

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD  
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

<b>CONTENTS</b>	<b>PAGE</b>
STATEMENTS OF FINANCIAL POSITION	3
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4 - 5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6 - 7
STATEMENT OF CHANGES IN EQUITY	8 - 9
STATEMENTS OF CASH FLOWS	10 - 11
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	12 - 43

OCBC BANK (MALAYSIA) BERHAD  
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2018**

	Note	Group		Bank	
		31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>					
Cash and cash equivalents	9	6,934,703	6,158,261	5,980,106	5,571,918
Deposits and placements with banks and other financial institutions	10	333,851	71,835	571,464	182,518
Investment account placement	11	-	-	1,533,996	1,793,011
Financial assets at fair value through profit or loss	12	2,356,487	1,690,763	2,346,511	1,690,763
Financial investments at fair value through other comprehensive income	13	13,865,044	13,501,159	9,350,124	8,778,279
Loans, advances and financing	14	65,969,230	67,452,350	56,524,034	57,742,824
Derivative financial assets	16	807,253	835,825	806,457	835,625
Other assets	17	287,470	370,277	537,231	709,911
Statutory deposits with Bank Negara Malaysia		1,944,507	1,752,717	1,629,007	1,427,217
Investments in subsidiaries		-	-	558,492	558,492
Property and equipment		158,209	162,596	149,392	153,271
Prepaid lease payments		739	748	739	748
Tax recoverable		381	535	-	-
Deferred tax assets		23,635	26,957	20,563	25,022
<b>Total assets</b>		<b>92,681,509</b>	<b>92,024,023</b>	<b>80,008,116</b>	<b>79,469,599</b>
<b>LIABILITIES</b>					
Deposits from customers	18	74,756,953	73,652,739	63,287,319	62,490,422
Deposits and placements of banks and other financial institutions	19	3,706,615	4,388,137	3,516,815	3,946,437
Bills and acceptances payable		132,342	166,104	114,315	145,347
Recourse obligation on loans sold to Cagamas Berhad		1,413,452	1,419,252	1,413,452	1,419,252
Derivative financial liabilities	16	914,593	1,080,854	914,165	1,080,427
Other liabilities	21	2,835,844	2,543,806	2,696,589	2,417,222
Tax payable and zakat		59,078	22,793	45,384	15,540
Subordinated bonds	20	1,827,293	1,870,932	1,827,293	1,870,932
<b>Total liabilities</b>		<b>85,646,170</b>	<b>85,144,617</b>	<b>73,815,332</b>	<b>73,385,579</b>
<b>EQUITY</b>					
Share capital		754,000	754,000	754,000	754,000
Reserves		6,279,837	6,123,912	5,438,784	5,330,020
Non-controlling interest		1,502	1,494	-	-
<b>Total equity</b>		<b>7,035,339</b>	<b>6,879,406</b>	<b>6,192,784</b>	<b>6,084,020</b>
<b>Total liabilities and equity</b>		<b>92,681,509</b>	<b>92,024,023</b>	<b>80,008,116</b>	<b>79,469,599</b>
<b>Commitments and contingencies</b>	31	<b>95,716,876</b>	<b>91,839,022</b>	<b>91,660,381</b>	<b>88,919,066</b>

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 2017 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

OCBC BANK (MALAYSIA) BERHAD  
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Note	Group		Bank	
		Year to date ended		Year to date ended	
		31 March 2018 RM'000	31 March 2017 RM'000	31 March 2018 RM'000	31 March 2017 RM'000
Interest income		868,868	853,671	884,961	872,885
Interest expense		(509,717)	(507,466)	(520,571)	(521,475)
Net interest income	23	359,151	346,205	364,390	351,410
Income from Islamic banking operations	24	105,619	110,679	-	-
Net fee and commission income	25	83,489	85,710	82,955	85,659
Net trading income	26	68,580	36,289	68,568	36,289
Other operating (expense)/income	27	(966)	5,569	24,704	28,468
<b>Operating income</b>		<b>615,873</b>	<b>584,452</b>	<b>540,617</b>	<b>501,826</b>
Operating expenses	28	(284,290)	(255,851)	(265,715)	(233,954)
<b>Operating profit before impairment allowance and provision</b>		<b>331,583</b>	<b>328,601</b>	<b>274,902</b>	<b>267,872</b>
Impairment allowance on loans, advances and financing	29	(7,234)	(27,875)	(6,687)	(12,017)
Impairment allowance on Restricted Profit Sharing Investment Accounts		-	-	1,234	-
Impairment allowance on other assets	22	(5)	(18)	(739)	(18)
<b>Profit before income tax and zakat</b>		<b>324,344</b>	<b>300,708</b>	<b>268,710</b>	<b>255,837</b>
Income tax expense	30	(80,279)	(73,690)	(66,762)	(63,617)
Zakat		-	(12)	-	-
<b>Profit for the period</b>		<b>244,065</b>	<b>227,006</b>	<b>201,948</b>	<b>192,220</b>
<b>Other comprehensive income, net of income tax</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Movement in fair value reserve (equity instruments)					
- Change in fair value		2,732	-	2,732	-
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Movement in fair value reserve (debt instruments)					
- Change in fair value		(30,310)	28,107	(25,174)	18,335
- Amount transferred to profit or loss		6,924	84	6,705	(11)
- Related tax		5,762	(6,771)	4,431	(4,400)
Change in expected credit loss reserve on debt instruments at fair value through other comprehensive income		48	-	782	-
<b>Other comprehensive (expense)/income for the period, net of income tax</b>		<b>(14,844)</b>	<b>21,420</b>	<b>(10,524)</b>	<b>13,924</b>
<b>Total comprehensive income for the period</b>		<b>229,221</b>	<b>248,426</b>	<b>191,424</b>	<b>206,144</b>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>Year to date ended</b>		<b>Year to date ended</b>	
	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>	<b>31 March</b>
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Profit attributable to:</b>				
Owner of the Bank	244,057	227,084	201,948	192,220
Non-controlling interest	8	(78)	-	-
	<b>244,065</b>	<b>227,006</b>	<b>201,948</b>	<b>192,220</b>
<b>Total comprehensive income attributable to:</b>				
Owner of the Bank	229,213	248,504	191,424	206,144
Non-controlling interest	8	(78)	-	-
	<b>229,221</b>	<b>248,426</b>	<b>191,424</b>	<b>206,144</b>
<b>Basic earnings per ordinary share (sen)</b>	<b>84.9</b>	<b>78.9</b>	<b>70.2</b>	<b>66.9</b>

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AND ITS SUBSIDIARY COMPANIES  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

<u>Group</u>	<i>Non-distributable</i>				<i>Distributable</i>		<b>Total equity</b> <b>RM'000</b>	
	<b>Share capital</b> <b>RM'000</b>	<b>Regulatory reserve*</b> <b>RM'000</b>	<b>Capital reserve</b> <b>RM'000</b>	<b>Expected credit loss reserve</b> <b>RM'000</b>	<b>Fair value reserve</b> <b>RM'000</b>	<b>Retained earnings</b> <b>RM'000</b>		<b>Non-controlling interest</b> <b>RM'000</b>
At 1 January 2018	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 balance 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	-	-	-	-	(27,578)	-	-	(27,578)
- Transferred to profit or loss	-	-	-	-	6,924	-	-	6,924
- Income tax effect	-	-	-	-	5,762	-	-	5,762
Expected credit loss reserve								
- Change in expected credit loss	-	-	-	48	-	-	-	48
<b>Total other comprehensive income/(expense) for the period</b>	-	-	-	48	(14,892)	-	-	(14,844)
Profit for the period	-	-	-	-	-	244,057	8	244,065
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	48	(14,892)	244,057	8	229,221
Transfer to regulatory reserve	-	67,000	-	-	-	(67,000)	-	-
<i>Contributions by and distributions to owner of the Bank</i>								
Dividend payable								
- Final 2017 ordinary	-	-	-	-	-	(150,000)	-	(150,000)
At 31 March 2018	754,000	553,000	56,619	11,677	77,296	5,581,245	1,502	7,035,339

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

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(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (continued)**

<u>Group</u>	<i>Non-distributable</i>					<i>Distributable</i>				<b>Total equity RM'000</b>
	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Statutory reserve RM'000</b>	<b>Regulatory reserve* RM'000</b>	<b>Capital redemption reserve RM'000</b>	<b>Capital reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	<b>Non-controlling interest RM'000</b>	
At 1 January 2017	287,500	462,500	507,000	375,000	4,000	56,619	79,050	4,651,258	1,396	6,424,323
Fair value reserve										
- Change in fair value	-	-	-	-	-	-	28,107	-	-	28,107
- Transferred to profit or loss	-	-	-	-	-	-	84	-	-	84
- Income tax effect	-	-	-	-	-	-	(6,771)	-	-	(6,771)
<b>Total other comprehensive income for the period</b>	-	-	-	-	-	-	21,420	-	-	21,420
Profit for the period	-	-	-	-	-	-	-	227,084	(78)	227,006
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	-	-	-	21,420	227,084	(78)	248,426
At 31 March 2017	287,500	462,500	507,000	375,000	4,000	56,619	100,470	4,878,342	1,318	6,672,749

