37,457	35,427
Share-based expenses	2,461	1,617	4,316	3,088
Others	13,841	13,168	27,345	26,946
	161,971	146,240	315,888	292,244

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

27 OPERATING EXPENSES (continued)

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 June</u> <u>2019</u> <u>RM'000</u>	<u>30 June</u> <u>2018</u> <u>RM'000</u>	<u>30 June</u> <u>2019</u> <u>RM'000</u>	<u>30 June</u> <u>2018</u> <u>RM'000</u>
Establishment expenses				
Depreciation of property and equipment	11,850	7,029	23,838	13,932
Rental of premises	8	4,658	8	9,331
Repair and maintenance	3,434	2,801	5,719	5,561
Information technology costs	11,038	8,129	18,992	15,635
Hire of equipment	439	266	680	490
Amortisation of prepaid lease payments	9	9	18	18
Others	4,826	4,116	9,413	8,370
	<u>31,604</u>	<u>27,008</u>	<u>58,668</u>	<u>53,337</u>
Marketing expenses				
Advertisement and business promotion	4,112	4,459	8,256	7,550
Transport and travelling	1,225	1,107	2,250	1,986
Others	652	299	1,292	766
	<u>5,989</u>	<u>5,865</u>	<u>11,798</u>	<u>10,302</u>
General administrative expenses				
Transaction processing fees	84,457	76,486	168,025	155,866
Others	26,415	30,256	50,419	58,396
	<u>110,872</u>	<u>106,742</u>	<u>218,444</u>	<u>214,262</u>
Total operating expenses	<u>310,436</u>	<u>285,855</u>	<u>604,798</u>	<u>570,145</u>
<u>Bank</u>				
Personnel expenses				
Wages, salaries and bonus	119,505	107,779	233,050	215,841
Employees Provident Fund contributions	17,984	16,667	35,348	33,661
Share-based expenses	2,349	1,523	4,115	2,913
Others	12,833	11,923	25,383	24,646
	<u>152,671</u>	<u>137,892</u>	<u>297,896</u>	<u>277,061</u>
Establishment expenses				
Depreciation of property and equipment	10,550	5,853	21,149	11,687
Rental of premises	11	3,926	11	7,879
Repair and maintenance	3,130	2,597	5,189	5,132
Information technology costs	10,730	7,696	18,529	14,780
Hire of equipment	401	231	609	419
Amortisation of prepaid lease payments	9	9	18	18
Others	4,144	3,544	8,004	7,228
	<u>28,975</u>	<u>23,856</u>	<u>53,509</u>	<u>47,143</u>
Marketing expenses				
Advertisement and business promotion	3,980	4,324	7,996	7,407
Transport and travelling	1,143	1,029	2,090	1,850
Others	615	292	1,240	752
	<u>5,738</u>	<u>5,645</u>	<u>11,326</u>	<u>10,009</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

27 OPERATING EXPENSES (continued)

	Quarter ended		Year to date ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Bank				
General administrative expenses				
Transaction processing fees	77,429	71,031	153,980	144,629
Others	25,392	27,517	48,172	52,814
	<u>102,821</u>	<u>98,548</u>	<u>202,152</u>	<u>197,443</u>
Total operating expenses	<u>290,205</u>	<u>265,941</u>	<u>564,883</u>	<u>531,656</u>

28 IMPAIRMENT ALLOWANCE AND PROVISIONS

	Quarter ended		Year to date ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Group				
Loans, advances and financing				
Stage 1 and 2 ECL net charge during the period	28,668	25,589	78,864	13,475
Stage 3 ECL				
- Made during the period	77,973	157,960	187,886	225,787
- Written back	(45,492)	(93,537)	(79,957)	(129,518)
Impaired loans, advances and financing				
- Recovered during the period	(11,907)	(15,801)	(22,872)	(28,299)
Financial investments at FVOCI				
Stage 1 and 2 ECL net write back during the period	(168)	(10,142)	(564)	(10,094)
Other financial assets				
Stage 1 and 2 ECL net charge during the period	128	150	29	103
Stage 3 ECL net charge/(write back) during the period	36	(2)	50	2
Commitments and contingencies				
Net write back during the period	(3)	-	(3)	-
	<u>49,235</u>	<u>64,217</u>	<u>163,433</u>	<u>71,456</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

