

Company No. 295400-W

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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  
AND ITS SUBSIDIARY COMPANIES  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

<b>CONTENTS</b>	<b>PAGE</b>
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 - 7
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	8 - 9
STATEMENT OF CHANGES IN EQUITY	10 - 11
STATEMENTS OF CASH FLOWS	12 - 13
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	14 - 59

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	Note	Group		Bank	
		30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>ASSETS</b>					
Cash and cash equivalents	9	4,796,529	6,158,261	4,636,061	5,571,918
Deposits and placements with banks and other financial institutions	10	294,708	71,835	603,748	182,518
Investment account placement	11	-	-	1,575,145	1,793,011
Financial assets at fair value through profit or loss	12	1,836,895	1,690,763	1,826,918	1,690,763
Financial investments at fair value through other comprehensive income	13	15,301,502	13,501,159	11,079,762	8,778,279
Loans, advances and financing	14	67,413,602	67,452,350	57,558,903	57,742,824
Derivative financial assets	16	939,737	835,825	939,638	835,625
Other assets	17	390,770	370,277	654,053	709,911
Statutory deposits with Bank Negara Malaysia		1,892,300	1,752,717	1,573,700	1,427,217
Investments in subsidiaries		-	-	556,901	558,492
Property and equipment		160,875	162,596	150,736	153,271
Prepaid lease payments		730	748	730	748
Tax recoverable		432	535	-	-
Deferred tax assets		37,102	26,957	32,637	25,022
<b>Total assets</b>		<b>93,065,182</b>	<b>92,024,023</b>	<b>81,188,932</b>	<b>79,469,599</b>
<b>LIABILITIES</b>					
Deposits from customers	18	72,851,426	73,652,739	62,130,701	62,490,422
Deposits and placements of banks and other financial institutions	19	5,551,543	4,388,137	5,484,028	3,946,437
Bills and acceptances payable		311,225	166,104	297,313	145,347
Recourse obligation on loans sold to Cagamas Berhad		1,440,135	1,419,252	1,440,135	1,419,252
Derivative financial liabilities	16	846,664	1,080,854	846,432	1,080,427
Other liabilities	21	2,912,857	2,543,806	2,739,645	2,417,222
Tax payable and zakat		73,439	22,793	52,059	15,540
Subordinated bonds	20	1,868,909	1,870,932	1,868,909	1,870,932
<b>Total liabilities</b>		<b>85,856,198</b>	<b>85,144,617</b>	<b>74,859,222</b>	<b>73,385,579</b>
<b>EQUITY</b>					
Share capital		754,000	754,000	754,000	754,000
Reserves		6,453,581	6,123,912	5,575,710	5,330,020
Non-controlling interest		1,403	1,494	-	-
<b>Total equity</b>		<b>7,208,984</b>	<b>6,879,406</b>	<b>6,329,710</b>	<b>6,084,020</b>
<b>Total liabilities and equity</b>		<b>93,065,182</b>	<b>92,024,023</b>	<b>81,188,932</b>	<b>79,469,599</b>
<b>Commitments and contingencies</b>	30	<b>96,119,767</b>	<b>91,839,022</b>	<b>91,743,283</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 of the Bank for the financial year ended 31 December 2017 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 2018**

Group	Note	Quarter ended		Year to date ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Interest income	22	917,166	872,564	1,786,034	1,726,235
Interest expense	22	(541,800)	(527,835)	(1,051,517)	(1,035,301)
Net interest income	22	375,366	344,729	734,517	690,934
Income from Islamic banking operations	23	115,060	114,656	220,679	225,335
Net fee and commission income	24	91,569	90,271	175,058	175,981
Net trading income	25	38,029	64,490	106,609	100,779
Other operating income	26	7,053	9,517	6,087	15,086
<b>Operating income</b>		<b>627,077</b>	<b>623,663</b>	<b>1,242,950</b>	<b>1,208,115</b>
Operating expenses	27	(285,855)	(284,200)	(570,145)	(540,051)
<b>Operating profit before impairment allowance and provision</b>		<b>341,222</b>	<b>339,463</b>	<b>672,805</b>	<b>668,064</b>
Impairment allowance on loans, advances and financing	28	(74,211)	(28,570)	(81,445)	(56,445)
Write back/(Charge) of impairment allowance on other receivables		9,994	(11)	9,989	(29)
<b>Profit before income tax and zakat</b>		<b>277,005</b>	<b>310,882</b>	<b>601,349</b>	<b>611,590</b>
Income tax expense	29	(69,597)	(76,411)	(149,876)	(150,101)
Zakat		-	(13)	-	(25)
<b>Profit for the period</b>		<b>207,408</b>	<b>234,458</b>	<b>451,473</b>	<b>461,464</b>
<b>Other comprehensive (expense)/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		223	-	2,955	-
<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		(31,001)	22,724	(61,311)	50,831
- Amount transferred to profit or loss		(306)	(3,174)	6,618	(3,090)
- Related tax		7,512	(4,692)	13,274	(11,463)
Change in expected credit loss reserve on debt instruments at fair value through other comprehensive income		(10,142)	-	(10,094)	-
<b>Other comprehensive (expense)/income for the period, net of tax</b>		<b>(33,714)</b>	<b>14,858</b>	<b>(48,558)</b>	<b>36,278</b>
<b>Total comprehensive income for the period</b>		<b>173,694</b>	<b>249,316</b>	<b>402,915</b>	<b>497,742</b>
<b>Profit attributable to:</b>					
Owner of the Bank		207,458	234,480	451,515	461,564
Non-controlling interest		(50)	(22)	(42)	(100)
		<b>207,408</b>	<b>234,458</b>	<b>451,473</b>	<b>461,464</b>

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (CONTINUED)**

	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Group</b>				
<b>Total comprehensive income attributable to:</b>				
Owner of the Bank	173,744	249,338	402,957	497,842
Non-controlling interest	(50)	(22)	(42)	(100)
	<u>173,694</u>	<u>249,316</u>	<u>402,915</u>	<u>497,742</u>
<b>Basic earnings per ordinary share (sen)</b>	<u>72.1</u>	<u>81.5</u>	<u>157.0</u>	<u>160.5</u>

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OCBC BANK (MALAYSIA) BERHAD  
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

<b>Bank</b>	Note	<b>Quarter ended</b>		<b>Year to date ended</b>	
		<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
Interest income	22	934,661	893,502	1,819,622	1,766,387
Interest expense	22	(553,246)	(543,784)	(1,073,817)	(1,065,259)
Net interest income	22	381,415	349,718	745,805	701,128
Net fee and commission income	24	91,519	90,071	174,474	175,730
Net trading income	25	38,028	64,490	106,596	100,779
Other operating income	26	49,033	34,534	73,737	63,002
<b>Operating income</b>		<b>559,995</b>	<b>538,813</b>	<b>1,100,612</b>	<b>1,040,639</b>
Operating expenses	27	(265,941)	(263,921)	(531,656)	(497,875)
<b>Operating profit before impairment allowance and provision</b>		<b>294,054</b>	<b>274,892</b>	<b>568,956</b>	<b>542,764</b>
(Charge)/Write back of impairment allowance on loans, advances and financing	28	(88,266)	13,147	(94,953)	1,130
Write back/(Charge) of impairment allowance on Restricted Profit Sharing Investment Accounts	11	3,498	(42,834)	4,732	(42,834)
Write back/(Charge) of impairment allowance on other receivables		7,746	(11)	7,007	(29)
<b>Profit before income tax and zakat</b>		<b>217,032</b>	<b>245,194</b>	<b>485,742</b>	<b>501,031</b>
Income tax expense	29	(51,097)	(61,356)	(117,859)	(124,973)
<b>Profit for the period</b>		<b>165,935</b>	<b>183,838</b>	<b>367,883</b>	<b>376,058</b>
<b>Other comprehensive (expense)/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		223	-	2,955	-
<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		(26,981)	16,950	(52,155)	35,285
- Amount transferred to profit or loss		(356)	(3,460)	6,349	(3,471)
- Related tax		6,559	(3,236)	10,990	(7,636)
Change in expected credit loss reserve on debt instruments at fair value through other comprehensive income		(8,454)	-	(7,672)	-
<b>Other comprehensive (expense)/income for the period, net of income tax</b>		<b>(29,009)</b>	<b>10,254</b>	<b>(39,533)</b>	<b>24,178</b>
<b>Total comprehensive income for the period</b>		<b>136,926</b>	<b>194,092</b>	<b>328,350</b>	<b>400,236</b>

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 30 JUNE 2018 (continued)**

	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>30 June 2017 RM'000</b>
<b><u>Bank</u></b>				
<b>Profit attributable to owner of the Bank</b>	<b>165,935</b>	<b>183,838</b>	<b>367,883</b>	<b>376,058</b>
<b>Total comprehensive income attributable to owner of the Bank</b>	<b>136,926</b>	<b>194,092</b>	<b>328,350</b>	<b>400,236</b>
<b>Basic earnings per ordinary share (sen)</b>	<b>57.8</b>	<b>63.9</b>	<b>128.0</b>	<b>130.8</b>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 (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)
- Amount transferred to profit or loss	-	-	-	-	6,618	-	-	6,618
- Income tax effect	-	-	-	-	13,274	-	-	13,274
Expected credit loss reserve								
- Change in expected credit loss	-	-	-	(10,094)	-	-	-	(10,094)
<b>Total other comprehensive expense for the period</b>	-	-	-	(10,094)	(38,464)	-	-	(48,558)
Profit for the period	-	-	-	-	-	451,515	(42)	451,473
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	(10,094)	(38,464)	451,515	(42)	402,915
Transfer to regulatory reserve	-	114,000	-	-	-	(114,000)	-	-
<i>Contributions by and distributions to owner of the Bank</i>								
Dividend paid								
- Final 2017 ordinary	-	-	-	-	-	(150,000)	-	(150,000)
- Interim 2018 ordinary	-	-	-	-	-	-	(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 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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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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	-	-	-	-	-	-	50,831	-	-	50,831
- Amount transferred to profit or loss	-	-	-	-	-	-	(3,090)	-	-	(3,090)
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	-	(11,463)	-	-	(11,463)
<b>Total other comprehensive income for the period</b>	-	-	-	-	-	-	36,278	-	-	36,278
Profit for the period	-	-	-	-	-	-	-	461,564	(100)	461,464
<b>Total comprehensive income/(expense) for the period</b>	-	-	-	-	-	-	36,278	461,564	(100)	497,742
Transfer pursuant to Companies Act 2016 under no par regime	466,500	(462,500)	-	-	(4,000)	-	-	-	-	-
Transfer to/from retained earnings	-	-	(507,000)	56,000	-	-	-	451,000	-	-
<i>Contributions by and distributions to owner of the Bank</i>										
Dividend paid										
- Final 2016 ordinary	-	-	-	-	-	-	-	(393,100)	-	(393,100)
At 30 June 2017	754,000	-	-	431,000	-	56,619	115,328	5,170,722	1,296	6,528,965