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AND ITS SUBSIDIARY COMPANIES  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	<i>Non-distributable</i>			<i>Distributable</i>		<b>Total equity RM'000</b>
	<b>Share capital RM'000</b>	<b>Regulatory reserve* RM'000</b>	<b>Expected credit loss reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	
<b>Bank</b>						
At 1 January 2018	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 balance 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	-	-	-	(22,442)	-	(22,442)
- Transferred to profit or loss	-	-	-	6,705	-	6,705
- Income tax effect	-	-	-	4,431	-	4,431
Expected credit loss reserve						
- Change in expected credit loss	-	-	782	-	-	782
<b>Total other comprehensive income/(expense) for the period</b>	-	-	782	(11,306)	-	(10,524)
Profit for the period	-	-	-	-	201,948	201,948
<b>Total comprehensive income/(expense) for the period</b>	-	-	782	(11,306)	201,948	191,424
Transfer to regulatory reserve	-	67,000	-	-	(67,000)	-
<i>Contributions by and distributions to owner of the Bank</i>						
Dividend payable						
- Final 2017 ordinary	-	-	-	-	(150,000)	(150,000)
At 31 March 2018	754,000	462,000	9,765	77,877	4,889,142	6,192,784

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

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (continued)**

	<i>Non-distributable</i>					<i>Distributable</i>		<b>Total equity RM'000</b>
	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Statutory reserve RM'000</b>	<b>Regulatory reserve* RM'000</b>	<b>Capital redemption reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	
<b><u>Bank</u></b>								
At 1 January 2017	287,500	462,500	322,000	375,000	4,000	88,558	4,294,510	5,834,068
Fair value reserve								
- Change in fair value	-	-	-	-	-	18,335	-	18,335
- Transferred to profit or loss	-	-	-	-	-	(11)	-	(11)
- Income tax effect	-	-	-	-	-	(4,400)	-	(4,400)
<b>Total other comprehensive income for the period</b>	-	-	-	-	-	13,924	-	13,924
Profit for the period	-	-	-	-	-	-	192,220	192,220
<b>Total comprehensive income for the period</b>	-	-	-	-	-	13,924	192,220	206,144
At 31 March 2017	287,500	462,500	322,000	375,000	4,000	102,482	4,486,730	6,040,212

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

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AND ITS SUBSIDIARY COMPANIES  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	Group		Bank	
	Year to date ended 31 March 2018 RM'000	31 March 2017 RM'000	Year to date ended 31 March 2018 RM'000	31 March 2017 RM'000
<b>Cash flows from operating activities</b>				
Profit before income tax and zakat	324,344	300,708	268,710	255,837
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	9	9	9	9
Depreciation of property and equipment	6,903	8,784	5,834	7,623
Impairment allowance/(writeback of provision) on:				
- Loans, advances and financing	7,234	27,875	6,687	12,017
- Restricted Profit Sharing Investment Accounts	-	-	(1,234)	-
- Other assets	5	18	739	18
Net loss/(gain) on disposal of:				
- Financial investments at fair value through other comprehensive income	6,924	84	6,705	(11)
- Property and equipment	2	5	1	4
Share-based expenses	1,471	1,245	1,390	1,156
Unrealised (gain)/loss on:				
- Financial assets at fair value through profit or loss	(2,716)	(542)	(3,185)	(542)
- Hedging derivatives	12	83	12	83
- Trading derivatives	(78,363)	176,604	(77,767)	176,991
- Subordinated bonds	(43,639)	(14,765)	(43,639)	(14,765)
Operating profit before changes in working capital	222,186	500,108	164,262	438,420
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(262,080)	836,781	(389,003)	814,663
Investment account placement	-	-	260,055	(1,101,477)
Financial assets at fair value through profit or loss	(530,105)	(754,628)	(652,377)	(754,628)
Loans, advances and financing	1,593,851	(2,757,235)	1,318,011	(1,988,845)
Other assets	81,760	55,162	172,346	28,811
Statutory deposits with Bank Negara Malaysia	(191,790)	292,865	(201,790)	269,865
Derivative financial assets and liabilities	(57,961)	(9,829)	(57,962)	(9,827)
Deposits from customers	1,104,214	858,191	796,897	1,161,547
Deposits and placements of banks and other financial institutions	(681,522)	2,878,298	(429,622)	2,799,925
Bills and acceptances payable	(33,762)	8,613	(31,032)	(21,724)
Other liabilities	139,872	52,616	127,280	3,878
<b>Cash generated from operations</b>	1,384,663	1,960,942	1,077,065	1,640,608
Income tax and zakat paid	(58,984)	(53,805)	(49,937)	(45,156)
<b>Net cash generated from operating activities</b>	1,325,679	1,907,137	1,027,128	1,595,452

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018 (continued)**

	<u>Group</u>		<u>Bank</u>	
	<u>Year to date ended</u> <u>31 March</u> <u>2018</u> <u>RM'000</u>	<u>31 March</u> <u>2017</u> <u>RM'000</u>	<u>Year to date ended</u> <u>31 March</u> <u>2018</u> <u>RM'000</u>	<u>31 March</u> <u>2017</u> <u>RM'000</u>
<b>Cash flows from investing activities</b>				
Acquisition of financial investments at fair value through other comprehensive income	(3,731,737)	(5,554,533)	(2,025,177)	(1,679,411)
Acquisition of property and equipment	(2,519)	(688)	(1,956)	(589)
Proceeds from disposal of financial investments at fair value through other comprehensive income	3,190,812	4,131,970	1,414,145	824,290
Proceeds from disposal of property and equipment	1	109	1	92
<b>Net cash used in investing activities</b>	<u>(543,443)</u>	<u>(1,423,142)</u>	<u>(612,987)</u>	<u>(855,618)</u>
<b>Cash flows from financing activities</b>				
Recourse obligation on loans sold to Cagamas Berhad	(5,800)	(6,317)	(5,800)	(6,317)
<b>Net cash used in financing activities</b>	<u>(5,800)</u>	<u>(6,317)</u>	<u>(5,800)</u>	<u>(6,317)</u>
<b>Net increase in cash and cash equivalents</b>	776,436	477,678	408,341	733,517
<b>Cash and cash equivalents at 1 January</b>	6,158,448	8,293,096	5,571,918	6,720,113
<b>Cash and cash equivalents at 31 March</b>	<u>6,934,884</u>	<u>8,770,774</u>	<u>5,980,259</u>	<u>7,453,630</u>

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

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OCBC BANK (MALAYSIA) BERHAD  
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## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018

### GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements of the Bank as at and for the financial period ended 31 March 2018 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

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

### FINANCIAL PERFORMANCE

The Group recorded net profit after tax of RM244 million for the financial period ended 31 March 2018; a growth of RM17 million or 7.5% against the corresponding period last year. The higher profit was largely from growth in NII by RM13 million or 3.7%, higher trading income of RM32 million or 89%, coupled with lower impairment allowances of RM21 million or 74% offset by higher operating expenses of RM28 million or 11%. Income from Islamic banking operations reduced by RM5 million or 4.6% against last year mainly due to derisking offset by lower impairment allowances.

Total assets stood at RM92.7 billion; RM0.7 billion or 0.7% higher than the previous year mainly as funds garnered from customer deposits growth of RM1.1 billion were deployed in higher cash holdings and placements with banks and other financial institutions of RM1.0 billion and financial assets at fair value through profit or loss of RM0.7 billion, financial investments at fair value through other comprehensive income of RM0.4 billion while loans, advances and financing reduced by RM1.5 billion.

The Group and the Bank remained well capitalised after taking into consideration the proposed dividend for the financial year ended 31 December 2017, with Common Equity Tier 1 capital ratios of 13.476% and 12.739%, Tier 1 capital ratios of 15.112% and 14.684% and total capital ratios of 17.846% and 17.306%, respectively.

### ECONOMIC PERFORMANCE AND PROSPECTS

Global growth is projected to expand into 2018, driven largely by private consumption and boosted by investment activity in the advanced economies. At this point, risks to the global growth outlook remain balanced, pointing towards continuity in global economic expansion. In Asia, growth is expected to be driven by sustained domestic activity and external demand. Downside risks include trade tensions and future global oil prices which remain highly uncertain.

For Malaysia, growth prospects will be sustained by the positive global growth outlook and spillovers from the external sector to the domestic economy. Domestic demand will remain the key driver of growth, underpinned by favourable income and labour market conditions, spending on new and ongoing infrastructure projects and sustained capital investment by firms in the manufacturing and services sectors. With additional impetus from the external sector, growth is expected to remain strong in 2018.

### 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, except for the adoption of MFRS 9, Financial Instruments ("MFRS 9") which came into effect on 1 January 2018. As allowed under MFRS 9, the Group and the Bank have not restated its comparative information. The transition impact arising from the adoption of MFRS 9 are recognised in the opening Retained Earnings.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**1 BASIS OF PREPARATION (continued)**

**(a) Statement of compliance**

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

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

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

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

An explanation of impacts on adoption of MFRS 9 is provided in Note 36. The adoption of the other accounting standards and amendments did not have any significant impact on the Group and the Bank.