28 IMPAIRMENT ALLOWANCE AND PROVISIONS (continued)

	Quarter ended		Year to date ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Bank				
Loans, advances and financing				
Stage 1 and 2 ECL net charge during the period	19,691	37,882	49,710	29,042
Stage 3 ECL				
- Made during the period	48,467	130,799	104,576	173,666
- Written back	(34,207)	(72,147)	(58,769)	(94,083)
Impaired loans, advances and financing				
- Recovered during the period	(6,520)	(8,268)	(11,780)	(13,672)
Investment account placements				
Stage 1 and 2 ECL net charge/(write back) during the period	191	(3,498)	1,221	(4,732)
Stage 3 ECL net charge during the period	-	-	29,794	-
Financial investments at FVOCI				
Stage 1 and 2 ECL net write back during the period	(104)	(8,444)	(429)	(7,662)
Other financial assets				
Stage 1 and 2 ECL net charge during the period	128	700	29	653
Stage 3 ECL net charge/(write back) during the period	36	(2)	50	2
Commitments and contingencies				
Net write back during the period	(3)	-	(3)	-
	<u>27,679</u>	<u>77,022</u>	<u>114,399</u>	<u>83,214</u>

29 INCOME TAX EXPENSE

	Quarter ended		Year to date ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Group				
Malaysian income tax				
- Current period	86,496	75,553	131,902	145,746
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(11,154)	(5,956)	(3,963)	4,130
	<u>75,342</u>	<u>69,597</u>	<u>127,939</u>	<u>149,876</u>
Bank				
Malaysian income tax				
- Current period	80,280	56,613	117,254	113,483
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(10,249)	(5,516)	310	4,376
	<u>70,031</u>	<u>51,097</u>	<u>117,564</u>	<u>117,859</u>

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

Group	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000
30 June 2019			
Direct credit substitutes	702,553	702,553	525,713
Transaction-related contingent items	2,888,230	1,477,024	972,791
Short-term self-liquidating trade-related contingencies	310,528	68,027	35,940
Foreign exchange related contracts			
- Less than one year	12,597,716	98,567	32,523
- One year to less than five years	3,041,819	736,863	147,782
- Five years and above	2,443,946	212,773	56,568
Interest rate contracts			
- Less than one year	21,778,172	14,084	6,114
- One year to less than five years	25,033,259	429,977	96,104
- Five years and above	10,763,946	260,478	164,458
Equity and commodity related contracts	830,263	26,856	2,742
Credit derivative contracts	1,212,834	49,642	12,587
Formal standby facilities and credit lines			
- Maturity exceeding one year	4,724,922	3,986,144	2,013,574
Other unconditionally cancellable commitments	23,750,514	2,183,155	345,921
Total	110,078,702	10,246,143	4,412,817
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 - 30 JUNE 2019 (continued)

30 COMMITMENTS AND CONTINGENCIES (continued)

Bank	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000
30 June 2019			
Direct credit substitutes	596,704	596,704	400,539
Transaction-related contingent items	2,498,623	1,278,842	810,898
Short-term self-liquidating trade-related contingencies	279,423	61,766	33,812
Foreign exchange related contracts			
- Less than one year	12,686,391	98,164	32,313
- One year to less than five years	2,961,223	736,863	146,234
- Five years and above	2,443,946	212,773	56,570
Interest rate contracts			
- Less than one year	21,778,172	14,084	6,114
- One year to less than five years	25,033,259	429,977	96,104
- Five years and above	10,763,946	260,478	146,821
Equity and commodity related contracts	830,263	26,856	2,742
Credit derivative contracts	1,212,834	49,642	12,587
Formal standby facilities and credit lines			
- Maturity exceeding one year	4,008,258	3,432,656	1,560,601
Other unconditionally cancellable commitments	21,342,654	2,087,975	330,432
Total	106,435,696	9,286,780	3,635,767
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	88,855,432	9,218,002	3,693,933

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

31 CAPITAL COMMITMENTS

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Capital expenditure commitments in respect of property and equipment contracted but not provided for	5,119	4,023	5,070	3,919

32 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

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

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Aggregate value of outstanding credit exposure to connected parties[^]:				
Credit facility and leasing (except guarantee)	741,054	706,854	732,250	699,944
Commitments and contingencies [*]	521,853	523,161	521,547	522,858
	<u>1,262,907</u>	<u>1,230,015</u>	<u>1,253,797</u>	<u>1,222,802</u>
Outstanding credit exposures to connected parties:				
As a proportion of total credit exposures	1.49%	1.44%	1.75%	1.67%