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

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

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 (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)
- Amount transferred to profit or loss	-	-	-	6,349	-	6,349
- Income tax effect	-	-	-	10,990	-	10,990
Expected credit loss reserve						
- Change in expected credit loss	-	-	(7,672)	-	-	(7,672)
<b>Total other comprehensive expense for the period</b>	-	-	(7,672)	(31,861)	-	(39,533)
Profit for the period	-	-	-	-	367,883	367,883
<b>Total comprehensive (expense)/income for the period</b>	-	-	(7,672)	(31,861)	367,883	328,350
Transfer to regulatory reserve	-	114,000	-	-	(114,000)	-
<i>Contributions by and distributions to owners of the Bank</i>						
Dividend paid						
- Final 2017 ordinary	-	-	-	-	(150,000)	(150,000)
At 30 June 2018	754,000	509,000	1,311	57,322	5,008,077	6,329,710

\* 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 30 JUNE 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>Bank</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	-	-	-	-	-	35,285	-	35,285
- Amount transferred to profit or loss	-	-	-	-	-	(3,471)	-	(3,471)
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	(7,636)	-	(7,636)
<b>Total other comprehensive income for the period</b>	-	-	-	-	-	24,178	-	24,178
Profit for the period	-	-	-	-	-	-	376,058	376,058
<b>Total comprehensive income for the period</b>	-	-	-	-	-	24,178	376,058	400,236
Transfer pursuant to Companies Act 2016 under no par regime	466,500	(462,500)	-	-	(4,000)	-	-	-
Transfer to retained earnings	-	-	(322,000)	-	-	-	322,000	-
<i>Contributions by and distributions to owners of the Bank</i>								
Dividend payable								
- Final 2016 ordinary	-	-	-	-	-	-	(393,100)	(393,100)
At 30 June 2017	754,000	-	-	375,000	-	112,736	4,599,468	5,841,204

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

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

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018**

	Group		Bank	
	Year to date ended 30 June 2018 RM'000	Year to date ended 30 June 2017 RM'000	Year to date ended 30 June 2018 RM'000	Year to date ended 30 June 2017 RM'000
<b>Cash flows from operating activities</b>				
Profit before income tax and zakat	601,349	611,590	485,742	501,031
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	18	18	18	18
Depreciation of property, plant and equipment	13,932	17,252	11,687	14,936
Dividends received from financial investments at fair value through other comprehensive income	(450)	(752)	(450)	(752)
Dividends received from subsidiary	-	-	(2,800)	-
Surplus assets received from winding-up of a subsidiary	-	-	(12,262)	-
Impairment/(Write back of) allowance on:				
- Loans, advances and financing	81,445	56,445	94,953	(1,130)
- Restricted Profit Sharing Investment Accounts	-	-	(4,732)	42,834
- Other receivables	(9,989)	29	(7,007)	29
Net loss/(gain) on disposal of:				
- Financial investments at fair value through other comprehensive income	6,618	(3,090)	6,349	(3,471)
- Property and equipment	(1)	267	(2)	259
Share-based expenses	3,088	2,512	2,913	2,407
Unrealised (gain)/loss on:				
- Financial assets at fair value through profit or loss	(1,261)	(685)	(1,728)	(685)
- Hedging derivatives	(30)	288	(30)	288
- Trading derivatives	(343,890)	189,592	(343,793)	189,961
- Subordinated bonds	(2,023)	(46,219)	(2,023)	(46,219)
Operating profit before changes in working capital	348,806	827,247	226,835	699,506
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(223,755)	302,288	(422,112)	287,900
Investment account placement	-	-	222,598	(922,755)
Financial assets at fair value through profit or loss	(11,968)	(68,352)	(134,241)	(68,352)
Loans, advances and financing	75,268	(835,776)	194,876	(431,847)
Other assets	(21,052)	(14,063)	55,294	(31,711)
Statutory deposits with Bank Negara Malaysia	(139,583)	264,531	(146,483)	240,531
Derivative financial assets and liabilities	7,678	(45,738)	7,675	(45,736)
Deposits from customers	(801,313)	27,222	(359,721)	536,997
Deposits and placements of banks and other financial institutions	1,163,406	137,447	1,537,591	181,842
Bills and acceptances payable	145,121	(21,691)	151,966	(13,691)
Other liabilities	365,460	235,764	318,813	181,466
<b>Cash generated from operations</b>	908,068	808,879	1,653,091	614,150
Income tax and zakat paid	(120,227)	(107,163)	(99,875)	(90,313)
<b>Net cash generated from operating activities</b>	787,841	701,716	1,553,216	523,837

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>Year to date ended</b>		<b>Year to date ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</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>Cash flows from investing activities</b>				
Acquisition of financial investments at fair value through other comprehensive income	(10,069,035)	(7,282,804)	(6,142,475)	(3,343,804)
Acquisition of property and equipment	(12,230)	(2,260)	(9,167)	(2,024)
Dividends received from financial investments at fair value through other comprehensive income	450	752	450	752
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 fair value through other comprehensive income	8,060,391	5,057,178	3,774,564	1,724,862
Proceeds from disposal of property and equipment	17	118	19	119
<b>Net cash used in investing activities</b>	<b>(2,020,407)</b>	<b>(2,227,016)</b>	<b>(2,359,956)</b>	<b>(1,620,095)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to owner of the Bank	(150,000)	-	(150,000)	-
Dividends paid to non-controlling interest	(49)	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	20,883	103,178	20,883	103,178
<b>Net cash (used in)/generated from financing activities</b>	<b>(129,166)</b>	<b>103,178</b>	<b>(129,117)</b>	<b>103,178</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(1,361,732)</b>	<b>(1,422,122)</b>	<b>(935,857)</b>	<b>(993,080)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>6,158,261</b>	<b>8,293,096</b>	<b>5,571,918</b>	<b>6,720,113</b>
<b>Cash and cash equivalents at 30 June</b>	<b>4,796,529</b>	<b>6,870,974</b>	<b>4,636,061</b>	<b>5,727,033</b>

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

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018**

### **GENERAL INFORMATION**

The unaudited condensed consolidated interim financial statements of the Bank as at and for the financial period ended 30 June 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 achieved net profit of RM451 million for the first 6 months of 2018; a decline of RM10 million or 2.2% compared to the same corresponding period last year. Net interest income increased to RM735 million; a RM44 million or 6.3% growth against last year mainly due to improved net interest margin by 7 bps following the increase in BNM’s Overnight Policy Rate of 25 bps in February 2018 coupled with active liability management.

Overheads continued to expand by RM30 million to RM570 million as the Group opened a new branch in Rawang and will be relocating two existing branches to more prominent locations to tap new business opportunities. Impairment allowances and provisions rose by RM22 million or 39% mainly due to one large account from oil and gas sector.

Total assets stood at RM93 billion or 1.1% higher than December last year mainly from higher financial assets at fair value through other comprehensive income of RM1.8 billion largely offset by the drop in cash and cash equivalents amounting to RM1.4 billion.

The Group and the Bank’s ratios remained healthy with Common Equity Tier 1 (CET 1) capital ratios of 13.323% and 12.620%, Tier 1 capital ratios of 14.920% and 14.534% and total capital ratios of 17.608% and 17.142%, respectively.

### **ECONOMIC PERFORMANCE AND PROSPECTS**

The current escalating trade tensions between the US and China, coupled with indications of the Federal Reserve rate hikes, may give rise to uncertainties in the global economic environment. These uncertainties are expected to pressure the roughly 3.2% anticipated growth of the global economy in 2018.

On the domestic front, although local indicators are showing positive signs of growth - net financing grew at 6.8% in May 2018 while exports accelerated by 14% in April 2018 and banks’ liquidity and funding positions remained healthy - there remain post-election events leading to fiscal uncertainty risks. The market weakness amid uncertainty has caused the KLSE to shed 6.9% in May 2018 mainly from the outflow of foreign funds from equities.

Against this backdrop, the Group will take a cautious stance in preserving its asset quality and continue to grow on selected financing sectors while focusing on its wealth management business. We will continue to build our capability and invest more in digitalisation while managing our expenses and resources optimally.

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

### 1 BASIS OF PREPARATION

The accounting policies set out below have been applied consistently to the periods presented in these unaudited condensed interim financial statements and have been applied consistently by Group entities, 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 impact on classification and measurement of the Group's and the Bank's financial assets are disclosed in Note 37 of the interim financial statements.

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

#### (a) Statement of compliance

The unaudited condensed interim financial statements of the Group and the Bank have been prepared under the historical cost convention (except as disclosed in the notes to the unaudited condensed interim financial statements), in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, International 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 are accounting standards and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") which are applicable but have not been adopted by the Group and the Bank:

#### 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 for annual periods commencing on or after 1 January 2020

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

#### 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*

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

### 1 BASIS OF PREPARATION (continued)

#### (a) Statement of compliance (continued)

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

#### **MFRS 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.

#### (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 2017, except as disclosed in Note 37 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 37 of the interim financial statements.