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

Effective for annual periods commencing on or after 1 January 2019

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

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

**MFRS 16, Leases**

MFRS 16 requires recognition of operating lease commitments on balance sheet together with a right of use asset.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**1 BASIS OF PREPARATION (continued)**

**(b) Use of estimates and judgements**

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2017, except as disclosed on adoption of MFRS 9.

**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 2017, except as disclosed in Note 1(a) and Note 36.

**3 SEASONALITY OF OPERATIONS**

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

**4 SHARE CAPITAL**

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

**5 CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the financial period ended 31 March 2018.

**6 DIVIDENDS**

No dividend has been proposed for the financial period ended 31 March 2018.

**7 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.

**8 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 31 March 2018.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**9 CASH AND CASH EQUIVALENTS**

	Note	Group		Bank	
		31 March 2018	31 December 2017	31 March 2018	31 December 2017
		RM'000	RM'000	RM'000	RM'000 Restated
Cash and balances with banks and other financial institutions		387,867	493,106	330,920	351,502
Money at call and deposit placements with financial institutions maturing within one month		560,303	1,198,899	859,339	1,570,416
Deposit placements with Bank Negara Malaysia		5,986,714	4,466,256	4,790,000	3,650,000
		<u>6,934,884</u>	<u>6,158,261</u>	<u>5,980,259</u>	<u>5,571,918</u>
Impairment allowance on other placements					
- Collectively assessed	22	(181)	-	(153)	-
		<u>6,934,703</u>	<u>6,158,261</u>	<u>5,980,106</u>	<u>5,571,918</u>

Included in the Bank's cash and cash equivalents are deposits and placements with OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") of RM299 million (31 December 2017: RM372 million), which are unsecured and profit bearing.

**10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	Note	Group		Bank	
		31 March 2018	31 December 2017	31 March 2018	31 December 2017
		RM'000	RM'000	RM'000	RM'000 Restated
Licensed banks		333,915	71,835	571,528	182,518
Impairment allowance on other placements with banks					
- Collectively assessed	22	(64)	-	(64)	-
		<u>333,851</u>	<u>71,835</u>	<u>571,464</u>	<u>182,518</u>

Included in the Bank's deposits and placements with licensed banks are deposits and placements with OCBC Al-Amin of RM238 million (31 December 2017: RM110 million), which are unsecured and profit bearing.

**11 INVESTMENT ACCOUNT PLACEMENT**

	Note	Group		Bank	
		31 March 2018	31 December 2017	31 March 2018	31 December 2017
		RM'000	RM'000	RM'000	RM'000
Restricted Profit Sharing Investment Accounts		-	-	1,601,141	1,861,390
Impairment allowance on RPSIA					
- Individually assessed	22	-	-	(59,818)	(59,818)
- Collectively assessed	22	-	-	(7,327)	(8,561)
		<u>-</u>	<u>-</u>	<u>1,533,996</u>	<u>1,793,011</u>

The exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") is an arrangement with OCBC Al-Amin which the 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.

The comparative figures have been restated to conform with current year presentation which presents RPSIA as a separate line item in the statement of financial position pursuant to BNM's policy on Financial Reporting issued on 2 February 2018. Previously, RPSIA was included in cash and cash equivalents and deposits and placements with banks and other financial institutions based on the maturity.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**12 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>At fair value</b>				
Malaysian Government Investment Issues	573,904	269,493	573,904	269,493
Malaysian Government Securities	359,601	252,505	359,601	252,505
Malaysian Government Treasury Bills	170,116	-	170,116	-
Bank Negara Malaysia Monetary Notes	686,209	-	686,209	-
Corporate Bonds and Sukuk	566,471	1,168,765	556,495	1,168,765
Debentures	186	-	186	-
	<b>2,356,487</b>	<b>1,690,763</b>	<b>2,346,511</b>	<b>1,690,763</b>

**13 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>At fair value</b>				
Malaysian Government Investment Issues	4,669,609	4,824,454	2,459,229	2,670,438
Malaysian Government Securities and Sukuk	1,814,937	2,272,777	1,814,937	2,272,777
Malaysian Treasury Bills and Islamic Treasury Bills	249,256	248,701	249,256	198,820
Malaysian Government Debt Securities and Sukuk	169,786	172,070	76,085	76,882
Bank Negara Bills	6,544	-	-	-
Bank Negara Malaysia Monetary Notes	99,946	-	99,946	-
Foreign Government Debt Securities and Sukuk	716,638	596,729	525,438	394,732
Negotiable Instruments of Deposit and Islamic				
Negotiable Instruments of Deposit	2,235,417	1,653,492	922,602	162,268
Corporate and Islamic Corporate Bonds, Sukuk and				
Sanadat Mudharabah Cagamas	3,806,823	3,624,212	3,106,543	2,893,638
Unquoted shares in Malaysia	96,088	-	96,088	-
Debentures	-	190	-	190
	<b>13,865,044</b>	<b>13,392,625</b>	<b>9,350,124</b>	<b>8,669,745</b>
<b>At cost</b>				
Unquoted shares in Malaysia*	-	108,546	-	108,546
	<b>13,865,044</b>	<b>13,501,171</b>	<b>9,350,124</b>	<b>8,778,291</b>
Impairment allowance				
- Debentures	-	(12)	-	(12)
	<b>13,865,044</b>	<b>13,501,159</b>	<b>9,350,124</b>	<b>8,778,279</b>

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



## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

## 14 LOANS, ADVANCES AND FINANCING

	Note	Group		Bank	
		31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>					
Overdrafts		2,892,157	2,938,259	2,892,157	2,938,259
Term loans/financing:					
- Housing loans/financing		26,699,446	27,115,889	24,709,078	25,109,866
- Syndicated term loans/financing		3,034,531	2,667,458	2,689,921	2,307,642
- Hire purchase receivables		440,257	447,683	10	10
- Other term loans/financing		20,800,430	22,383,800	17,415,714	18,823,707
Credit cards		540,311	561,471	540,311	561,471
Bills receivable		358,496	506,083	336,069	485,680
Trust receipts		38,901	36,343	38,739	36,225
Claims on customers under acceptance credits		3,203,399	3,108,578	2,745,788	2,646,951
Revolving credit		7,063,040	7,098,771	4,118,387	4,083,691
Staff loans/financing		62,200	62,702	62,200	62,702
Other loans/financing		1,641,837	1,515,508	1,519,805	1,397,019
		<u>66,775,005</u>	<u>68,442,545</u>	<u>57,068,179</u>	<u>58,453,223</u>
<b>At fair value</b>					
Other term loans/financing		56,958	-	56,958	-
Gross loans, advances and financing		<u>66,831,963</u>	<u>68,442,545</u>	<u>57,125,137</u>	<u>58,453,223</u>
Impairment allowance					
- Individually assessed	22	(391,169)	(389,432)	(268,127)	(263,555)
- Collectively assessed	22	(471,564)	(600,763)	(332,976)	(446,844)
Net loans, advances and financing		<u>65,969,230</u>	<u>67,452,350</u>	<u>56,524,034</u>	<u>57,742,824</u>
a) By type of customer					
Domestic banking institutions		9,547	435	9,547	435
Domestic non-bank financial institutions		1,228,725	1,439,704	1,178,214	1,386,702
Domestic business enterprises					
- Small and medium enterprises		12,924,254	12,936,680	10,841,017	10,955,266
- Others		19,079,733	19,708,247	15,205,342	15,574,236
Individuals		30,014,341	30,615,975	27,566,486	28,104,304
Foreign entities		3,575,363	3,741,504	2,324,531	2,432,280
		<u>66,831,963</u>	<u>68,442,545</u>	<u>57,125,137</u>	<u>58,453,223</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

14 LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	84,704	90,160	65,841	69,577
- Hire purchase receivables	234,831	256,962	10	10
- Other fixed rate loans/financing	6,691,173	6,642,975	4,999,794	4,816,469
Variable rate				
- Base rate/base lending rate/base financing rate plus	43,054,867	43,698,917	39,440,189	40,147,213
- Cost plus	16,348,017	17,352,150	12,200,932	13,018,573
- Other variable rates	418,371	401,381	418,371	401,381
	<u>66,831,963</u>	<u>68,442,545</u>	<u>57,125,137</u>	<u>58,453,223</u>
c) By sector				
Agriculture, hunting, forestry and fishing	3,004,829	2,955,717	1,594,988	1,563,034
Mining and quarrying	566,731	602,558	326,062	342,350
Manufacturing	7,464,932	7,518,600	6,221,485	6,107,704
Electricity, gas and water	296,049	304,729	245,699	250,764
Construction	2,251,416	2,260,653	1,782,550	1,811,551
Real estate	7,268,546	6,892,385	6,636,116	6,336,790
Wholesale & retail trade and restaurants & hotels	7,018,326	7,032,064	6,079,328	6,026,701
Transport, storage and communication	1,161,976	2,160,818	1,006,378	1,986,541
Finance, insurance and business services	2,097,001	2,485,452	1,861,215	2,238,318
Community, social and personal services	2,153,321	2,047,320	1,521,796	1,438,775
Household				
- Purchase of residential properties	27,787,194	28,226,634	25,763,110	26,186,804
- Purchase of non-residential properties	1,088,857	1,119,879	1,046,436	1,077,250
- Others	2,961,797	3,039,009	2,456,744	2,489,700
Others	1,710,988	1,796,727	583,230	596,941
	<u>66,831,963</u>	<u>68,442,545</u>	<u>57,125,137</u>	<u>58,453,223</u>
d) By geographical distribution				
Malaysia	63,465,713	64,934,877	54,816,993	56,062,788
Singapore	1,719,716	1,698,228	1,103,693	1,047,593
Other ASEAN countries	569,150	597,615	359,654	370,525
Rest of the world	1,077,384	1,211,825	844,797	972,317
	<u>66,831,963</u>	<u>68,442,545</u>	<u>57,125,137</u>	<u>58,453,223</u>
The analysis by geography is determined based on where the credit risk resides.				
e) By residual contractual maturity				
Within one year	17,849,167	18,572,772	13,822,117	14,440,795
One year to less than three years	4,078,708	4,260,464	3,420,053	3,514,010
Three years to less than five years	3,929,928	4,265,238	3,066,318	3,326,238
Over five years	40,974,160	41,344,071	36,816,649	37,172,180
	<u>66,831,963</u>	<u>68,442,545</u>	<u>57,125,137</u>	<u>58,453,223</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**15 IMPAIRED LOANS, ADVANCES AND FINANCING**