[^] Comprises total outstanding balances and unutilised limits

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

33 CREDIT RISK

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

	Note	Group		Bank	
		30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Cash and cash equivalents [*]	9	3,856,577	4,898,851	3,228,879	4,348,837
Deposits and placements with banks and other financial institutions [*]	10	41,627	400,000	573,055	980,343
Investment account placements [*]	11	-	-	2,132,017	1,379,286
Financial assets at FVTPL		3,313,774	1,873,515	3,297,607	1,863,535
Financial investments at FVOCI		15,394,660	17,802,426	11,685,110	13,586,543
Loans, advances and financing [*]	14	70,591,125	69,479,901	58,697,220	58,923,982
Derivative financial assets		756,103	760,761	756,820	762,277
Other assets [*]		525,419	418,998	754,415	599,461
Contingent liabilities and commitments		32,376,747	31,219,820	28,725,662	26,957,584
		<u>126,856,032</u>	<u>126,854,272</u>	<u>109,850,785</u>	<u>109,401,848</u>

^{*} Stated at gross before ECL allowance

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(a) Credit quality of financial assets

<u>Group</u>	30 June 2019					31 December 2018				
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
(i) By issuer/counterparty										
Government and central bank	3,227,029	9,588,339	-	-	-	1,214,592	9,449,365	-	-	-
Foreign government	-	272,724	-	-	-	-	614,177	-	-	-
Public sector	4	1,150,122	-	-	-	508,942	1,111,749	-	-	-
Banks	10,030	1,799,075	-	463,405	84,522	24	3,140,274	-	538,362	148,794
Non-bank financial institutions	60,084	1,302,300	-	26,447	84,350	139,665	1,603,527	-	31,273	47,087
Business enterprise	16,441	1,282,100	45,227	204,454	20,726,967	10,106	1,883,334	54,853	108,547	20,714,831
Small and medium enterprises	-	-	97,208	-	6,780,889	-	-	139,324	-	5,774,244
Individuals	-	-	365,733	61,797	4,700,019	-	-	346,919	82,579	4,534,864
Others	186	-	-	-	-	186	-	-	-	-
	<u>3,313,774</u>	<u>15,394,660</u>	<u>508,168</u>	<u>756,103</u>	<u>32,376,747</u>	<u>1,873,515</u>	<u>17,802,426</u>	<u>541,096</u>	<u>760,761</u>	<u>31,219,820</u>
(ii) By geographical distribution										
Malaysia	3,307,292	14,334,124	488,515	650,079	30,915,978	1,873,355	15,830,214	523,657	656,792	29,674,087
Singapore	34	103,794	10,100	14,066	94,127	1	103,517	12,381	43,091	62,538
Other ASEAN countries	6,180	315,943	7	6	1,034,610	-	404,117	-	-	960,603
Rest of the world	268	640,799	9,546	91,952	332,032	159	1,464,578	5,058	60,878	522,592
	<u>3,313,774</u>	<u>15,394,660</u>	<u>508,168</u>	<u>756,103</u>	<u>32,376,747</u>	<u>1,873,515</u>	<u>17,802,426</u>	<u>541,096</u>	<u>760,761</u>	<u>31,219,820</u>

* Past due but not impaired. The analysis of loans, advances and financing by sector and residual contractual maturity are detailed in Note 14(c) and Note 14(e) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(a) Credit quality of financial assets (continued)

Group (continued)	30 June 2019					31 December 2018				
	Financial assets at FVTPL	Financial investments at FVOCI	Loans, advances and financing*	Derivative financial assets	Contingent liabilities and credit commitments	Financial assets at FVTPL	Financial investments at FVOCI	Loans, advances and financing*	Derivative financial assets	Contingent liabilities and credit commitments
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(iii) By sector										
Agriculture, hunting, forestry and fishing	-	118,211	1,934	2,099	1,794,495	-	115,415	413	420	1,597,066
Mining and quarrying	-	173,381	420	120,161	403,951	-	206,119	-	67,593	422,212
Manufacturing	1	49,435	31,465	8,682	6,539,039	-	88,949	32,501	7,341	6,702,398
Electricity, gas and water	-	207,403	-	2,919	233,793	-	273,898	-	-	126,024
Construction	-	5,081	9,135	11,700	6,017,594	-	34,642	15,252	7,956	6,147,527
Real estate	261	-	15,828	1,029	2,343,637	123	24,181	42,973	1,161	2,457,704
Wholesale & retail trade and restaurants & hotels	-	331,440	55,926	2,741	4,382,649	-	477,171	71,818	4,617	4,146,227
Transport, storage and communication	1	246,955	5,585	30,087	1,723,536	1	503,597	11,403	36	647,892
Finance, insurance and business services	70,125	3,115,890	14,437	514,886	7,055,703	214,911	5,300,054	13,832	588,972	7,257,353
Community, social and personal services	-	-	7,706	-	1,664,069	-	-	5,985	88	1,519,482
Household										
- Purchase of residential properties	-	-	312,849	-	-	-	-	285,523	-	-
- Purchase of non-residential properties	-	-	10,722	-	-	-	-	8,347	-	-
- Others	-	-	42,161	61,797	212,854	-	-	53,049	82,577	190,064
Others	3,243,386	11,146,864	-	2	5,427	1,658,480	10,778,400	-	-	5,871
	3,313,774	15,394,660	508,168	756,103	32,376,747	1,873,515	17,802,426	541,096	760,761	31,219,820