### 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

During the financial period ended 30 June 2018, the members' voluntary winding-up of OCBC Credit Berhad was completed on 31 May 2018 upon which, OCBC Credit Berhad ceased to be a subsidiary of the Group.

### 6 DIVIDENDS

The Directors recommend an interim dividend of 48 sen per ordinary share in respect of the financial period ended 30 June 2018 totalling RM138 million.

### 7 SIGNIFICANT AND SUBSEQUENT EVENTS

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



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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (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 2018.

**9 CASH AND CASH EQUIVALENTS**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000 Restated
Cash and balances with banks and other financial institutions	412,066	493,106	365,922	351,502
Money at call and deposit placements with financial institutions maturing within one month	218,052	1,198,899	410,139	1,570,416
Deposit placements with Bank Negara Malaysia	4,166,411	4,466,256	3,860,000	3,650,000
	<u>4,796,529</u>	<u>6,158,261</u>	<u>4,636,061</u>	<u>5,571,918</u>

## a) By geographical distribution

Malaysia	4,392,189	5,798,943	4,250,463	5,329,143
Singapore	86,182	184,748	69,216	161,523
Other ASEAN	4,228	6,178	4,134	5,875
Rest of the world	313,930	168,392	312,248	75,377
	<u>4,796,529</u>	<u>6,158,261</u>	<u>4,636,061</u>	<u>5,571,918</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 OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") of RM192 million (31 December 2017: RM372 million), which are unsecured and profit bearing.

All balances are within Stage 1 allocation (12 months expected credit loss) with no impairment allowance.

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

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000 Restated
Bank Negara Malaysia	200,000	-	-	-
Licensed banks	95,590	71,835	604,630	182,518
	295,590	71,835	604,630	182,518
Expected credit loss	(882)	-	(882)	-
	<u>294,708</u>	<u>71,835</u>	<u>603,748</u>	<u>182,518</u>

## a) By geographical distribution

Malaysia	295,590	-	604,630	110,683
Singapore	-	-	-	-
Other ASEAN	-	71,835	-	71,835
	<u>295,590</u>	<u>71,835</u>	<u>604,630</u>	<u>182,518</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000 Restated</b>
b) By residual contractual maturity				
Maturity within one year	295,590	71,835	604,630	182,518

Included in the Bank's deposits and placements with licensed banks are deposits and placements with OCBC Al-Amin of RM509 million (31 December 2017: RM110 million), which are unsecured and profit bearing.

Movements in expected credit loss ("ECL") are as follows:

<b>Group and Bank</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL non credit impaired RM'000</b>
	<b>12 months ECL RM'000</b>	<b>Lifetime ECL non credit impaired RM'000</b>	<b>Lifetime ECL credit impaired RM'000</b>	
At 1 January 2018	-	-	-	-
Effect of adopting MFRS 9	17	15	-	32
At 1 January 2018, as restated	17	15	-	32
Charge/(Written back)	865	(15)	-	850
At 30 June 2018	882	-	-	882

**11 INVESTMENT ACCOUNT PLACEMENT**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Restricted Profit Sharing Investment Accounts	-	-	1,637,726	1,861,390
Expected credit loss	-	-	(62,581)	(68,379)
	-	-	1,575,145	1,793,011

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.

Except for an exposure to a specific RPSIA funded financing for which the Bank has provided for Stage 3 ECL allowance as at 30 June 2018, the rest of the RPSIA exposures are categorised as Pass according to the Bank's classification grade.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****11 INVESTMENT ACCOUNT PLACEMENT (continued)**

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.

Movements in ECL are as follows:

<u>Bank</u>	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total ECL</u> <u>RM'000</u>
	<u>12 months</u> <u>ECL</u> <u>RM'000</u>	<u>Lifetime</u> <u>ECL</u> <u>non credit</u> <u>impaired</u> <u>RM'000</u>	<u>Lifetime</u> <u>ECL credit</u> <u>impaired</u> <u>RM'000</u>	
At 1 January 2018	8,561	-	59,818	68,379
Effect of adopting MFRS 9	-	-	-	-
At 1 January 2018, as restated	8,561	-	59,818	68,379
Written back	(4,732)	-	-	(4,732)
Discount unwind	-	-	(1,066)	(1,066)
At 30 June 2018	<u>3,829</u>	<u>-</u>	<u>58,752</u>	<u>62,581</u>

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

	<u>Group</u>		<u>Bank</u>	
	<u>30 June</u> <u>2018</u> <u>RM'000</u>	<u>31 December</u> <u>2017</u> <u>RM'000</u>	<u>30 June</u> <u>2018</u> <u>RM'000</u>	<u>31 December</u> <u>2017</u> <u>RM'000</u>
<b>At fair value</b>				
Malaysian Government Investment Issues	530,532	269,493	530,532	269,493
Malaysian Government Securities	359,489	252,505	359,489	252,505
Malaysian Government Treasury Bills	427,150	-	427,150	-
Bank Negara Malaysia Monetary Notes	321,932	-	321,932	-
Corporate Bonds and Sukuk	197,606	1,168,765	187,629	1,168,765
Debentures	186	-	186	-
	<u>1,836,895</u>	<u>1,690,763</u>	<u>1,826,918</u>	<u>1,690,763</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>At fair value</b>				
Malaysian Government Investment Issues	4,783,659	4,824,454	2,464,713	2,670,438
Malaysian Government Securities and Sukuk	3,241,717	2,272,777	3,241,717	2,272,777
Malaysian Treasury Bills and Islamic Treasury Bills	49,828	248,701	49,828	198,820
Malaysian Government Debt Securities and Sukuk	230,016	172,070	86,304	76,882
Bank Negara Malaysia Monetary Notes	593,079	-	593,079	-
Foreign Government Debt Securities and Sukuk	749,070	596,729	552,044	394,732
Negotiable Instruments of Deposit and Islamic Negotiable Instruments of Deposit	1,225,308	1,653,492	73,293	162,268
Corporate and Islamic Corporate Bonds, Sukuk and Sanadat Mudharabah Cagamas	4,332,515	3,624,212	3,922,474	2,893,638
Unquoted shares in Malaysia	96,310	-	96,310	-
Debentures	-	190	-	190
	<u>15,301,502</u>	<u>13,392,625</u>	<u>11,079,762</u>	<u>8,669,745</u>
<b>At cost</b>				
Unquoted shares in Malaysia*	-	108,546	-	108,546
	<u>15,301,502</u>	<u>13,501,171</u>	<u>11,079,762</u>	<u>8,778,291</u>
Impairment allowance				
- Debentures	-	(12)	-	(12)
	<u>15,301,502</u>	<u>13,501,159</u>	<u>11,079,762</u>	<u>8,778,279</u>

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

Movements in ECL are as follows:

<b>Group</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL RM'000</b>
	<b>12 months ECL RM'000</b>	<b>Lifetime ECL non credit impaired RM'000</b>	<b>Lifetime ECL credit impaired RM'000</b>	
At 1 January 2018	-	-	(12)	(12)
Effect of adopting MFRS 9	8,380	3,249	12	11,641
At 1 January 2018, as restated	8,380	3,249	-	11,629
Written back	(6,845)	(3,249)	-	(10,094)
At 30 June 2018	<u>1,535</u>	<u>-</u>	<u>-</u>	<u>1,535</u>
<b>Bank</b>				
At 1 January 2018	-	-	(12)	(12)
Effect of adopting MFRS 9	6,464	2,519	12	8,995
At 1 January 2018, as restated	6,464	2,519	-	8,983
Written back	(5,153)	(2,519)	-	(7,672)
At 30 June 2018	<u>1,311</u>	<u>-</u>	<u>-</u>	<u>1,311</u>

Expected credit loss for financial investments at fair value through other comprehensive income is recognised in the expected credit loss reserve.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****14 LOANS, ADVANCES AND FINANCING**

	Note	Group		Bank	
		30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>At amortised cost</b>					
Overdrafts		2,933,935	2,938,259	2,933,935	2,938,259
Term loans/financing:					
- Housing loans/financing		26,304,486	27,115,889	24,333,703	25,109,866
- Syndicated term loans/financing		3,278,578	2,667,458	2,669,701	2,307,642
- Hire purchase receivables		412,601	447,683	10	10
- Other term loans/financing		21,552,269	22,383,800	18,241,085	18,823,707
Credit card		560,899	561,471	560,899	561,471
Bills receivable		207,569	506,083	180,213	485,680
Trust receipts		60,220	36,343	42,633	36,225
Claims on customers under acceptance credits		3,261,167	3,108,578	2,858,964	2,646,951
Revolving credit		7,845,127	7,098,771	4,635,471	4,083,691
Staff loans/financing		56,096	62,702	56,096	62,702
Other loans/financing		1,771,132	1,515,508	1,635,946	1,397,019
		<u>68,244,079</u>	<u>68,442,545</u>	<u>58,148,656</u>	<u>58,453,223</u>
<b>At fair value</b>					
Other term loans/financing		23,269	-	23,269	-
Gross loans, advances and financing		<u>68,267,348</u>	<u>68,442,545</u>	<u>58,171,925</u>	<u>58,453,223</u>
Expected credit loss	15	<u>(853,746)</u>	<u>(990,195)</u>	<u>(613,022)</u>	<u>(710,399)</u>
Net loans, advances and financing		<u>67,413,602</u>	<u>67,452,350</u>	<u>57,558,903</u>	<u>57,742,824</u>
a) By type of customer					
Domestic banking institutions		385	435	385	435
Domestic non-bank financial institutions		1,393,285	1,439,704	1,340,421	1,386,702
Domestic business enterprises					
- Small and medium enterprises		12,864,191	12,936,680	10,818,857	10,955,266
- Others		20,725,538	19,708,247	16,391,534	15,574,236
Individuals		29,570,144	30,615,975	27,182,343	28,104,304
Foreign entities		3,713,805	3,741,504	2,438,385	2,432,280
		<u>68,267,348</u>	<u>68,442,545</u>	<u>58,171,925</u>	<u>58,453,223</u>
b) By interest/profit rate sensitivity					
Fixed rate					
- Housing loans/financing		30,352	90,160	20,037	69,577
- Hire purchase receivables		211,561	256,962	10	10
- Other fixed rate loans/financing		7,030,919	6,642,975	5,234,481	4,816,469
Variable rate					
- Base rate/Base lending rate/Base financing rate plus		42,479,270	43,698,917	38,806,239	40,147,213
- Cost plus		18,193,009	17,352,150	13,788,921	13,018,573
- Other variable rates		322,237	401,381	322,237	401,381
		<u>68,267,348</u>	<u>68,442,545</u>	<u>58,171,925</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 - 30 JUNE 2018 (continued)**