(i) Movements in impaired loans, advances and financing

	Note	Group		Bank	
		31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
At 1 January		1,430,623	1,485,727	1,047,051	1,188,175
Impaired during the period/year		261,466	1,142,847	207,756	736,614
Reclassified as unimpaired		(111,832)	(555,977)	(91,805)	(454,117)
Amount recovered		(68,241)	(370,909)	(41,713)	(241,217)
Amount written off		(27,368)	(251,858)	(14,239)	(172,275)
Effect of foreign exchange difference		(7,136)	(19,207)	(3,715)	(10,129)
At 31 March/31 December		1,477,512	1,430,623	1,103,335	1,047,051
Impairment allowance					
- Individually assessed	22	(391,169)	(389,432)	(268,127)	(263,555)
- Collectively assessed		(4,896)	(9,653)	(4,896)	(6,017)
Net impaired loans, advances and financing		1,081,447	1,031,538	830,312	777,479

a) By sector

Agriculture, hunting, forestry and fishing	6,562	6,742	6,317	6,307
Mining and quarrying	83,908	89,569	83,908	89,569
Manufacturing	225,869	233,978	201,886	207,659
Construction	18,143	15,933	13,355	11,774
Real estate	67,909	21,394	62,964	16,099
Wholesale & retail trade and restaurants & hotels	182,698	181,977	143,859	137,044
Transport, storage and communication	63,707	70,470	59,741	65,931
Finance, insurance and business services	21,417	18,827	10,746	7,928
Community, social and personal services	6,763	7,031	5,312	5,661
Household				
- Purchase of residential properties	489,051	465,784	424,677	405,180
- Purchase of non-residential properties	26,441	30,066	26,194	29,804
- Others	95,421	96,365	63,819	63,538
Others	189,623	192,487	557	557
	1,477,512	1,430,623	1,103,335	1,047,051

b) By geographical distribution

Malaysia	1,453,934	1,411,431	1,079,757	1,027,859
Singapore	10,530	15,371	10,530	15,371
Rest of the world	13,048	3,821	13,048	3,821
	1,477,512	1,430,623	1,103,335	1,047,051

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

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

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

## 16 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group	31 March 2018			31 December 2017		
	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
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	4,243,485	30,224	150,099	3,292,964	23,417	103,020
- Swaps	14,729,683	594,917	569,597	14,598,777	646,655	784,967
- Options	726,785	3,494	1,075	353,697	2,119	988
Interest rate derivatives						
- Swaps	43,934,221	156,121	168,210	44,389,512	138,134	162,926
- Options	180,000	338	809	180,000	442	1,074
- Futures	1,301,260	53	80	80,911	-	16
Equity and other derivatives						
- Swaps	146,220	8,092	8,092	132,500	7,271	7,271
- Options	-	-	-	3,780	-	-
- Commodity futures	124,347	2,199	4,588	161,498	2,567	3,758
- Credit linked notes	654,443	11,546	11,546	474,416	15,220	15,220
	<u>66,040,444</u>	<u>806,984</u>	<u>914,096</u>	<u>63,668,055</u>	<u>835,825</u>	<u>1,079,240</u>
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	111,820	269	497	114,729	-	1,614
	<u>66,152,264</u>	<u>807,253</u>	<u>914,593</u>	<u>63,782,784</u>	<u>835,825</u>	<u>1,080,854</u>
<b>Bank</b>						
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	4,198,947	29,208	149,671	3,290,208	23,217	102,593
- Swaps	14,745,138	595,137	569,597	14,598,777	646,655	784,967
- Options	726,785	3,494	1,075	353,697	2,119	988
Interest rate derivatives						
- Swaps	43,934,221	156,121	168,210	44,389,512	138,134	162,926
- Options	180,000	338	809	180,000	442	1,074
- Futures	1,301,260	53	80	80,911	-	16
Equity and other derivatives						
- Swaps	146,220	8,092	8,092	132,500	7,271	7,271
- Options	-	-	-	3,780	-	-
- Commodity futures	124,347	2,199	4,588	161,498	2,567	3,758
- Credit linked notes	654,443	11,546	11,546	474,416	15,220	15,220
	<u>66,011,361</u>	<u>806,188</u>	<u>913,668</u>	<u>63,665,299</u>	<u>835,625</u>	<u>1,078,813</u>
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	111,820	269	497	114,729	-	1,614
	<u>66,123,181</u>	<u>806,457</u>	<u>914,165</u>	<u>63,780,028</u>	<u>835,625</u>	<u>1,080,427</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

17 OTHER ASSETS

	Note	Group		Bank	
		31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
Amount due from subsidiaries	(a)	-	-	77,798	177,436
Interest/Profit receivable		126,130	134,749	106,001	113,005
Unquoted Islamic subordinated bonds of subsidiary					
- Redeemable subordinated bond	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		162,387	237,900	153,946	221,842
Impairment allowance on other receivables					
- Individually assessed	22	(514)	(2,372)	(514)	(2,372)
- Collectively assessed	22	(533)	-	-	-
		<u>287,470</u>	<u>370,277</u>	<u>537,231</u>	<u>709,911</u>

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

(b) The Bank subscribed for RM200 million redeemable 10 years non-callable 5 years subordinated bond issued by OCBC Al-Amin 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 bond, whichever is earlier.

18 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31 March 2018 RM'000	31 December 2017 RM'000	31 March 2018 RM'000	31 December 2017 RM'000
a) By type of deposit				
Demand deposits	14,425,380	14,959,903	10,828,848	11,246,027
Fixed/General investment deposits	45,344,273	43,103,460	38,353,929	36,491,363
Saving deposits	7,395,308	7,441,043	6,924,431	6,956,711
Negotiable instruments of deposits	3,863,721	5,104,660	3,863,720	5,104,660
Short-term money market deposits	3,728,271	3,043,673	3,316,391	2,691,661
	<u>74,756,953</u>	<u>73,652,739</u>	<u>63,287,319</u>	<u>62,490,422</u>
b) By type of customer				
Government and statutory bodies	1,963,496	1,427,339	147,439	81,052
Non-bank financial institutions	3,648,015	3,021,481	2,913,145	2,318,319
Business enterprises	28,705,496	27,959,118	23,189,961	22,233,620
Individuals	33,317,226	32,642,260	30,080,504	29,427,322
Foreign entities	6,470,722	7,571,149	6,366,503	7,468,190
Others	651,998	1,031,392	589,767	961,919
	<u>74,756,953</u>	<u>73,652,739</u>	<u>63,287,319</u>	<u>62,490,422</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)****18 DEPOSITS FROM CUSTOMERS (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
c) By maturity structure for fixed/term/general investment deposits, negotiable instruments of deposit and short-term money market deposits				
Within six months	37,875,036	38,077,174	32,919,076	33,260,943
Six months to one year	14,712,128	12,418,069	12,296,335	10,436,494
One year to three years	340,514	747,784	310,564	581,992
Three years to five years	8,587	8,766	8,065	8,255
	<b>52,936,265</b>	<b>51,251,793</b>	<b>45,534,040</b>	<b>44,287,684</b>

**19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Licensed banks and other financial institutions	3,706,615	4,388,137	3,516,815	3,946,437

**20 SUBORDINATED BONDS**

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
USD110 million Additional Tier 1 Capital Securities	425,009	445,010
USD130 million Redeemable Subordinated Bonds 2015/2025	502,284	525,922
RM390 million Redeemable Subordinated Bonds 2017/2027	390,000	390,000
RM110 million Redeemable Subordinated Bonds 2017/2027	110,000	110,000
	<b>1,827,293</b>	<b>1,870,932</b>

**21 OTHER LIABILITIES**

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Amount due to subsidiaries	-	-	2,464	21,654
Equity compensation benefits	13,734	12,476	12,975	11,780
Interest/Profit payable	519,887	528,833	452,567	459,912
Structured investments	1,782,657	1,610,026	1,782,657	1,610,026
Dividend payable	150,000	-	150,000	-
Other payables and accruals	369,566	392,471	295,926	313,850
	<b>2,835,844</b>	<b>2,543,806</b>	<b>2,696,589</b>	<b>2,417,222</b>

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

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**22 IMPAIRMENT ALLOWANCES**

The following tables show reconciliations from the opening to the closing balance of the impairment allowances by class of financial assets. Explanation of the terms: 12-months ECL, lifetime ECL and credit-impaired are included in Note 35. Comparative amounts of 2017 represent impairment allowance measured under MFRS 139.