* Past due but not impaired. The analysis of loans, advances and financing by sector and residual contractual maturity are detailed in Note 14(c) and Note 14(e) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(a) Credit quality of financial assets (continued)

Group (continued)	30 June 2019					31 December 2018				
	Financial assets at FVTPL	Financial investments at FVOCI	Loans, advances and financing*	Derivative financial assets	Contingent liabilities and credit commitments	Financial assets at FVTPL	Financial investments at FVOCI	Loans, advances and financing*	Derivative financial assets	Contingent liabilities and credit commitments
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
(iv) By residual contractual maturity										
Within one year	2,124,394	5,512,313	21,949	120,203	20,814,942	1,141,187	6,741,836	14,260	193,810	19,506,935
One to five years	788,866	7,060,928	30,156	321,661	3,319,974	445,376	8,190,662	38,786	318,846	3,823,426
Over five years	400,514	2,821,419	456,063	314,239	8,241,831	286,952	2,869,928	488,050	248,105	7,889,459
	3,313,774	15,394,660	508,168	756,103	32,376,747	1,873,515	17,802,426	541,096	760,761	31,219,820
Bank										
(i) By issuer/counterparty										
Government and central bank	3,227,029	7,143,889	-	-	-	1,214,592	6,881,998	-	-	-
Foreign government	-	206,031	-	-	-	-	443,825	-	-	-
Public sector	4	833,580	-	-	-	508,942	881,515	-	-	-
Banks	10,030	1,079,304	-	464,266	85,093	24	2,068,194	-	539,957	65,704
Non-bank financial institutions	60,084	1,231,691	-	26,443	77,179	139,665	1,518,241	-	31,262	44,246
Business enterprise	274	1,190,615	2,325	204,314	17,176,108	126	1,792,770	-	108,479	16,621,424
Small and medium enterprises	-	-	97,208	-	6,780,889	-	-	139,324	-	5,774,244
Individuals	-	-	322,579	61,797	4,606,393	-	-	292,366	82,579	4,451,966
Others	186	-	-	-	-	186	-	-	-	-
	3,297,607	11,685,110	422,112	756,820	28,725,662	1,863,535	13,586,543	431,690	762,277	26,957,584
(ii) By geographical distribution										
Malaysia	3,297,305	10,691,267	402,466	650,796	27,312,912	1,863,375	11,784,683	414,251	658,311	25,552,519
Singapore	34	103,794	10,100	14,066	94,127	1	103,517	12,381	43,088	62,538
Other ASEAN countries	-	290,891	-	6	987,869	-	338,745	-	-	949,399
Rest of the world	268	599,158	9,546	91,952	330,754	159	1,359,598	5,058	60,878	393,128
	3,297,607	11,685,110	422,112	756,820	28,725,662	1,863,535	13,586,543	431,690	762,277	26,957,584

* Past due but not impaired. The analysis of loans, advances and financing by sector and residual contractual maturity are detailed in Note 14(c) and Note 14(e) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(a) Credit quality of financial assets (continued)