**14 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
c) By sector				
Agriculture, hunting, forestry and fishing	3,346,172	2,955,717	1,754,380	1,563,034
Mining and quarrying	552,788	602,558	324,178	342,350
Manufacturing	7,508,778	7,518,600	6,366,771	6,107,704
Electricity, gas and water	500,997	304,729	455,244	250,764
Construction	2,358,371	2,260,653	1,760,051	1,811,551
Real estate	7,190,957	6,892,385	6,505,335	6,336,790
Wholesale & retail trade and restaurants & hotels	7,918,711	7,032,064	6,958,555	6,026,701
Transport, storage and communication	1,164,481	2,160,818	993,759	1,986,541
Finance, insurance and business services	2,148,143	2,485,452	1,918,510	2,238,318
Community, social and personal services	2,129,346	2,047,320	1,380,873	1,438,775
Household				
- Purchase of residential properties	27,386,381	28,226,634	25,382,745	26,186,804
- Purchase of non-residential properties	1,059,130	1,119,879	1,017,348	1,077,250
- Others	2,929,806	3,039,009	2,466,196	2,489,700
Others	2,073,287	1,796,727	887,980	596,941
	<u>68,267,348</u>	<u>68,442,545</u>	<u>58,171,925</u>	<u>58,453,223</u>
d) By geographical distribution				
Malaysia	64,751,209	64,934,877	55,738,100	56,062,788
Singapore	1,744,841	1,698,228	1,111,346	1,047,593
Other ASEAN	566,159	597,615	366,307	370,525
Rest of the world	1,205,139	1,211,825	956,172	972,317
	<u>68,267,348</u>	<u>68,442,545</u>	<u>58,171,925</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	18,593,323	18,572,772	14,293,382	14,440,795
One year to less than three years	5,013,182	4,260,464	4,365,124	3,514,010
Three years to less than five years	4,102,013	4,265,238	3,183,925	3,326,238
Over five years	40,558,830	41,344,071	36,329,494	37,172,180
	<u>68,267,348</u>	<u>68,442,545</u>	<u>58,171,925</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 - 30 JUNE 2018 (continued)**

**15 IMPAIRED LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
(i) Movements in impaired loans, advances and financing				
At 1 January	1,430,623	1,485,727	1,047,051	1,188,175
Impaired during the period/year	478,744	1,142,847	359,862	736,614
Reclassified as unimpaired	(253,877)	(555,977)	(207,057)	(454,117)
Amount recovered	(179,607)	(370,909)	(128,756)	(241,217)
Amount written off	(121,895)	(251,858)	(95,580)	(172,275)
Effect of foreign exchange difference	(91)	(19,207)	39	(10,129)
At 30 June/31 December	1,353,897	1,430,623	975,559	1,047,051
Expected credit loss	(360,741)	-	(241,604)	-
Individually assessed impairment allowance	-	(389,432)	-	(263,555)
Collectively assessed impairment allowance	-	(9,653)	-	(6,017)
Net impaired loans, advances and financing	993,156	1,031,538	733,955	777,479
a) By sector				
Agriculture, hunting, forestry and fishing	6,340	6,742	5,865	6,307
Mining and quarrying	20,437	89,569	20,437	89,569
Manufacturing	211,664	233,978	184,077	207,659
Construction	15,583	15,933	10,740	11,774
Real estate	71,640	21,394	66,536	16,099
Wholesale & retail trade and restaurants & hotels	157,306	181,977	115,053	137,044
Transport, storage and communication	66,634	70,470	61,765	65,931
Finance, insurance and business services	20,314	18,827	9,914	7,928
Community, social and personal services	5,975	7,031	4,775	5,661
Household				
- Purchase of residential properties	478,240	465,784	414,572	405,180
- Purchase of non-residential properties	24,187	30,066	24,187	29,804
- Others	82,014	96,365	57,079	63,538
Others	193,563	192,487	559	557
	1,353,897	1,430,623	975,559	1,047,051
b) By geographical distribution				
Malaysia	1,320,912	1,411,431	942,574	1,027,859
Singapore	19,045	15,371	19,045	15,371
Rest of the world	13,940	3,821	13,940	3,821
	1,353,897	1,430,623	975,559	1,047,051
The analysis by geography is determined based on where the credit risk resides.				
c) By period overdue				
Less than 3 months	259,573	253,737	202,537	191,930
3 months to less than 6 months	164,837	190,256	128,464	143,088
6 months to less than 9 months	111,557	212,882	97,418	80,116
Over 9 months	817,930	773,748	547,140	631,917
	1,353,897	1,430,623	975,559	1,047,051

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
(i) Movements in impaired loans, advances and financing (continued)				
d) By collateral type				
Property	766,340	748,235	669,475	654,128
Fixed deposits	495	345	495	345
Stock and shares	135	47	135	47
Machinery	149	997	-	-
Secured - others	206,135	334,864	64,147	118,698
Unsecured - corporate and other guarantees	118,273	137,992	117,006	137,521
Unsecured - clean	262,370	208,143	124,301	136,312
	<b>1,353,897</b>	<b>1,430,623</b>	<b>975,559</b>	<b>1,047,051</b>

## (ii) Movements in ECL on loans, advances and financing

	<b>30 June 2018</b>			<b>31 December 2017</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total</b>	<b>Collective</b>
	<b>12 months ECL RM'000</b>	<b>Lifetime ECL non credit impaired RM'000</b>	<b>ECL non credit impaired RM'000</b>	<b>impairment allowance RM'000</b>
<b>Group</b>				
At 1 January, under MFRS 139	-	-	-	747,243
Effect of adopting MFRS 9	182,120	301,558	483,678	-
At 1 January, as restated under MFRS 9	182,120	301,558	483,678	747,243
Made/(written back) during the period	15,768	(1,733)	14,035	(146,480)
At 30 June 2018 / 31 December 2017	<b>197,888</b>	<b>299,825</b>	<b>497,713</b>	<b>600,763</b>
<b>Bank</b>				
At 1 January, under MFRS 139	-	-	-	560,264
Effect of adopting MFRS 9	137,705	204,111	341,816	-
At 1 January, as restated under MFRS 9	137,705	204,111	341,816	560,264
Made/(written back) during the period	11,789	17,813	29,602	(113,420)
At 30 June 2018 / 31 December 2017	<b>149,494</b>	<b>221,924</b>	<b>371,418</b>	<b>446,844</b>



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018</b>	<b>31 December 2017</b>	<b>30 June 2018</b>	<b>31 December 2017</b>
	<b>Stage 3</b>		<b>Stage 3</b>	
	<b>Lifetime</b>	<b>Individual</b>	<b>Lifetime</b>	<b>Individual</b>
	<b>ECL credit</b>	<b>impairment</b>	<b>ECL credit</b>	<b>impairment</b>
	<b>impaired</b>	<b>allowance</b>	<b>impaired</b>	<b>allowance</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2018 / 2017	389,432	352,074	263,555	272,031
Made during the period	225,787	477,552	173,666	280,820
Written back	(129,518)	(182,077)	(94,083)	(111,766)
Written off	(121,895)	(251,858)	(95,580)	(172,275)
Discount unwind and financing income earned on impaired financing	(7,773)	(6,259)	(5,954)	(5,255)
At 30 June 2018 / 31 December 2017	<u>356,033</u>	<u>389,432</u>	<u>241,604</u>	<u>263,555</u>

The classification and measurement of the Group's and the Bank's financial assets and impairment allowance under MFRS 9 with effect from 1 January 2018 is disclosed in Note 37.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

## (ii) Movements in ECL on loans, advances and financing (continued)

## a) By sector

<u>Group</u>	Stage 1	Collective	Stage 3	Individual	Stage 3	Individual	Stage 3	Individual
	and 2	impairment	ECL	impairment	ECL made	impairment	ECL	impairment
	ECL	allowance	ECL	allowance	during the	allowance	written off	allowance
	30 June	31 December	30 June	31 December	30 June	31 December	30 June	31 December
	2018	2017	2018	2017	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	22,884	23,155	3	211	8	305	21	137
Mining and quarrying	5,412	7,321	-	442	67,029	20,893	66,758	20,584
Manufacturing	57,072	72,368	60,905	83,476	4,823	76,381	3,190	104,746
Electricity, gas and water	3,586	2,900	-	-	-	-	-	-
Construction	19,981	21,978	3,597	3,500	4,466	6,683	1,902	4,378
Real estate	51,632	58,613	8,562	5,776	3,831	469	-	-
Wholesale & retail trade and restaurants & hotels	58,269	63,936	41,115	46,542	23,785	45,080	10,760	22,715
Transport, storage and communication	8,657	18,153	29,870	30,629	5,674	29,214	3,277	2,250
Finance, insurance and business services	15,603	21,588	4,966	4,777	3,480	9,982	1,731	3,621
Community, social and personal services	19,758	22,009	1,509	2,109	1,292	3,089	1,227	1,796
Household								
- Purchase of residential properties	191,226	237,041	98,700	95,745	58,873	89,173	9,495	19,940
- Purchase of non-residential properties	7,111	9,013	3,396	3,585	1,123	2,008	618	26
- Others	22,099	28,302	44,658	52,822	51,403	123,140	22,916	60,347
Others	14,422	14,386	58,752	59,818	-	71,135	-	11,318
	<b>497,713</b>	<b>600,763</b>	<b>356,033</b>	<b>389,432</b>	<b>225,787</b>	<b>477,552</b>	<b>121,895</b>	<b>251,858</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