	Cash and cash equivalents	Deposits and placements with banks and other financial institutions	Financial assets at fair value through other comprehensive income (FVOCI)	Loans, advances and financing	Other assets
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>a) Collective impairment</b>					
<b>Group</b>					
<b>2018</b>					
At 31 December 2017 - under MFRS 139	-	-	-	600,763	-
Remeasurement	215	32	11,629	(117,085)	1,092
At 1 January 2018 - under MFRS 9	<u>215</u>	<u>32</u>	<u>11,629</u>	<u>483,678</u>	<u>1,092</u>
At 1 January 2018					
- 12 months expected credit loss (ECL)	215	32	8,380	182,120	469
- Lifetime ECL not credit impaired	-	-	3,249	301,558	623
	<u>215</u>	<u>32</u>	<u>11,629</u>	<u>483,678</u>	<u>1,092</u>
(Written back)/charge					
- 12 months expected credit loss (ECL)	(34)	32	59	(4,345)	(24)
- Lifetime ECL not credit impaired	-	-	(11)	(7,769)	(21)
	<u>(34)</u>	<u>32</u>	<u>48</u>	<u>(12,114)</u>	<u>(45)</u>
At 31 March 2018					
- 12 months expected credit loss (ECL)	181	64	8,439	177,775	445
- Lifetime ECL not credit impaired	-	-	3,238	293,789	602
	<u>181</u>	<u>64</u>	<u>11,677</u>	<u>471,564</u>	<u>1,047</u>
<b>2017</b>					
At 1 January 2017	-	-	-	747,243	-
Written back	-	-	-	(146,480)	-
At 31 December 2017	<u>-</u>	<u>-</u>	<u>-</u>	<u>600,763</u>	<u>-</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**21 IMPAIRMENT ALLOWANCES (continued)**

**a) Collective impairment (continued)**

	Cash and cash equivalents	Deposits and placements with banks and other financial institutions	Investment account placement	Financial assets at fair value through other comprehensive income (FVOCI)	Loans, advances and financing	Other assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>						
<b>2018</b>						
At 31 December 2017 - under MFRS 139	-	-	8,561	-	446,844	-
Remeasurement	187	32	-	8,983	(105,028)	559
At 1 January 2018 - under MFRS 9	187	32	8,561	8,983	341,816	559
At 1 January 2018						
- 12 months expected credit loss (ECL)	187	32	8,561	6,464	137,705	301
- Lifetime ECL not credit impaired	-	-	-	2,519	204,111	258
	187	32	8,561	8,983	341,816	559
(Written back)/charge						
- 12 months expected credit loss (ECL)	(34)	32	(1,234)	586	(3,293)	(24)
- Lifetime ECL not credit impaired	-	-	-	196	(5,547)	(21)
	(34)	32	(1,234)	782	(8,840)	(45)
At 31 March 2018						
- 12 months expected credit loss (ECL)	153	64	7,327	7,050	134,412	277
- Lifetime ECL not credit impaired	-	-	-	2,715	198,564	237
	153	64	7,327	9,765	332,976	514
<b>2017</b>						
At 1 January 2017	-	-	-	-	560,264	-
Charge/(Written back)	-	-	8,561	-	(113,420)	-
At 31 December 2017	-	-	8,561	-	446,844	-



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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

21 IMPAIRMENT ALLOWANCES (continued)

	Group			Bank		
	Investment account placement	Loans, advances and financing	Other assets	Investment account placement	Loans, advances and financing	Other assets
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>b) Individual impairment</b>						
<b>2018</b>						
As 1 January 2018	-	389,432	2,372	59,818	263,555	2,372
Charge	-	67,827	5	-	42,867	5
Written back	-	(35,981)	-	-	(21,936)	-
Written off	-	(27,368)	(2,377)	-	(14,239)	(2,377)
Discount unwind and financing income earned on impaired financing	-	(2,741)	-	-	(2,120)	-
At 31 March 2018	-	391,169	-	59,818	268,127	-
<b>2017</b>						
As 1 January 2017	-	352,074	2,609	-	272,031	2,609
Charge	-	477,552	50	59,818	280,820	50
Written back	-	(182,077)	-	-	(111,766)	-
Written off	-	(251,858)	(50)	-	(172,275)	(50)
Discount unwind and financing income earned on impaired financing	-	(6,259)	(237)	-	(5,255)	(237)
At 31 December 2017	-	389,432	2,372	59,818	263,555	2,372

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

23 NET INTEREST INCOME

	Group		Bank	
	Year to date ended 31 March 2018 RM'000	31 March 2017 RM'000	Year to date ended 31 March 2018 RM'000	31 March 2017 RM'000
<b>Interest income</b>				
Loans, advances and financing				
- Interest income other than recoveries	701,866	681,458	701,866	681,458
- Recoveries from impaired loans, advances and financing	12,866	15,348	12,866	15,348
- Discount unwind from impaired loans, advances and financing	2,120	1,533	2,120	1,533
Money at call and deposit placements with banks and other financial institutions	37,197	43,521	50,164	59,642
Financial assets at fair value through profit or loss	18,716	18,582	18,716	18,582
Financial investments at fair value through other comprehensive income	80,824	70,487	81,582	71,213
Unquoted Islamic subordinated bond of subsidiary	-	-	2,367	2,367
Others	15,279	22,742	15,280	22,742
	<u>868,868</u>	<u>853,671</u>	<u>884,961</u>	<u>872,885</u>
<b>Interest expense</b>				
Deposits from customers	(432,327)	(404,871)	(432,327)	(404,871)
Deposits and placements of banks and other financial institutions	(3,878)	(17,287)	(14,732)	(31,296)
Recourse obligation on loans sold to Cagamas Berhad	(13,805)	(12,665)	(13,805)	(12,665)
Subordinated bonds	(22,399)	(23,790)	(22,399)	(23,790)
Others	(37,308)	(48,853)	(37,308)	(48,853)
	<u>(509,717)</u>	<u>(507,466)</u>	<u>(520,571)</u>	<u>(521,475)</u>
<b>Net interest income</b>	<u>359,151</u>	<u>346,205</u>	<u>364,390</u>	<u>351,410</u>

24 INCOME FROM ISLAMIC BANKING OPERATIONS

	Group	
	Year to date ended 31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of depositors' funds and others	151,812	158,739
Income derived from investment of specific investment account funds	15,505	20,006
Income derived from investment of shareholder's funds	34,408	27,123
Income attributable to depositors	(85,253)	(81,179)
Income attributable to investment account holder	(10,853)	(14,010)
	<u>105,619</u>	<u>110,679</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

25 NET FEE AND COMMISSION INCOME

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Commission	43,524	38,537	42,990	38,486
Service charges and fees	30,454	36,561	30,454	36,561
Guarantee fees	7,217	8,447	7,217	8,447
Other fee income	2,294	2,165	2,294	2,165
	<u>83,489</u>	<u>85,710</u>	<u>82,955</u>	<u>85,659</u>

26 NET TRADING INCOME

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain	181,863	85,495	181,863	85,495
Realised gain on financial assets at fair value through profit or loss	7,585	4,356	7,585	4,356
Realised (loss)/gain on trading derivatives	(201,820)	122,887	(201,832)	122,887
Unrealised gain on financial assets at fair value through profit or loss	3,185	542	3,185	542
Unrealised gain/(loss) on trading derivatives	<u>77,767</u>	<u>(176,991)</u>	<u>77,767</u>	<u>(176,991)</u>
	<u>68,580</u>	<u>36,289</u>	<u>68,568</u>	<u>36,289</u>

27 OTHER OPERATING INCOME

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
(Loss)/gain on disposal:				
- Financial investments at fair value through other comprehensive income	(6,705)	11	(6,705)	11
- Property and equipment	(1)	(4)	(1)	(4)
Rental of premises	1,083	1,102	1,100	1,114
Rental of safe deposit boxes	1,711	1,707	1,711	1,707
Shared services income received from subsidiaries	-	-	25,654	23,045
Shared services income received from related company	2,845	2,703	2,845	2,545
Unrealised loss on hedging derivatives	(12)	(83)	(12)	(83)
Others	113	133	112	133
	<u>(966)</u>	<u>5,569</u>	<u>24,704</u>	<u>28,468</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