	30 June 2019					31 December 2018				
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
Bank (continued)										
(iii) By sector										
Agriculture, hunting, forestry and fishing	-	87,785	309	2,099	1,681,417	-	85,523	119	420	1,471,008
Mining and quarrying	-	173,381	-	120,161	374,375	-	206,119	-	67,593	288,387
Manufacturing	1	49,435	24,173	8,563	5,644,148	-	88,949	19,714	7,316	5,634,506
Electricity, gas and water	-	100,459	-	2,919	233,793	-	188,005	-	-	111,854
Construction	-	5,081	5,461	11,700	5,003,197	-	34,642	11,889	7,956	4,985,181
Real estate	261	-	13,190	1,029	2,063,174	123	24,181	38,946	1,161	2,237,553
Wholesale & retail trade and restaurants & hotels	-	331,440	38,454	2,730	4,019,071	-	477,171	51,457	4,595	3,849,030
Transport, storage and communication	1	191,464	3,758	30,083	1,570,881	1	348,567	3,469	26	523,221
Finance, insurance and business services	70,125	2,325,510	6,886	515,739	6,494,411	214,911	4,142,688	8,452	590,545	6,386,660
Community, social and personal services	-	-	7,303	-	1,518,516	-	-	5,277	88	1,360,103
Household										
- Purchase of residential properties	-	-	287,470	-	-	-	-	255,315	-	-
- Purchase of non-residential properties	-	-	10,722	-	-	-	-	8,347	-	-
- Others	-	-	24,386	61,797	122,679	-	-	28,705	82,577	110,081
Others	3,227,219	8,420,555	-	-	-	1,648,500	7,990,698	-	-	-
	3,297,607	11,685,110	422,112	756,820	28,725,662	1,863,535	13,586,543	431,690	762,277	26,957,584

* Past due but not impaired. The analysis of loans, advances and financing by sector and residual contractual maturity are detailed in Note 14(c) and Note 14(e) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(a) Credit quality of financial assets (continued)

	30 June 2019					31 December 2018				
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
Bank (continued)										
(iv) By residual contractual maturity										
Within one year	2,124,394	3,823,102	14,263	120,244	18,382,421	1,141,187	4,646,674	2,627	195,108	16,750,332
One to five years	777,708	5,346,277	17,631	321,601	2,624,562	440,393	6,328,362	19,322	318,846	3,030,170
Over five years	395,505	2,515,731	390,218	314,975	7,718,679	281,955	2,611,507	409,741	248,323	7,177,082
	<u>3,297,607</u>	<u>11,685,110</u>	<u>422,112</u>	<u>756,820</u>	<u>28,725,662</u>	<u>1,863,535</u>	<u>13,586,543</u>	<u>431,690</u>	<u>762,277</u>	<u>26,957,584</u>

* Past due but not impaired. The analysis of loans, advances and financing by sector and residual contractual maturity are detailed in Note 14(c) and Note 14(e) respectively.

(v) By credit rating/internal grading and ECL stage

Group	30 June 2019				31 December 2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and cash equivalents	3,856,577	-	-	3,856,577	4,898,851	-	-	4,898,851
Deposits and placements with banks and other financial institutions	41,627	-	-	41,627	400,000	-	-	400,000

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(a) Credit quality of financial assets (continued)

(v) By credit rating/internal grading and ECL stage (continued)

<u>Group</u> (continued)	30 June 2019				31 December 2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVTPL*								
Government and central bank (unrated)	-	-	-	2,182,217	-	-	-	1,054,924
Government (AAA to BBB)	-	-	-	1,044,812	-	-	-	159,668
Investment grade (AAA to BBB)	-	-	-	80,345	-	-	-	142,762
Unrated	-	-	-	6,400	-	-	-	516,161
	-	-	-	3,313,774	-	-	-	1,873,515
Financial investments at FVOCI								
Government (A to AAA)	4,383,166	-	-	4,383,166	4,786,636	-	-	4,786,636
Government and central bank (unrated)	5,205,173	-	-	5,205,173	4,662,729	-	-	4,662,729
Foreign government (AAA to BBB)	251,756	-	-	251,756	580,567	-	-	580,567
Foreign government (unrated)	20,968	-	-	20,968	33,610	-	-	33,610
Investment grade (AAA to BBB)	2,685,478	-	-	2,685,478	3,512,732	30,006	-	3,542,738
Unrated	2,848,119	-	-	2,848,119	4,196,146	-	-	4,196,146
	15,394,660	-	-	15,394,660	17,772,420	30,006	-	17,802,426
Contingent liabilities and commitments (excluding derivative assets)								
Pass	30,378,859	1,178,990	-	31,557,849	30,007,302	895,226	-	30,902,528
Special Mention	-	774,723	-	774,723	-	280,802	-	280,802
Credit impaired	-	-	44,175	44,175	-	-	36,490	36,490
	30,378,859	1,953,713	44,175	32,376,747	30,007,302	1,176,028	36,490	31,219,820

* ECL stage is not applicable for financial assets at FVTPL.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(a) Credit quality of financial assets (continued)

(v) By credit rating/internal grading and ECL stage (continued)