## (ii) Movements in ECL on loans, advances and financing (continued)

## a) By sector (continued)

	Stage 1 and 2 ECL		Collective impairment allowance		Stage 3 ECL		Individual impairment allowance		Stage 3 ECL made during the year		Individual impairment allowance made during the year		Stage 3 ECL written off		Individual impairment allowance written off	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>																
Agriculture, hunting, forestry and fishing	11,248	12,003	-	-	-	-	-	25	-	-	-	-	-	-	-	100
Mining and quarrying	2,078	2,626	-	442	-	-	67,029	20,893	66,758	20,430	-	-	-	-	-	20,430
Manufacturing	40,442	46,290	59,081	79,621	59,081	79,621	2,977	70,170	1,786	101,419	-	-	-	-	-	101,419
Electricity, gas and water	2,919	1,926	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction	11,267	13,892	2,684	2,535	2,684	2,535	2,933	5,052	1,262	3,053	-	-	-	-	-	3,053
Real estate	41,671	48,637	5,864	3,073	5,864	3,073	3,780	430	-	-	-	-	-	-	-	-
Wholesale & retail trade and restaurants & hotels	44,419	46,015	30,541	34,440	30,541	34,440	14,989	28,042	5,691	9,466	-	-	-	-	-	9,466
Transport, storage and communication	6,190	15,027	28,314	29,631	28,314	29,631	3,766	27,346	2,621	763	-	-	-	-	-	763
Finance, insurance and business services	12,280	17,168	3,127	2,607	3,127	2,607	1,918	4,036	536	527	-	-	-	-	-	527
Community, social and personal services	8,845	11,035	1,248	1,771	1,248	1,771	855	1,993	961	365	-	-	-	-	-	365
Household																
- Purchase of residential properties	162,190	200,445	85,804	84,162	85,804	84,162	50,671	78,930	7,829	18,581	-	-	-	-	-	18,581
- Purchase of non-residential properties	6,501	8,245	3,396	3,536	3,396	3,536	1,063	1,958	526	26	-	-	-	-	-	26
- Others	15,674	18,952	21,545	21,737	21,545	21,737	23,685	41,945	7,610	17,545	-	-	-	-	-	17,545
Others	5,693	4,583	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	<b>371,418</b>	<b>446,844</b>	<b>241,604</b>	<b>263,555</b>	<b>241,604</b>	<b>263,555</b>	<b>173,666</b>	<b>280,820</b>	<b>95,580</b>	<b>172,275</b>						

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****15 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

b) By geographical distribution

	Group				Bank			
	Stage 1 and 2 ECL	Collective impairment allowance	Stage 3 ECL	Individual impairment allowance	Stage 1 and 2 ECL	Collective impairment allowance	Stage 3 ECL	Individual impairment allowance
	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	473,391	562,507	324,852	387,402	356,014	428,502	210,423	261,525
Singapore	9,385	20,314	17,533	1,708	7,013	8,031	17,533	1,708
Other ASEAN	5,264	6,946	-	-	2,349	2,845	-	-
Rest of the world	9,674	10,996	13,648	322	6,043	7,466	13,648	322
	<b>497,713</b>	<b>600,763</b>	<b>356,033</b>	<b>389,432</b>	<b>371,418</b>	<b>446,844</b>	<b>241,604</b>	<b>263,555</b>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 16 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group	30 June 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	4,106,942	55,123	69,138	3,292,964	23,417	103,020
- Swaps	14,775,654	686,635	586,534	14,598,777	646,655	784,967
- Options	875,365	4,171	3,462	353,697	2,119	988
Interest rate derivatives						
- Swaps	43,053,273	165,470	158,024	44,389,512	138,134	162,926
- Options	180,000	268	675	180,000	442	1,074
- Futures	796,844	726	5	80,911	-	16
Equity and other derivatives						
- Swaps	134,940	8,101	8,101	132,500	7,271	7,271
- Options	-	-	-	3,780	-	-
- Commodity futures	87,437	376	2,135	161,498	2,567	3,758
- Credit linked notes	875,618	18,172	18,172	474,416	15,220	15,220
	64,886,073	939,042	846,246	63,668,055	835,825	1,079,240
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	114,594	695	418	114,729	-	1,614
	65,000,667	939,737	846,664	63,782,784	835,825	1,080,854
<b>Bank</b>						
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	4,114,530	55,024	68,906	3,290,208	23,217	102,593
- Swaps	14,775,654	686,635	586,534	14,598,777	646,655	784,967
- Options	875,365	4,171	3,462	353,697	2,119	988
Interest rate derivatives						
- Swaps	43,053,273	165,470	158,024	44,389,512	138,134	162,926
- Options	180,000	268	675	180,000	442	1,074
- Futures	796,844	726	5	80,911	-	16
Equity and other derivatives						
- Swaps	134,940	8,101	8,101	132,500	7,271	7,271
- Options	-	-	-	3,780	-	-
- Commodity futures	87,437	376	2,135	161,498	2,567	3,758
- Credit linked notes	875,618	18,172	18,172	474,416	15,220	15,220
	64,893,661	938,943	846,014	63,665,299	835,625	1,078,813
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	114,594	695	418	114,729	-	1,614
	65,008,255	939,638	846,432	63,780,028	835,625	1,080,427

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 17 OTHER ASSETS

	Note	Group		Bank	
		30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Amount due from subsidiaries	(a)	-	-	95,963	177,436
Interest/Profit receivable		151,622	134,749	128,756	113,005
Unquoted redeemable Islamic subordinated bonds of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments	(c)	239,148	237,900	229,334	221,842
Impairment allowance on other receivables	(d)	-	(2,372)	-	(2,372)
		<u>390,770</u>	<u>370,277</u>	<u>654,053</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.

(c) Included in other receivables is an impaired exposure of RM13 million with Nil ECL (31 December 2017: Nil).

(d) Movements in allowances for impairment which reflect the ECL model on impairment are as follows:

Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL RM'000	Lifetime ECL non credit impaired RM'000	Lifetime ECL credit impaired RM'000	
At 1 January 2018	-	-	2,372	2,372
Effect of adopting MFRS 9	469	623	-	1,092
At 1 January 2018, as restated	469	623	2,372	3,464
Written back	(469)	(623)	-	(1,092)
Written off	-	-	(2,372)	(2,372)
At 30 June 2018	-	-	-	-
<b>Bank</b>				
At 1 January 2018	-	-	2,372	2,372
Effect of adopting MFRS 9	301	258	-	559
At 1 January 2018, as restated	301	258	2,372	2,931
Written back	(301)	(258)	-	(559)
Written off	-	-	(2,372)	(2,372)
At 30 June 2018	-	-	-	-

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 18 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
a) By type of deposit				
Demand deposits	14,915,008	14,959,903	11,302,554	11,246,027
Fixed/General investment deposits	43,586,021	43,103,460	37,318,444	36,491,363
Saving deposits	7,805,567	7,441,043	7,327,917	6,956,711
Negotiable instruments of deposit	4,037,120	5,104,660	4,037,120	5,104,660
Short-term money market deposits	2,507,710	3,043,673	2,144,666	2,691,661
	<u>72,851,426</u>	<u>73,652,739</u>	<u>62,130,701</u>	<u>62,490,422</u>
b) By type of customer				
Government and statutory bodies	1,501,116	1,427,339	153,366	81,052
Non-bank financial institutions	2,929,450	3,021,481	2,192,993	2,318,319
Business enterprises	27,813,292	27,959,118	22,522,982	22,233,620
Individuals	33,630,730	32,642,260	30,446,716	29,427,322
Foreign entities	6,355,512	7,571,149	6,247,193	7,468,190
Others	621,326	1,031,392	567,451	961,919
	<u>72,851,426</u>	<u>73,652,739</u>	<u>62,130,701</u>	<u>62,490,422</u>
c) By maturity structure for fixed/term/general investment deposits, negotiable instruments of deposit and short-term money market deposits				
Within six months	36,553,464	38,077,174	31,656,779	33,260,943
Six months to one year	13,485,795	12,418,069	11,754,452	10,436,494
One year to three years	86,978	747,784	84,451	581,992
Three years to five years	4,614	8,766	4,548	8,255
	<u>50,130,851</u>	<u>51,251,793</u>	<u>43,500,230</u>	<u>44,287,684</u>

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

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Licensed banks and other financial institutions	5,551,543	4,388,137	5,484,028	3,946,437

## 20 SUBORDINATED BONDS

	Group and Bank	
	30 June 2018 RM'000	31 December 2017 RM'000
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
USD110 million Additional Tier 1 Capital Securities	444,083	445,010
USD130 million Redeemable Subordinated Bonds 2015/2025	524,826	525,922
RM390 million Redeemable Subordinated Bonds 2017/2027	390,000	390,000
RM110 million Redeemable Subordinated Bonds 2017/2027	110,000	110,000
	<u>1,868,909</u>	<u>1,870,932</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 21 OTHER LIABILITIES

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Amount due to subsidiaries	-	-	838	21,654
Equity compensation benefits	10,264	12,476	9,682	11,780
Interest/Profit payable	564,334	528,833	491,679	459,912
Structured investments	1,889,745	1,610,026	1,889,745	1,610,026
Other payables and accruals	448,514	392,471	347,701	313,850
	<u>2,912,857</u>	<u>2,543,806</u>	<u>2,739,645</u>	<u>2,417,222</u>