## 28 OPERATING EXPENSES

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Personnel expenses</b>				
Wages, salaries and bonus	112,922	93,292	108,062	87,192
Employees Provident Fund contributions	17,833	14,323	16,994	13,404
Share-based expenses	1,471	1,245	1,390	1,156
Others	13,778	8,166	12,723	7,398
	<u>146,004</u>	<u>117,026</u>	<u>139,169</u>	<u>109,150</u>
<b>Establishment expenses</b>				
Depreciation of property and equipment	6,903	8,784	5,834	7,623
Rental of premises	4,673	4,700	3,953	4,003
Repair and maintenance	2,760	2,702	2,535	2,524
Information technology costs	7,506	2,349	7,084	2,299
Hire of equipment	224	269	188	235
Amortisation of prepaid lease payments	9	9	9	9
Others	4,254	4,410	3,684	3,822
	<u>26,329</u>	<u>23,223</u>	<u>23,287</u>	<u>20,515</u>
<b>Marketing expenses</b>				
Advertisement and business promotion	3,091	4,108	3,083	4,024
Transport and travelling	879	791	821	703
Others	467	671	460	666
	<u>4,437</u>	<u>5,570</u>	<u>4,364</u>	<u>5,393</u>
<b>General administrative expenses</b>				
Transaction processing fees	79,380	81,282	73,598	74,690
Others	28,140	28,750	25,297	24,206
	<u>107,520</u>	<u>110,032</u>	<u>98,895</u>	<u>98,896</u>
<b>Total operating expenses</b>	<u>284,290</u>	<u>255,851</u>	<u>265,715</u>	<u>233,954</u>

## 29 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	Year to date ended		Year to date ended	
	31 March	31 March	31 March	31 March
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
- Made during the period	67,827	76,221	42,867	40,385
- Written back	(35,981)	(39,300)	(21,936)	(22,699)
Collective impairment allowance				
- (Written back)/made during the period	(12,114)	3,500	(8,840)	-
Impaired loans, advances and financing				
- Recovered during the period	(12,498)	(12,546)	(5,404)	(5,669)
	<u>7,234</u>	<u>27,875</u>	<u>6,687</u>	<u>12,017</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

30 INCOME TAX EXPENSE

	Group		Bank	
	Year to date ended 31 March 2018 RM'000	Year to date ended 31 March 2017 RM'000	Year to date ended 31 March 2018 RM'000	Year to date ended 31 March 2017 RM'000
Malaysian income tax				
- Current period	70,193	62,350	56,870	52,594
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	10,086	11,340	9,892	11,023
	<u>80,279</u>	<u>73,690</u>	<u>66,762</u>	<u>63,617</u>

31 COMMITMENTS AND CONTINGENCIES

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

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

Group	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Negative fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
<b>31 March 2018</b>					
Direct credit substitutes	718,448			718,448	601,101
Transaction-related contingent items	2,866,147			1,459,076	951,689
Short-term self-liquidating trade-related contingencies	337,668			75,036	35,438
Forward asset purchases, forward deposits, partly paid shares and securities	23,452			23,452	5,573
Foreign exchange related contracts					
- Less than one year	13,200,083	236,390	357,370	431,995	95,654
- One year to less than five years	3,520,832	142,217	166,552	531,747	138,251
- Five years and above	2,979,038	250,028	196,849	580,942	387,042
Interest rate contracts					
- Less than one year	11,129,031	5,373	13,181	27,826	3,717
- One year to less than five years	24,788,256	52,103	71,284	677,118	191,305
- Five years and above	9,610,014	99,305	85,131	238,794	114,921
Equity and commodity related contracts	270,567	10,291	12,680	21,947	6,098
Credit derivative contracts	654,443	11,546	11,546	22,166	5,819
Formal standby facilities and credit lines					
- Maturity exceeding one year	4,124,217			3,595,246	1,479,431
Other unconditionally cancellable commitments	21,494,680			2,073,139	327,577
Total	<u>95,716,876</u>	<u>807,253</u>	<u>914,593</u>	<u>10,476,932</u>	<u>4,343,616</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

31 COMMITMENTS AND CONTINGENCIES (continued)

<u>Group</u>	<u>Principal amount</u> RM'000	<u>Positive fair value of derivative contracts</u> RM'000	<u>Negative fair value of derivative contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
<b>31 December 2017</b>					
Direct credit substitutes	708,889			708,889	567,710
Transaction-related contingent items	2,967,486			1,511,669	966,490
Short-term self-liquidating trade-related contingencies	331,117			76,260	41,336
Foreign exchange related contracts					
- Less than one year	11,559,312	194,667	412,831	378,272	93,704
- One year to less than five years	3,624,026	179,622	253,951	616,852	155,531
- Five years and above	3,062,100	297,902	222,193	651,427	476,499
Interest rate contracts					
- Less than one year	12,826,019	8,161	16,912	29,360	3,604
- One year to less than five years	23,059,678	57,362	76,025	679,489	197,032
- Five years and above	8,879,455	73,053	72,693	251,267	121,689
Equity and commodity related contracts	297,778	9,838	11,029	25,435	7,557
Credit derivative contracts	474,416	15,220	15,220	23,756	6,465
Formal standby facilities and credit lines					
- Maturity exceeding one year	3,874,769			3,486,128	1,443,989
Other unconditionally cancellable commitments	20,173,977			2,061,763	317,621
<b>Total</b>	<b>91,839,022</b>	<b>835,825</b>	<b>1,080,854</b>	<b>10,500,567</b>	<b>4,399,227</b>
<b>Bank</b>					
<b>31 March 2018</b>					
Direct credit substitutes	617,386			617,386	500,167
Transaction-related contingent items	2,487,261			1,267,995	794,360
Short-term self-liquidating trade-related contingencies	277,136			62,735	27,455
Forward asset purchases, forward deposits, partly paid shares and securities	23,452			23,452	5,573
Foreign exchange related contracts					
- Less than one year	13,171,000	235,594	356,942	430,558	95,096
- One year to less than five years	3,520,832	142,217	166,552	531,747	138,251
- Five years and above	2,979,038	250,028	196,849	580,942	387,042
Interest rate contracts					
- Less than one year	11,129,031	5,373	13,181	27,826	3,717
- One year to less than five years	24,788,256	52,103	71,284	677,118	191,305
- Five years and above	9,610,014	99,305	85,131	238,794	114,921
Equity and commodity related contracts	270,567	10,291	12,680	21,947	6,097
Credit derivative contracts	654,443	11,546	11,546	22,166	5,819
Formal standby facilities and credit lines					
- Maturity exceeding one year	3,606,351			3,189,664	1,167,762
Other unconditionally cancellable commitments	18,525,614			2,013,218	317,646
<b>Total</b>	<b>91,660,381</b>	<b>806,457</b>	<b>914,165</b>	<b>9,705,548</b>	<b>3,755,211</b>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

31 COMMITMENTS AND CONTINGENCIES (continued)

<u>Bank</u>	<u>Principal amount</u>	<u>Positive fair value of derivative contracts</u>	<u>Negative fair value of derivative contracts</u>	<u>Credit equivalent amount</u>	<u>Risk weighted amount</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>31 December 2017</b>					
Direct credit substitutes	609,598			609,598	478,355
Transaction-related contingent items	2,566,965			1,309,678	809,751
Short-term self-liquidating trade-related contingencies	254,910			59,836	31,097
Foreign exchange related contracts					
- Less than one year	11,556,556	194,467	412,404	377,848	93,396
- One year to less than five years	3,624,026	179,622	253,951	616,852	155,531
- Five years and above	3,062,100	297,902	222,193	651,427	476,499
Interest rate contracts					
- Less than one year	12,826,019	8,161	16,912	29,360	3,604
- One year to less than five years	23,059,678	57,362	76,025	679,489	197,032
- Five years and above	8,879,455	73,053	72,693	251,267	121,689
Equity and commodity related contracts	297,778	9,838	11,029	25,435	7,557
Credit derivative contracts	474,416	15,220	15,220	23,756	6,465
Formal standby facilities and credit lines					
- Maturity exceeding one year	3,512,054			3,193,700	1,228,705
Other unconditionally cancellable commitments	18,195,511			2,000,350	309,107
<b>Total</b>	<b>88,919,066</b>	<b>835,625</b>	<b>1,080,427</b>	<b>9,828,596</b>	<b>3,918,788</b>

32 CAPITAL COMMITMENTS

	<u>Group</u>		<u>Bank</u>	
	<u>31 March 2018</u>	<u>31 December 2017</u>	<u>31 March 2018</u>	<u>31 December 2017</u>
	RM'000	RM'000	RM'000	RM'000
Capital expenditure commitments in respect of property and equipment contracted but not provided for	14,065	10,802	10,235	7,160

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)****33 FAIR VALUES OF FINANCIAL INSTRUMENTS****Fair value hierarchy of financial instruments**

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

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
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  Deposits and placements with banks and other financial institutions	Private debt equity investments  Corporate bonds/sukuk with illiquid markets  Loans, advances and financing
Type of financial liabilities		OTC derivatives  Deposits from customers  Deposits and placement of banks and other financial institutions  Subordinated bonds/sukuk  Recourse obligation on loans sold to Cagamas Berhad	



## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

## 33 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

## Fair value hierarchy of financial instruments (continued)

<u>Group</u>	<u>Level 1</u> <u>RM'000</u>	<u>Level 2</u> <u>RM'000</u>	<u>Level 3</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<b>31 March 2018</b>				
<b>Financial assets at fair value</b>				
Fair value through profit or loss	933,505	1,422,982	-	2,356,487
Fair value through other comprehensive income	6,484,546	7,380,498	-	13,865,044
Loans, advances and financing	-	-	56,958	56,958
Derivative financial assets	1,567	793,802	11,884	807,253
	<u>7,419,618</u>	<u>9,597,282</u>	<u>68,842</u>	<u>17,085,742</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	903	901,335	12,355	914,593
<b>31 December 2017</b>				
<b>Financial assets at fair value</b>				
Held-for-trading	521,998	1,168,765	-	1,690,763
Available-for-sale	7,097,231	6,295,382	-	13,392,613
Derivative financial assets	851	819,312	15,662	835,825
	<u>7,620,080</u>	<u>8,283,459</u>	<u>15,662</u>	<u>15,919,201</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	1,160	1,063,400	16,294	1,080,854
<b>Bank</b>				
<b>31 March 2018</b>				
<b>Financial assets at fair value</b>				
Fair value through profit or loss	933,505	1,413,006	-	2,346,511
Fair value through other comprehensive income	4,274,166	5,075,958	-	9,350,124
Loans, advances and financing	-	-	56,958	56,958
Derivative financial assets	1,586	792,987	11,884	806,457
	<u>5,209,257</u>	<u>7,281,951</u>	<u>68,842</u>	<u>12,560,050</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	910	900,900	12,355	914,165
<b>31 December 2017</b>				
<b>Financial assets at fair value</b>				
Held-for-trading	521,998	1,168,765	-	1,690,763
Available-for-sale	4,943,215	3,726,518	-	8,669,733
Derivative financial assets	980	818,983	15,662	835,625
	<u>5,466,193</u>	<u>5,714,266</u>	<u>15,662</u>	<u>11,196,121</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	1,171	1,062,962	16,294	1,080,427

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)****33 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)**

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

	<b>Group and Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Financial assets at fair value</b>		
At 1 January	15,662	11,162
Effect of adoption of MFRS 9	56,498	-
Settled/disposed	(918)	(300)
Recognised in profit or loss		
- Unrealised (loss)/gain	(2,400)	4,800
At 31 March/31 December	<u>68,842</u>	<u>15,662</u>
<b>Financial liabilities at fair value</b>		
At 1 January	16,294	12,294
Recognised in profit or loss		
- Unrealised (loss)/gain	(3,939)	4,000
At 31 March/31 December	<u>12,355</u>	<u>16,294</u>

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

<b>Group and Bank</b>	<b>31 March 2018 Fair value RM'000</b>	<b>31 December 2017 Fair value RM'000</b>	<b>Classification</b>	<b>Valuation technique</b>	<b>Unobservable input</b>
<b>Assets</b>					
Loans, advances and financing	56,958	-	Fair value through profit or loss	Discounted cash flow analysis and market approach	Implied equity value, incentive fee and discount factor
Derivative financial assets	11,884	15,662	Hedge for trading	Option pricing model	Standard deviation
	<u>68,842</u>	<u>-</u>			
<b>Liabilities</b>					
Derivative financial liabilities	12,355	16,294	Hedge for trading	Option pricing model	Standard deviation
	<u>12,355</u>	<u>16,294</u>			

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**34 SEGMENT INFORMATION**

**Operating Segment**

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

Business Banking

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

Consumer Financial Services

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

Global Treasury

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

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

Others

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

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**34 SEGMENT INFORMATION (continued)**

<u>Group</u>	<u>Business Banking RM'000</u>	<u>Consumer Financial Services RM'000</u>	<u>Global Treasury RM'000</u>	<u>Others RM'000</u>	<u>Total RM'000</u>
<b>31 March 2018</b>					
Net interest/finance income	252,340	120,403	44,987	29,874	447,604
Non-interest/finance income	36,677	44,035	75,772	11,785	168,269
Operating income	289,017	164,438	120,759	41,659	615,873
Operating expenses	(112,208)	(130,311)	(23,723)	(18,048)	(284,290)
Operating profit before impairment allowance and provision	176,809	34,127	97,036	23,611	331,583
(Impairment)/write back of allowances and provision for commitments and contingencies	(1,509)	(5,740)	(48)	58	(7,239)
Profit before income tax and zakat	175,300	28,387	96,988	23,669	324,344
Income tax expense and zakat	(38,382)	(5,841)	(23,289)	(12,767)	(80,279)
Profit for the period	136,918	22,546	73,699	10,902	244,065
Gross loans, advances and financing	36,727,839	30,038,472	-	65,652	66,831,963
Gross impaired loans, advances and financing	908,438	568,851	-	223	1,477,512
Deposits from customers	36,086,461	34,734,871	3,935,621	-	74,756,953
<b>31 March 2017</b>					
Net interest/finance income	254,928	120,528	53,823	16,146	445,425
Non-interest/finance income	34,873	41,908	49,388	12,858	139,027
Operating income	289,801	162,436	103,211	29,004	584,452
Operating expenses	(101,891)	(120,134)	(22,710)	(11,116)	(255,851)
Operating profit before impairment allowance and provision	187,910	42,302	80,501	17,888	328,601
(Impairment)/write back of allowances and provision for commitments and contingencies	(30,276)	2,349	-	34	(27,893)
Profit before income tax and zakat	157,634	44,651	80,501	17,922	300,708
Income tax expense and zakat	(37,833)	(10,717)	(19,319)	(5,833)	(73,702)
Profit for the period	119,801	33,934	61,182	12,089	227,006
<b>31 December 2017</b>					
Gross loans, advances and financing	37,839,529	30,539,119	-	63,897	68,442,545
Gross impaired loans, advances and financing	884,064	546,312	-	247	1,430,623
Deposits from customers	34,396,395	34,080,541	5,175,803	-	73,652,739

**Geographical Segment**

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

There has been no change in the basis of segmentation or in the basis of measuring of segment profit or loss since the last audited financial statements as at and for the financial year ended 31 December 2017.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**35 CAPITAL ADEQUACY**

**Capital Management**

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Common Equity Tier 1 ("CET 1") capital</b>				
Paid-up ordinary share capital	754,000	754,000	754,000	754,000
Retained earnings	5,337,189	5,473,295	4,687,194	4,830,643
Other reserves	686,914	650,618	539,877	499,377
CET 1 capital	6,778,103	6,877,913	5,981,071	6,084,020
Regulatory adjustment for CET 1 capital	(638,054)	(581,016)	(1,100,340)	(930,754)
CET 1 capital	6,140,049	6,296,897	4,880,731	5,153,266
<b>Additional Tier 1 capital</b>				
Innovative Tier 1 capital	320,000	400,000	320,000	400,000
Additional Tier 1 capital	425,009	445,011	425,009	445,011
Tier 1 capital	6,885,058	7,141,908	5,625,740	5,998,277
<b>Tier 2 capital</b>				
Loans/ financing provisions				
General provisions	13,012	13,751	7,664	7,887
Surplus eligible provisions over expected losses	230,730	234,802	194,763	198,587
Subordinated bonds	1,002,284	1,025,922	1,002,284	1,025,922
	1,246,026	1,274,475	1,204,711	1,232,396
Regulatory adjustment for Tier 2 capital	-	-	(200,000)	(311,698)
Tier 2 capital	1,246,026	1,274,475	1,004,711	920,698
<b>Capital base</b>	<b>8,131,084</b>	<b>8,416,383</b>	<b>6,630,451</b>	<b>6,918,975</b>
<b>Before deducting proposed dividend</b>				
CET 1 capital ratio	13.476%	13.764%	12.739%	13.415%
Tier 1 capital ratio	15.112%	15.611%	14.684%	15.615%
Total capital ratio	17.846%	18.396%	17.306%	18.011%
<b>After deducting proposed dividend</b>				
CET 1 capital ratio	13.476%	13.436%	12.739%	13.024%
Tier 1 capital ratio	15.112%	15.283%	14.684%	15.224%
Total capital ratio	17.846%	18.068%	17.306%	17.621%

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)****35 CAPITAL ADEQUACY (continued)****Capital Adequacy Ratios**

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

	<b>Group</b>		<b>Bank</b>	
	<b>31 March 2018</b>	<b>31 December 2017</b>	<b>31 March 2018</b>	<b>31 December 2017</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total RWA for credit risk	39,495,995	40,233,794	33,073,689	33,728,810
Total RWA for market risk	1,442,780	936,873	1,440,311	932,356
Total RWA for operational risk	4,622,792	4,579,962	3,798,819	3,753,494
	<b>45,561,567</b>	<b>45,750,629</b>	<b>38,312,819</b>	<b>38,414,660</b>

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

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

	<b>31 March 2018</b>	<b>31 December 2017</b>
CET 1 capital ratio	16.876%	16.569%
Tier 1 capital ratio	16.876%	16.569%
Total capital ratio	<b>20.161%</b>	<b>19.815%</b>

**36 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9**

The Group and the Bank adopted MFRS 9 during the current period. The key changes to the Group's and the Bank's accounting policies resulting from the adoption of MFRS 9 are summarised below.