	30 June 2019				31 December 2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Bank								
Cash and cash equivalents	3,228,879	-	-	3,228,879	4,348,837	-	-	4,348,837
Deposits and placements with banks and other financial institutions	573,055	-	-	573,055	980,343	-	-	980,343
Investment account placements	2,017,547	-	114,470	2,132,017	1,263,316	-	115,970	1,379,286
Financial assets at FVTPL*								
Government and central bank (unrated)	-	-	-	2,182,217	-	-	-	1,054,924
Government (AAA to BBB)	-	-	-	1,044,812	-	-	-	159,668
Investment grade (AAA to BBB)	-	-	-	70,358	-	-	-	132,782
Unrated	-	-	-	220	-	-	-	516,161
	-	-	-	3,297,607	-	-	-	1,863,535
Financial investments at FVOCI								
Government (A to AAA)	3,825,262	-	-	3,825,262	4,023,364	-	-	4,023,364
Government and central bank (unrated)	3,318,627	-	-	3,318,627	2,858,634	-	-	2,858,634
Foreign government (AAA to BBB)	206,031	-	-	206,031	431,323	-	-	431,323
Foreign government (unrated)	-	-	-	-	12,502	-	-	12,502
Investment grade (AAA to BBB)	2,523,384	-	-	2,523,384	3,366,888	-	-	3,366,888
Unrated	1,811,806	-	-	1,811,806	2,893,832	-	-	2,893,832
	11,685,110	-	-	11,685,110	13,586,543	-	-	13,586,543

* ECL stage is not applicable for financial assets at FVTPL.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(a) Credit quality of financial assets (continued)

(v) By credit rating/internal grading and ECL stage (continued)

	30 June 2019				31 December 2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Bank (continued)								
Contingent liabilities and commitments (excluding derivative assets)								
Pass	27,229,627	924,451	-	28,154,078	26,008,792	642,050	-	26,650,842
Special Mention	-	533,353	-	533,353	-	280,592	-	280,592
Credit impaired	-	-	38,231	38,231	-	-	26,150	26,150
	27,229,627	1,457,804	38,231	28,725,662	26,008,792	922,642	26,150	26,957,584

(b) Credit quality of loans, advances and financing

Credit quality

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

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

Past due but not credit impaired are loans, advances and financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes financing which are past due one or more days after the contractual due date but less than 3 months.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Credit quality (continued)

Credit quality and ECL stage

<u>Group</u>	30 June 2019				31 December 2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Neither past due nor credit impaired								
(i) By internal grading								
Pass	63,070,830	4,829,682	-	67,900,512	61,950,075	5,320,988	-	67,271,063
Special Mention	-	883,427	-	883,427	-	334,701	-	334,701
	<u>63,070,830</u>	<u>5,713,109</u>	<u>-</u>	<u>68,783,939</u>	<u>61,950,075</u>	<u>5,655,689</u>	<u>-</u>	<u>67,605,764</u>
Past due but not credit impaired								
(i) By period overdue								
Less than 2 months	-	406,414	-	406,414	-	440,442	-	440,442
2 months to less than 3 months	-	101,754	-	101,754	-	100,654	-	100,654
	<u>-</u>	<u>508,168</u>	<u>-</u>	<u>508,168</u>	<u>-</u>	<u>541,096</u>	<u>-</u>	<u>541,096</u>
Credit impaired								
Past due	-	-	1,150,283	1,150,283	-	-	1,127,942	1,127,942
Not past due	-	-	148,735	148,735	-	-	205,099	205,099
	<u>-</u>	<u>-</u>	<u>1,299,018</u>	<u>1,299,018</u>	<u>-</u>	<u>-</u>	<u>1,333,041</u>	<u>1,333,041</u>
Total	<u>63,070,830</u>	<u>6,221,277</u>	<u>1,299,018</u>	<u>70,591,125</u>	<u>61,950,075</u>	<u>6,196,785</u>	<u>1,333,041</u>	<u>69,479,901</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Credit quality and ECL stage (continued)