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

## 22 NET INTEREST INCOME

<u>Group</u>	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Interest income</b>				
Loans, advances and financing				
- Interest income other than recoveries	723,802	693,472	1,425,668	1,374,930
- Recoveries from impaired loans, advances and financing	17,028	13,678	29,894	29,026
- Discount unwind from impaired loans, advances and financing	4,900	1,106	7,020	2,639
Money at call and deposit placements with banks and other financial institutions	44,347	42,895	81,544	86,416
Financial assets at fair value through profit or loss	17,658	15,325	36,374	33,907
Financial investments at fair value through other comprehensive income	88,336	80,928	169,160	151,415
Others	21,095	25,160	36,374	47,902
	<u>917,166</u>	<u>872,564</u>	<u>1,786,034</u>	<u>1,726,235</u>
<b>Interest expense</b>				
Deposits from customers	(448,517)	(418,658)	(880,844)	(823,529)
Deposits and placements of banks and other financial institutions	(10,059)	(18,221)	(13,937)	(35,508)
Recourse obligation on loans sold to Cagamas Berhad	(17,477)	(13,617)	(31,282)	(26,282)
Subordinated bonds	(22,691)	(23,727)	(45,090)	(47,517)
Others	(43,056)	(53,612)	(80,364)	(102,465)
	<u>(541,800)</u>	<u>(527,835)</u>	<u>(1,051,517)</u>	<u>(1,035,301)</u>
<b>Net interest income</b>	<u>375,366</u>	<u>344,729</u>	<u>734,517</u>	<u>690,934</u>



## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 22 NET INTEREST INCOME (continued)

	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Bank</b>				
<b>Interest income</b>				
Loans, advances and financing				
- Interest income other than recoveries	723,802	693,472	1,425,668	1,374,930
- Recoveries from impaired loans, advances and financing	17,028	13,678	29,894	29,026
- Discount unwind from impaired loans, advances and financing	3,834	1,106	5,954	2,639
Money at call and deposit placements with banks and other financial institutions	58,675	60,696	108,839	120,338
Financial assets at fair value through profit or loss	17,658	15,325	36,374	33,907
Financial investments at fair value through other comprehensive income	89,111	81,672	170,693	152,885
Unquoted Islamic subordinated bond of subsidiary	2,394	2,393	4,761	4,760
Others	22,159	25,160	37,439	47,902
	<u>934,661</u>	<u>893,502</u>	<u>1,819,622</u>	<u>1,766,387</u>
<b>Interest expense</b>				
Deposits from customers	(448,517)	(407,136)	(880,844)	(823,529)
Deposits and placements of banks and other financial institutions	(21,505)	(34,170)	(36,237)	(65,466)
Recourse obligation on loans sold to Cagamas Berhad	(17,477)	(13,617)	(31,282)	(26,282)
Subordinated bonds	(22,691)	(23,727)	(45,090)	(47,517)
Others	(43,056)	(65,134)	(80,364)	(102,465)
	<u>(553,246)</u>	<u>(543,784)</u>	<u>(1,073,817)</u>	<u>(1,065,259)</u>
<b>Net interest income</b>	<u>381,415</u>	<u>349,718</u>	<u>745,805</u>	<u>701,128</u>

## 23 INCOME FROM ISLAMIC BANKING OPERATIONS

	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	149,212	152,071	301,024	310,810
Income derived from investment of specific investment account funds	16,353	22,783	31,858	42,789
Income derived from investment of shareholders fund	40,563	34,234	74,971	61,357
Income attributable to depositors	(79,620)	(78,484)	(164,873)	(159,663)
Income attributable to investment account holder	(11,448)	(15,948)	(22,301)	(29,958)
	<u>115,060</u>	<u>114,656</u>	<u>220,679</u>	<u>225,335</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 24 NET FEE AND COMMISSION INCOME

<u>Group</u>	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Commission	42,648	48,244	86,172	86,781
Service charges and fees	39,126	31,265	69,580	67,826
Guarantee fees	7,076	8,643	14,293	17,090
Other fee income	2,719	2,119	5,013	4,284
	<u>91,569</u>	<u>90,271</u>	<u>175,058</u>	<u>175,981</u>
<b>Bank</b>				
Commission	42,598	48,044	85,588	86,530
Service charges and fees	39,126	31,265	69,580	67,826
Guarantee fees	7,076	8,643	14,293	17,090
Other fee income	2,719	2,119	5,013	4,284
	<u>91,519</u>	<u>90,071</u>	<u>174,474</u>	<u>175,730</u>

## 25 NET TRADING INCOME

<u>Group</u>	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Foreign exchange (loss)/gain	(219,081)	185,434	(37,218)	270,929
Realised gain on financial assets at fair value through profit or loss	336	11,991	7,921	16,347
Realised (loss)/gain on trading derivatives	(7,795)	(120,108)	(209,615)	2,779
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(1,457)	143	1,728	685
Unrealised gain/(loss) on trading derivatives	266,026	(12,970)	343,793	(189,961)
	<u>38,029</u>	<u>64,490</u>	<u>106,609</u>	<u>100,779</u>
<b>Bank</b>				
Foreign exchange (loss)/gain	(219,081)	185,434	(37,218)	270,929
Realised gain on financial assets at fair value through profit or loss	336	11,991	7,921	16,347
Realised (loss)/gain on trading derivatives	(7,796)	(120,108)	(209,628)	2,779
Unrealised (loss)/gain on financial assets at fair value through profit or loss	(1,457)	143	1,728	685
Unrealised gain/(loss) on trading derivatives	266,026	(12,970)	343,793	(189,961)
	<u>38,028</u>	<u>64,490</u>	<u>106,596</u>	<u>100,779</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 26 OTHER OPERATING INCOME

<u>Group</u>	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
Gain/(loss) on disposal:				
- Financial investments at fair value through other comprehensive income	356	3,460	(6,349)	3,471
- Property and equipment	3	(255)	2	(259)
Gross dividends from financial investments at fair value through other comprehensive income in Malaysia	450	752	450	752
Rental of premises	1,085	1,114	2,168	2,216
Rental of safe deposit boxes	1,617	1,628	3,328	3,335
Shared services income received from related company	3,386	2,938	6,231	5,641
Unrealised gain/(loss) on hedging derivatives	42	(205)	30	(288)
Others	114	85	227	218
	<u>7,053</u>	<u>9,517</u>	<u>6,087</u>	<u>15,086</u>

Bank

Gain/(loss) on disposal:				
- Financial investments at fair value through other comprehensive income	356	3,460	(6,349)	3,471
- Property and equipment	3	(255)	2	(259)
Gross dividends from financial investments at fair value through other comprehensive income in Malaysia	450	752	450	752
Gross dividends from subsidiary	2,800	-	2,800	-
Rental of premises	1,099	1,124	2,199	2,238
Rental of safe deposit boxes	1,617	1,628	3,328	3,335
Shared services income received from subsidiary	26,904	25,182	52,558	48,227
Shared services income received from related company	3,386	2,763	6,231	5,308
Unrealised gain/(loss) on hedging derivatives	42	(205)	30	(288)
Surplus assets received from winding-up of a subsidiary	12,262	-	12,262	-
Others	114	85	226	218
	<u>49,033</u>	<u>34,534</u>	<u>73,737</u>	<u>63,002</u>

## 27 OPERATING EXPENSES

<u>Group</u>	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2018	2017	2018	2017
	RM'000	RM'000	RM'000	RM'000
<b>Personnel expenses</b>				
Wages, salaries and bonus	113,861	106,595	226,783	199,887
Employees Provident Fund contributions	17,594	16,551	35,427	30,874
Share-based expenses	1,617	1,267	3,088	2,512
Others	13,168	11,778	26,946	19,944
	<u>146,240</u>	<u>136,191</u>	<u>292,244</u>	<u>253,217</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 27 OPERATING EXPENSES (continued)

<u>Group</u>	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Establishment expenses</b>				
Depreciation of property and equipment	7,029	8,468	13,932	17,252
Rental of premises	4,658	4,716	9,331	9,416
Repair and maintenance	2,801	2,614	5,561	5,316
Information technology costs	8,129	4,413	15,635	6,762
Hire of equipment	266	430	490	699
Amortisation of prepaid lease payments	9	9	18	18
Others	4,116	4,656	8,370	9,066
	<u>27,008</u>	<u>25,306</u>	<u>53,337</u>	<u>48,529</u>
<b>Marketing expenses</b>				
Advertisement and business promotion	4,459	4,614	7,550	8,722
Transport and travelling	1,107	986	1,986	1,777
Others	299	443	766	1,114
	<u>5,865</u>	<u>6,043</u>	<u>10,302</u>	<u>11,613</u>
<b>General administrative expenses</b>				
Transaction processing fees	76,486	80,445	155,866	161,727
Others	30,256	36,215	58,396	64,965
	<u>106,742</u>	<u>116,660</u>	<u>214,262</u>	<u>226,692</u>
<b>Total operating expenses</b>	<u>285,855</u>	<u>284,200</u>	<u>570,145</u>	<u>540,051</u>
<b><u>Bank</u></b>				
<b>Personnel expenses</b>				
Wages, salaries and bonus	107,779	101,102	215,841	188,294
Employees Provident Fund contributions	16,667	15,613	33,661	29,017
Share-based expenses	1,523	1,251	2,913	2,407
Others	11,923	11,134	24,646	18,532
	<u>137,892</u>	<u>129,100</u>	<u>277,061</u>	<u>238,250</u>
<b>Establishment expenses</b>				
Depreciation of property and equipment	5,853	7,313	11,687	14,936
Rental of premises	3,926	4,002	7,879	8,006
Repair and maintenance	2,597	2,415	5,132	4,939
Information technology costs	7,696	4,337	14,780	6,636
Hire of equipment	231	368	419	603
Amortisation of prepaid lease payments	9	9	18	18
Others	3,544	4,058	7,228	7,880
	<u>23,856</u>	<u>22,502</u>	<u>47,143</u>	<u>43,018</u>
<b>Marketing expenses</b>				
Advertisement and business promotion	4,324	4,497	7,407	8,521
Transport and travelling	1,029	888	1,850	1,591
Others	292	421	752	1,087
	<u>5,645</u>	<u>5,806</u>	<u>10,009</u>	<u>11,199</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 27 OPERATING EXPENSES (continued)