**Classification and measurement**

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). It replaces the existing MFRS 139 categories of held to maturity and available-for-sale.

Financial assets are measured at amortised cost if the assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows which represent solely payments of principal and interest. Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual cash flows represent solely payments of principal and interest. Financial assets which are neither held at amortised cost nor at FVOCI will be measured at FVTPL.

Investments in equity instruments are always measured at FVTPL with an irrevocable option at inception to present changes in FVOCI (provided the instrument is not held for trading). A debt instrument such as loans, advances and financing and investment securities are measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**36 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)**

**Classification and measurement (continued)**

For financial liabilities, MFRS 9 retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates and accounting mismatch.

The following table summarises the impact on classification and measurement to the Group's and the Bank's financial assets on 1 January 2018:

<b>Financial assets</b>	<b>Original classification under MFRS 139 RM'000</b>	<b>New classification under MFRS 9 RM'000</b>	<b>Carrying amount under MFRS 139 RM'000</b>	<b>Carrying amount under MFRS 9 RM'000</b>
<b><u>Group</u></b>				
Cash and cash equivalents	Loans and receivables	Amortised cost	6,158,261	6,158,046
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	71,835	71,803
Financial assets at FVTPL	Held-for-trading	FVTPL	1,690,763	1,823,666
Financial investments at FVOCI	Available-for-sale	FVOCI - debt instruments	13,392,613	13,259,718
	Available-for-sale	FVOCI - equity instruments	108,546	93,356
Loans, advances and financing	Loans and receivables	Amortised cost	67,396,732	67,513,817
Derivative financial assets	Loans and receivables	FVTPL	55,618	56,498
Other assets	Held-for-trading	FVTPL	835,825	835,825
Statutory deposits with BNM	Loans and receivables	Amortised cost	370,277	369,185
	Loans and receivables	Amortised cost	1,752,717	1,752,717
<b><u>Bank</u></b>				
Cash and cash equivalents	Loans and receivables	Amortised cost	5,571,918	5,571,731
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	182,518	182,486
Investment account placement	Loans and receivables	Amortised cost	1,793,011	1,793,011
Financial assets at FVTPL	Held-for-trading	FVTPL	1,690,763	1,690,949
Financial investments at FVOCI	Available-for-sale	FVOCI - debt instruments	8,669,733	8,669,555
	Available-for-sale	FVOCI - equity instruments	108,546	93,356
Loans, advances and financing	Loans and receivables	Amortised cost	57,687,206	57,792,234
Derivative financial assets	Loans and receivables	FVTPL	55,618	56,498
Other assets	Held-for-trading	FVTPL	835,625	835,625
Statutory deposits with BNM	Loans and receivables	Amortised cost	709,911	709,352
	Loans and receivables	Amortised cost	1,427,217	1,427,217

There are no changes to the classification and carrying amounts of the financial liabilities subsequent to the measurement categories under MFRS 9.

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

## 36 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)

## Classification of Financial Assets (continued)

The following table reconciles the carrying amounts under MFRS 139 in transition to the carrying amounts under MFRS 9 on 1 January 2018.

<u>Group</u>	Cash and cash equivalents RM'000	Deposits and placements with banks and other financial institutions RM'000	Loans, advances and financing RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total amortised cost RM'000
<b>Amortised cost</b>						
MFRS 139 carrying amount as at 31 December 2017	6,158,261	71,835	67,452,350	370,277	1,752,717	75,805,440
Reclassification from amortised cost to FVTPL	-	-	(55,618)	-	-	(55,618)
Remeasurement due to expected credit loss	(215)	(32)	117,085	(1,092)	-	115,746
MFRS 9 carrying amount as at 1 January 2018	<u>6,158,046</u>	<u>71,803</u>	<u>67,513,817</u>	<u>369,185</u>	<u>1,752,717</u>	<u>75,865,568</u>

	<u>Fair value through other comprehensive income (FVOCI)</u>				<u>Fair value through profit or loss (FVTPL)</u>			
	Financial investments available-for- sale RM'000	Debt instruments RM'000	Equity instruments RM'000	Total FVOCI RM'000	Loans, advances and financing RM'000	Financial assets held-for- trading RM'000	Derivative financial assets RM'000	Total FVTPL RM'000
	<b>Fair value</b>							
MFRS 139 carrying amount as at 31 December 2017	13,501,159	-	-	13,501,159	-	1,690,763	835,825	2,526,588
Reclassification from AFS to FVOCI	(13,368,264)	13,259,718	93,356	(15,190)	-	-	-	-
Reclassification from AFS to FVTPL	(132,895)	-	-	(132,895)	-	132,903	-	132,903
Reclassification from amortised cost to FVTPL	-	-	-	-	56,498	-	-	56,498
MFRS 9 carrying amount as at 1 January 2018	<u>-</u>	<u>13,259,718</u>	<u>93,356</u>	<u>13,353,074</u>	<u>56,498</u>	<u>1,823,666</u>	<u>835,825</u>	<u>2,715,989</u>



## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)

## 36 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)

## Classification of Financial Assets (continued)

	Cash and cash equivalents RM'000	Deposits and placements with banks and other financial institutions RM'000	Investment account placement RM'000	Loans, advances and financing RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total amortised cost RM'000
<b>Bank</b>							
<b>Amortised cost</b>							
MFRS 139 carrying amount as at 31 December 2017	5,571,918	182,518	1,793,011	57,742,824	709,911	1,427,217	67,427,399
Reclassification from amortised cost to FVTPL	-	-	-	(55,618)	-	-	(55,618)
Remeasurement due to expected credit loss	(187)	(32)	-	105,028	(559)	-	104,250
MFRS 9 carrying amount as at 1 January 2018	5,571,731	182,486	1,793,011	57,792,234	709,352	1,427,217	67,476,031

	Fair value through other comprehensive income (FVOCI)			Fair value through profit or loss (FVTPL)				
	Financial investments available-for- sale RM'000	Debt instruments RM'000	Equity instruments RM'000	Total FVOCI RM'000	Loans, advances and financing RM'000	Financial assets held-for- trading RM'000	Derivative financial assets RM'000	Total FVTPL RM'000
<b>Fair value</b>								
MFRS 139 carrying amount as at 31 December 2017	8,778,279	-	-	8,778,279	-	1,690,763	835,625	2,526,388
Reclassification from AFS to FVOCI	(8,778,101)	8,669,555	93,356	(15,190)	-	-	-	-
Reclassification from AFS to FVTPL	(178)	-	-	(178)	-	186	-	186
Reclassification from amortised cost to FVTPL	-	-	-	-	56,498	-	-	56,498
MFRS 9 carrying amount as at 1 January 2018	-	8,669,555	93,356	8,762,911	56,498	1,690,949	835,625	2,583,072

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**36 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)**

**Expected credit loss ("ECL") impairment model**

Financial assets classified at amortised cost or FVOCI, and certain financing commitments and financial guarantee contracts are subject to MFRS 9 ECL impairment provisioning, unless such exposures are designated at FVTPL under fair value option due to accounting mismatch.

On initial adoption of MFRS 9, impairment would be measured as either:

Stage 1: 12-month expected credit losses for performing exposures

Stage 2: Lifetime expected credit losses for exposures where credit risk has increased significantly since initial inception.

Stage 3: For credit-impaired assets, specific provisions will be made based on lifetime expected credit losses (similar to existing classification of financial assets that are impaired under MFRS 139).

**Measurement**

An ECL estimate will be produced for all relevant instruments established on probability-weighted forward-looking economic scenarios. The measurement of ECL will primarily be calculated based on the PD, loss given default ("LGD"), and exposure at default ("EAD"). These parameters are derived from internal rating models after adjusting them to be unbiased and forward looking. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

12-month ECL will be based on maximum of 12-month PD while lifetime ECL will be based on the remaining lifetime of the instrument. LGD reflects the expected loss value given default, after taking into account the effect of collateral. EAD reflects the expected exposure at default, after taking into account of any expected repayments and/or drawdown. 12-month ECL and lifetime ECL will be the respective discounted value (using the effective interest/profit rate) of 12-month PD and lifetime PD, multiplied with LGD and EAD.

**Movement between stages**

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial inception.

In accordance with MFRS 9, financial assets are classified in Stage 2 where there is significant increase in credit risk since initial recognition, where loss allowance will be measured using lifetime ECL.

The Group and the Bank have considered both qualitative and quantitative parameters in the assessment of significant increase in credit risk. These include the following:

1. Established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition.
2. Conduct qualitative assessment to ascertain if there has been significant increase in credit risk.
3. Adopt 30 days past due as an indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under MFRS 9 will be based on objective evidence of impairment, similar to MFRS 139.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2018 (continued)**

**36 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)**

**Movement between stages (continued)**

The assessments for significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired.

**Regulatory framework**

Under the revised BNM guideline on Financial Reporting, the banks must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit impaired exposures.

**Transition**

Changes in accounting policies resulting from the adoption of MFRS 9 have been applied prospectively, as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented for 2018 under MFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial asset is held.
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
- If a debt security had low credit risk at the date of initial application of MFRS 9, then the Group and the Bank have assumed that credit risk on the asset had not increased significantly since its initial recognition.