<u>Bank</u>	30 June 2019				31 December 2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Neither past due nor credit impaired								
(i) By internal grading								
Pass	52,472,441	4,273,486	-	56,745,927	52,505,677	4,811,064	-	57,316,741
Special Mention	-	621,065	-	621,065	-	217,610	-	217,610
	<u>52,472,441</u>	<u>4,894,551</u>	<u>-</u>	<u>57,366,992</u>	<u>52,505,677</u>	<u>5,028,674</u>	<u>-</u>	<u>57,534,351</u>
Past due but not credit impaired								
(i) By period overdue								
Less than 2 months	-	341,727	-	341,727	-	358,099	-	358,099
2 months to less than 3 months	-	80,385	-	80,385	-	73,591	-	73,591
	<u>-</u>	<u>422,112</u>	<u>-</u>	<u>422,112</u>	<u>-</u>	<u>431,690</u>	<u>-</u>	<u>431,690</u>
Credit impaired								
Past due	-	-	798,715	798,715	-	-	854,952	854,952
Not past due	-	-	109,401	109,401	-	-	102,989	102,989
	<u>-</u>	<u>-</u>	<u>908,116</u>	<u>908,116</u>	<u>-</u>	<u>-</u>	<u>957,941</u>	<u>957,941</u>
Total	<u>52,472,441</u>	<u>5,316,663</u>	<u>908,116</u>	<u>58,697,220</u>	<u>52,505,677</u>	<u>5,460,364</u>	<u>957,941</u>	<u>58,923,982</u>

All past due but not credit impaired loans, advances and financing are classified as Special Mention.
The analysis of credit impaired loans, advances and financing is disclosed in Note 15.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

33 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Collateral

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

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

As at 30 June 2019 and 31 December 2018, there were no assets repossessed by the Group and the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

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

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Fair value of collateral held against the covered portion of credit impaired loans, advances and financing	1,199,703	1,182,363	936,084	951,832
Covered portion of credit impaired loans, advances and financing	820,417	838,859	629,437	659,939
Uncovered portion of credit impaired loans, advances and financing	478,601	494,182	278,679	298,002
	1,299,018	1,333,041	908,116	957,941

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

34 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 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 customer Deposits and placement of banks and other financial institutions Other liabilities Subordinated bonds/sukuk	OTC derivatives

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

34 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>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
30 June 2019				
Financial assets at fair value				
Financial assets at FVTPL	1,659,385	1,654,389	-	3,313,774
Financial investments at FVOCI	9,427,662	5,865,225	101,773	15,394,660
Loans, advances and financing	-	-	10,183	10,183
Derivative financial assets	1,924	710,835	43,344	756,103
	<u>11,088,971</u>	<u>8,230,449</u>	<u>155,300</u>	<u>19,474,720</u>

Financial liabilities at fair value

Derivative financial liabilities	<u>2,162</u>	<u>771,405</u>	<u>43,564</u>	<u>817,131</u>
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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>
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Bank

30 June 2019

Financial assets at fair value

Financial assets at FVTPL	1,659,385	1,638,222	-	3,297,607
Financial investments at FVOCI	7,078,626	4,504,711	101,773	11,685,110
Loans, advances and financing	-	-	10,183	10,183
Derivative financial assets	1,997	711,479	43,344	756,820
	<u>8,740,008</u>	<u>6,854,412</u>	<u>155,300</u>	<u>15,749,720</u>

Financial liabilities at fair value

Derivative financial liabilities	<u>2,174</u>	<u>771,380</u>	<u>43,564</u>	<u>817,118</u>
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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>
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

34 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy of financial assets and liabilities (continued)

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

	Group and Bank	
	30 June 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
Purchased	10,000	-
Settled/Disposed	(24,653)	(34,686)
Realised loss		
- Recognised in net trading income	(63,206)	(4,267)
Unrealised gain/(loss)		
- Recognised in net trading income	33,523	64,656
- Recognised in other comprehensive income/(expense)	2,555	(9,327)
At 30 June/31 December	<u>155,300</u>	<u>197,081</u>
Financial liabilities at fair value		
At 1 January	73,283	16,294
Realised gain		
- Recognised in net trading income	(63,206)	(4,267)
Unrealised loss		
- Recognised in net trading income	33,487	61,256
At 30 June/31 December	<u>43,564</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	30 June 2019 Fair value RM'000	31 December 2018 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Financial investments at FVOCI	101,773	99,218	FVOCI	Net asset value approach	Net asset value
Loans, advances and financing	10,183	24,836	FVTPL	Discounted cash flow analysis and market approach	Implied equity value, incentive fee and discount factor
Derivative financial assets	43,344	73,027	Hedge for trading	Option pricing model	Standard deviation
	<u>155,300</u>	<u>197,081</u>			
Liabilities					
Derivative financial liabilities	43,564	73,283	Hedge for trading	Option pricing model	Standard deviation

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

35 SEGMENT INFORMATION

Operating Segment

The Group's businesses are organised into three 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 - 30 JUNE 2019 (continued)