	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Bank</b>				
<b>General administrative expenses</b>				
Transaction processing fees	71,031	74,325	144,629	149,015
Others	27,517	32,188	52,814	56,393
	<u>98,548</u>	<u>106,513</u>	<u>197,443</u>	<u>205,408</u>
<b>Total operating expenses</b>	<u>265,941</u>	<u>263,921</u>	<u>531,656</u>	<u>497,875</u>

## 28 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Group</b>				
Stage 3 ECL/ Individually assessed allowance				
- Made during the period	157,960	92,567	225,787	168,788
- Written back	(93,537)	(40,348)	(129,518)	(79,648)
Stage 1 and 2 ECL/ Collectively assessed allowance				
- Made/(Written back) during the period	25,589	(10,000)	13,475	(6,500)
Impaired loans, advances and financing				
- Recovered during the period	(15,801)	(13,649)	(28,299)	(26,195)
	<u>74,211</u>	<u>28,570</u>	<u>81,445</u>	<u>56,445</u>
<b>Bank</b>				
Stage 3 ECL/ Individually assessed allowance				
- Made during the period	130,799	49,188	173,666	89,573
- Written back	(72,147)	(23,746)	(94,083)	(46,445)
Stage 1 and 2 ECL/ Collectively assessed allowance				
- Made/(Written back) during the period	37,882	(31,955)	29,042	(31,955)
Impaired loans, advances and financing				
- Recovered during the period	(8,268)	(6,634)	(13,672)	(12,303)
	<u>88,266</u>	<u>(13,147)</u>	<u>94,953</u>	<u>(1,130)</u>

## 29 INCOME TAX EXPENSE

	Quarter ended		Year to date ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
<b>Group</b>				
Malaysian income tax				
- Current period	75,553	84,442	145,746	146,792
- Prior year overprovision	-	(6)	-	(6)
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(5,956)	(8,025)	4,130	3,315
	<u>69,597</u>	<u>76,411</u>	<u>149,876</u>	<u>150,101</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 29 INCOME TAX EXPENSE (continued)

	Quarter ended		Year to date ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current period	56,613	69,426	113,483	122,020
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(5,516)	(8,070)	4,376	2,953
	<u>51,097</u>	<u>61,356</u>	<u>117,859</u>	<u>124,973</u>

## 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.

<u>Group</u>	Principal amount	Positive fair value of derivative contracts	Negative fair value of derivative contracts	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>30 June 2018</b>					
Direct credit substitutes	752,326			752,326	614,834
Transaction-related contingent items	2,861,225			1,458,669	920,150
Short-term self-liquidating trade-related contingencies	317,884			70,603	41,651
Forward asset purchases, forward deposits, partly paid shares and securities	308,180			308,180	14,366
Foreign exchange related contracts					
- Less than one year	13,577,448	371,015	252,567	553,194	82,426
- One year to less than five years	3,453,268	140,329	217,348	510,303	125,962
- Five years and above	2,727,245	234,585	189,219	598,029	417,648
Interest rate contracts					
- Less than one year	11,910,346	8,787	10,172	28,740	5,651
- One year to less than five years	24,778,901	67,020	76,606	654,312	180,487
- Five years and above	7,455,464	91,352	72,344	327,176	161,569
Equity and commodity related contracts	222,377	8,477	10,236	17,919	4,333
Credit derivative contracts	875,618	18,172	18,172	36,962	9,738
Formal standby facilities and credit lines					
- Maturity exceeding one year	5,017,191			4,285,431	2,530,397
Other unconditionally cancellable commitments	21,862,294			2,104,476	309,280
Total	<u>96,119,767</u>	<u>939,737</u>	<u>846,664</u>	<u>11,706,320</u>	<u>5,418,492</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 30 COMMITMENTS AND CONTINGENCIES (continued)

<b>Group</b>	<b>Principal amount</b>	<b>Positive fair value of derivative contracts</b>	<b>Negative fair value of derivative contracts</b>	<b>Credit equivalent amount</b>	<b>Risk weighted amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<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>30 June 2018</b>					
Direct credit substitutes	651,248			651,248	515,181
Transaction-related contingent items	2,486,496			1,269,632	774,794
Short-term self-liquidating trade-related contingencies	268,632			60,349	33,873
Forward asset purchases, forward deposits, partly paid shares and securities	308,180			308,180	14,366
Foreign exchange related contracts					
- Less than one year	13,585,036	370,916	252,335	552,771	82,167
- One year to less than five years	3,453,268	140,329	217,348	510,303	125,962
- Five years and above	2,727,245	234,585	189,219	598,029	417,648
Interest rate contracts					
- Less than one year	11,910,346	8,787	10,172	26,287	3,198
- One year to less than five years	24,778,901	67,020	76,606	654,312	180,487
- Five years and above	7,455,464	91,352	72,344	344,929	166,165
Equity and commodity related contracts	222,377	8,477	10,236	17,920	4,333
Credit derivative contracts	875,618	18,172	18,172	36,962	9,738
Formal standby facilities and credit lines					
- Maturity exceeding one year	3,912,143			3,438,430	1,634,579
Other unconditionally cancellable commitments	19,108,329			2,036,104	299,134
<b>Total</b>	<b>91,743,283</b>	<b>939,638</b>	<b>846,432</b>	<b>10,505,456</b>	<b>4,261,625</b>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 30 COMMITMENTS AND CONTINGENCIES (continued)

<u>Bank</u>	<u>Principal amount</u> RM'000	<u>Positive fair value of derivative contracts</u> RM'000	<u>Negative fair value of derivative contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
<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>

## 31 CAPITAL COMMITMENTS

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2018</u> RM'000	<u>31 December 2017</u> RM'000	<u>30 June 2018</u> RM'000	<u>31 December 2017</u> RM'000
Capital expenditure commitments in respect of property and equipment contracted but not provided for	13,415	10,802	11,448	7,160



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****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:

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Aggregate value of outstanding credit exposure to connected parties<sup>^</sup>:</b>				
Credit facility and leasing (except guarantee)	701,775	393,743	847,851	637,805
Commitments and contingencies*	321,092	391,249	320,796	390,946
	<b>1,022,867</b>	<b>784,992</b>	<b>1,168,647</b>	<b>1,028,751</b>
<b>Outstanding credit exposures to connected parties:</b>				
As a proportion of total credit exposures	<b>1.21%</b>	<b>0.93%</b>	<b>1.60%</b>	<b>1.42%</b>

<sup>^</sup> Comprises total outstanding balances and unutilised limits

\* Commitment and contingencies transactions that give rise to credit and/or counterparty risk.

**33 CREDIT RISKS**

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	<b>Group</b>		<b>Bank</b>	
		<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Cash and cash equivalents		4,796,529	6,158,261	4,636,061	5,571,918
Deposits and placements with banks and other financial institutions		295,590	71,835	604,630	182,518
Investment account placement		-	-	1,637,726	1,861,390
Financial assets at fair value through profit or loss	(a)	1,836,895	1,690,763	1,826,918	1,690,763
Financial investments at fair value through other comprehensive income	(b)	15,301,502	13,501,171	11,079,762	8,778,291
Loans, advances and financing	(c)	68,267,348	68,442,545	58,171,925	58,453,223
Derivative financial assets	(d)	939,737	835,825	939,638	835,625
Other assets		390,770	372,649	654,053	712,283
Contingent liabilities and commitments	(e)	31,119,100	28,056,238	26,735,028	25,139,038
		<b>122,947,471</b>	<b>119,129,287</b>	<b>106,285,741</b>	<b>103,225,049</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****33 CREDIT RISKS (continued)****(a) Credit quality of financial assets at fair value through profit or loss**

In view of the following sound credit of rating of counterparties, the Group and the Bank do not expect any counterparty to fail to meet its obligation.

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
(i) By issuer				
Government and Central Bank	1,639,103	521,998	1,639,103	521,998
Public sector	19,846	425,380	19,846	425,380
Banks	77	77,716	77	77,716
Non-bank financial institutions	115,590	436,656	115,590	436,656
Business enterprises	62,093	229,013	52,116	229,013
Others	186	-	186	-
	<b>1,836,895</b>	<b>1,690,763</b>	<b>1,826,918</b>	<b>1,690,763</b>
(ii) By geography				
Malaysia	1,836,563	1,673,702	1,826,586	1,673,702
Singapore	84	1	84	1
Rest of the world	248	17,060	248	17,060
	<b>1,836,895</b>	<b>1,690,763</b>	<b>1,826,918</b>	<b>1,690,763</b>
(iii) By credit rating				
Government and Central Bank (unrated)	1,126,147	119,772	1,126,147	119,772
Government (AAA to BBB)	522,933	402,226	512,956	402,226
Investment grade (AAA to BBB)	187,522	822,453	187,522	822,453
Unrated	293	346,312	293	346,312
	<b>1,836,895</b>	<b>1,690,763</b>	<b>1,826,918</b>	<b>1,690,763</b>
(iv) By sector				
Manufacturing	23	7	23	7
Construction	-	391,313	-	391,313
Real estate	133	-	133	-
Wholesale & retail trade and restaurants & hotels	1	-	1	-
Transport, storage and communication	-	54,014	-	54,014
Finance, insurance and business services	489,544	634,360	489,544	634,360
Others	1,347,194	611,069	1,337,217	611,069
	<b>1,836,895</b>	<b>1,690,763</b>	<b>1,826,918</b>	<b>1,690,763</b>
(v) By residual contractual maturity				
Within one year	1,016,536	1,070,042	1,016,536	1,070,042
One to five years	255,154	374,909	250,174	374,909
Over five years	565,205	245,812	560,208	245,812
	<b>1,836,895</b>	<b>1,690,763</b>	<b>1,826,918</b>	<b>1,690,763</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****33 CREDIT RISKS (continued)****(b) Credit quality of financial investments at fair value through other comprehensive income**

In view of the following sound credit of rating of counterparties, the Group and the Bank do not expect any counterparty to fail to meet its obligation except for the impairment allowance recognised in respect of financial investments at fair value through other comprehensive income as disclosed in Note 13.