35 SEGMENT INFORMATION (continued)

Group	Business Banking RM'000	Consumer Financial Services RM'000	Global Treasury RM'000	Others RM'000	Total RM'000
30 June 2019					
Net interest/finance income	556,754	217,992	106,276	66,398	947,420
Non-interest/finance income	73,236	84,319	186,236	20,466	364,257
Operating income	629,990	302,311	292,512	86,864	1,311,677
Operating expenses	(240,054)	(279,310)	(53,894)	(31,540)	(604,798)
Operating profit before impairment allowance and provision	389,936	23,001	238,618	55,324	706,879
Impairment allowances and provision for commitments and contingencies	(165,523)	1,608	371	111	(163,433)
Profit before income tax and zakat	224,413	24,609	238,989	55,435	543,446
Income tax expense and zakat	(50,671)	(5,906)	(57,357)	(14,022)	(127,956)
Profit for the period	173,742	18,703	181,632	41,413	415,490
Gross loans, advances and financing	42,595,382	27,943,535	-	52,208	70,591,125
Gross impaired loans, advances and financing	759,325	539,693	-	-	1,299,018
Deposits from customers	35,692,973	38,266,707	3,798,567	-	77,758,247
30 June 2018					
Net interest/finance income	510,310	229,798	91,908	83,983	915,999
Non-interest/finance income	82,026	85,864	132,219	26,842	326,951
Operating income	592,336	315,662	224,127	110,825	1,242,950
Operating expenses	(228,823)	(267,163)	(47,610)	(26,549)	(570,145)
Operating profit before impairment allowance and provision	363,513	48,499	176,517	84,276	672,805
Impairment allowances and provision for commitments and contingencies	(61,242)	(24,867)	10	14,643	(71,456)
Profit before income tax and zakat	302,271	23,632	176,527	98,919	601,349
Income tax expense and zakat	(68,974)	(5,672)	(42,366)	(32,864)	(149,876)
Profit for the period	233,297	17,960	134,161	66,055	451,473
31 December 2018					
Gross loans, advances and financing	40,526,120	28,894,747	-	59,034	69,479,901
Gross 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 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 2018.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

36 CAPITAL ADEQUACY

The capital ratios are computed in accordance with BNM's Capital Adequacy Framework (Capital Components).

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 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	6,245,269	5,967,780	5,430,569	5,202,242
Other reserves	849,008	740,269	684,467	590,458
Regulatory adjustment	(749,428)	(739,071)	(1,197,774)	(1,193,986)
CET 1 capital	7,098,849	6,722,978	5,671,262	5,352,714
Additional Tier 1 capital				
Innovative Tier 1 capital	-	320,000	-	320,000
Additional Tier 1 capital	454,996	455,203	454,996	455,203
Tier 1 capital	7,553,845	7,498,181	6,126,258	6,127,917
Tier 2 capital				
Stage 1 and Stage 2 ECL and qualifying regulatory reserves under the Standardised Approach	14,711	16,635	11,490	12,583
Surplus eligible provisions over expected losses	260,257	255,375	209,244	208,389
Subordinated bonds	1,037,723	1,037,967	1,037,723	1,037,966
Regulatory adjustment	-	-	(200,000)	(200,000)
Tier 2 capital	1,312,691	1,309,977	1,058,457	1,058,938
Capital base	8,866,536	8,808,158	7,184,715	7,186,855
Before deducting proposed dividend				
CET 1 capital ratio	14.051%	13.503%	13.845%	13.112%
Tier 1 capital ratio	14.951%	15.061%	14.956%	15.011%
Total capital ratio	17.549%	17.692%	17.540%	17.605%
After deducting proposed dividend				
CET 1 capital ratio	13.777%	13.226%	13.509%	12.774%
Tier 1 capital ratio	14.678%	14.783%	14.619%	14.673%
Total capital ratio	17.276%	17.414%	17.203%	17.267%

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

	Group		Bank	
	30 June 2019 RM'000	31 December 2018 RM'000	30 June 2019 RM'000	31 December 2018 RM'000
Total RWA for credit risk	44,552,961	43,893,315	35,793,208	35,738,077
Total RWA for market risk	1,228,172	1,235,013	1,227,615	1,235,744
Total RWA for operational risk	4,742,552	4,658,703	3,940,326	3,849,013
	50,523,685	49,787,031	40,961,149	40,822,834

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (continued)

36 CAPITAL ADEQUACY (continued)

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

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

	30 June 2019	31 December 2018
After the effects of RPSIA		
CET 1 capital ratio	14.776%	15.054%
Tier 1 capital ratio	14.776%	15.054%
Total capital ratio	<u>17.416%</u>	<u>17.825%</u>