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
(i) By issuer				
Government and Central Bank	8,898,298	7,518,002	6,435,640	5,218,917
Foreign government	749,070	596,729	552,044	394,732
Public sector	609,877	600,113	440,004	233,071
Banking institutions	1,883,721	2,388,497	731,706	897,273
Non-bank financial institutions	1,395,238	1,189,331	1,260,252	1,074,073
Business Enterprises	1,765,298	1,208,309	1,660,116	960,035
Others	-	190	-	190
	<b>15,301,502</b>	<b>13,501,171</b>	<b>11,079,762</b>	<b>8,778,291</b>
(ii) By geography				
Malaysia	13,151,442	12,101,539	9,126,728	7,580,656
Singapore	101,175	101,272	101,175	101,272
Other ASEAN	320,090	131,552	219,767	27,732
Rest of the world	1,728,795	1,166,808	1,632,092	1,068,631
	<b>15,301,502</b>	<b>13,501,171</b>	<b>11,079,762</b>	<b>8,778,291</b>
(iii) By credit rating				
Government and Central Bank (unrated)	3,104,504	2,211,723	1,784,638	879,193
Government (AAA to A)	5,793,794	5,306,279	4,651,002	4,339,724
Foreign government (unrated)	21,442	22,282	-	-
Foreign government (AAA to BBB)	727,628	574,447	552,044	394,732
Investment grade (AAA to BBB)	3,802,109	2,855,535	3,561,941	2,614,753
Non-investment grade (BB)	31,616	-	31,616	-
Unrated	1,820,409	2,530,905	498,521	549,889
	<b>15,301,502</b>	<b>13,501,171</b>	<b>11,079,762</b>	<b>8,778,291</b>
(iv) By sector				
Agriculture, hunting, forestry and fishing	113,324	88,746	83,421	58,756
Mining and quarrying	163,232	133,241	163,232	133,241
Manufacturing	111,810	66,219	111,810	66,219
Electricity, gas and water	299,108	150,720	218,750	59,874
Construction	84,085	129,795	84,085	129,795
Real estate	23,626	-	23,626	-
Wholesale & retail trade and restaurants & hotels	383,155	139,534	383,155	139,534
Transport, storage and communication	375,527	119,440	230,734	74,539
Finance, insurance and business services	4,069,256	3,884,168	2,782,255	2,154,936
Others	9,678,379	8,789,308	6,998,694	5,961,397
	<b>15,301,502</b>	<b>13,501,171</b>	<b>11,079,762</b>	<b>8,778,291</b>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 33 CREDIT RISKS (continued)

## (b) Credit quality of financial investments at fair value through other comprehensive income (continued)

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
(v) By residual contractual maturity				
Within one year	4,682,968	4,774,929	2,320,251	2,126,981
One to five years	6,998,887	6,510,599	5,490,916	4,624,074
Over five years	3,619,647	2,215,643	3,268,595	2,027,236
	<u>15,301,502</u>	<u>13,501,171</u>	<u>11,079,762</u>	<u>8,778,291</u>

## (c) 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 impaired whereas Substandard, Doubtful and Loss are impaired loans, advances and financing.

Past due but unimpaired are loans, advances and financing where the customer has failed to make a principal or profit payment when contractually due, and includes financing which are due one or more days after the contractual due date but less than three (3) months or 90 days past due.

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Neither past due nor impaired	66,349,311	66,458,906	56,748,453	56,973,953
Past due loans, advances and financing	1,776,757	1,799,296	1,321,683	1,335,640
- Unimpaired	564,140	553,016	447,913	432,219
- Impaired	1,212,617	1,246,280	873,770	903,421
Impaired but not past due	141,280	184,343	101,789	143,630
Gross loans, advances and financing	<u>68,267,348</u>	<u>68,442,545</u>	<u>58,171,925</u>	<u>58,453,223</u>

**Neither past due nor impaired**

## (i) By internal grading

Pass	65,866,183	65,531,152	56,515,608	56,609,306
Special Mention	483,128	927,754	232,845	364,647
	<u>66,349,311</u>	<u>66,458,906</u>	<u>56,748,453</u>	<u>56,973,953</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 33 CREDIT RISKS (continued)

## (c) Credit quality of loans, advances and financing (continued)

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
<b>Past due but not impaired</b>				
(i) By period overdue				
Less than 2 months	466,620	461,698	371,141	359,748
2 months to less than 3 months	97,519	91,318	76,771	72,471
	<u>564,139</u>	<u>553,016</u>	<u>447,912</u>	<u>432,219</u>
(ii) By geographical distribution				
Malaysia	551,196	538,855	434,969	418,058
Singapore	5,329	5,979	5,329	5,979
Other ASEAN	335	-	335	-
Rest of the world	7,279	8,182	7,279	8,182
	<u>564,139</u>	<u>553,016</u>	<u>447,912</u>	<u>432,219</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	1,623	989	659	631
Mining and quarrying	49	161	-	-
Manufacturing	31,469	33,509	19,375	18,613
Construction	8,029	11,941	5,782	7,902
Real estate	19,371	15,723	16,943	15,723
Wholesale & retail trade and restaurants & hotels	73,533	72,305	52,092	47,879
Transport, storage and communication	15,569	10,885	8,561	7,459
Finance, insurance and business services	14,701	16,720	8,702	10,425
Community, social and personal services	3,937	3,277	2,517	1,777
Household				
- Purchase of residential properties	333,791	332,010	292,893	290,830
- Purchase of non-residential properties	10,969	6,203	10,969	6,203
- Others	51,098	49,293	29,419	24,777
	<u>564,139</u>	<u>553,016</u>	<u>447,912</u>	<u>432,219</u>

The analysis of impaired loans, advances and financing are detailed in Note 15.

**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 financed;
- For car loans, charges over the vehicles financed;
- For share margin financing, listed securities of Malaysia; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

As at 30 June 2018 and 31 December 2017, 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****33 CREDIT RISKS (continued)****(c) Credit quality of loans, advances and financing (continued)**

- (ii) The 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 impaired loans, advances and financing is as follows:

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
Fair value of collateral held against the covered portion of impaired loans, financing and advances	1,397,696	1,778,641	1,095,522	1,284,270
Covered portion of impaired loans, advances and financing	973,255	1,084,487	734,253	773,217
Uncovered portion of impaired loans, advances and financing	380,642	346,136	241,306	273,834
	<u>1,353,897</u>	<u>1,430,623</u>	<u>975,559</u>	<u>1,047,051</u>

**(d) Credit quality of derivative financial assets**

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
(i) By counterparty				
Banking institutions	712,335	618,171	712,362	618,314
Non-bank financial institutions	51,510	37,876	51,510	37,870
Business enterprises	135,827	144,056	135,701	143,719
Individuals	40,065	35,722	40,065	35,722
	<u>939,737</u>	<u>835,825</u>	<u>939,638</u>	<u>835,625</u>
(ii) By geography distribution				
Malaysia	799,880	714,936	799,781	714,736
Singapore	62,832	30,488	62,832	30,488
Other ASEAN	6	-	6	-
Rest of the world	77,019	90,401	77,019	90,401
	<u>939,737</u>	<u>835,825</u>	<u>939,638</u>	<u>835,625</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	341	75	341	75
Mining and quarrying	73,326	102,735	73,326	102,735
Manufacturing	26,251	15,852	26,194	15,608
Electricity, gas and water	-	842	-	842
Construction	106	428	106	428
Real estate	2,052	2,176	2,052	2,176
Wholesale & retail trade and restaurants & hotels	17,167	8,701	17,113	8,684
Transport, storage and communication	36	249	35	248
Finance, insurance and business services	780,380	669,034	780,396	669,096
Community, social and personal services	10	11	10	11
Household	40,065	35,722	40,065	35,722
Others	3	-	-	-
	<u>939,737</u>	<u>835,825</u>	<u>939,638</u>	<u>835,625</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 33 CREDIT RISKS (continued)

## (d) Credit quality of derivative financial assets (continued)

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
(iv) By residual contractual maturity				
Within one year	383,889	205,241	383,790	205,041
One to five years	280,956	348,003	280,956	348,003
Over five years	274,892	282,581	274,892	282,581
	<u>939,737</u>	<u>835,825</u>	<u>939,638</u>	<u>835,625</u>

## (e) Credit quality of contingent liabilities and commitments (excluding derivative financial assets)

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
(i) By counterparty				
Banking institutions	134,733	164,171	49,102	54,233
Non-bank financial institutions	127,222	26,015	120,518	21,494
Business enterprises	19,229,978	17,100,057	15,018,861	14,381,115
Small and medium enterprises	6,704,190	6,000,001	6,704,190	6,000,001
Individuals	4,922,977	4,765,994	4,842,357	4,682,195
	<u>31,119,100</u>	<u>28,056,238</u>	<u>26,735,028</u>	<u>25,139,038</u>
(ii) By geography				
Malaysia	29,479,943	26,731,412	25,339,259	23,826,740
Singapore	70,060	32,563	70,060	32,563
Other ASEAN	1,007,597	978,538	988,178	968,886
Rest of the world	561,500	313,725	337,531	310,849
	<u>31,119,100</u>	<u>28,056,238</u>	<u>26,735,028</u>	<u>25,139,038</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	1,403,872	1,678,033	1,271,249	1,583,504
Mining and quarrying	391,492	364,178	273,136	245,821
Manufacturing	5,902,508	5,679,328	5,133,686	5,009,514
Electricity, gas and water	76,006	99,002	60,506	75,002
Construction	5,462,261	4,890,915	4,189,340	3,977,516
Real estate	3,107,385	2,614,079	2,715,083	2,498,410
Wholesale & retail trade and restaurants & hotels	4,023,244	3,780,074	3,761,693	3,573,172
Transport, storage and communication	658,570	681,096	550,119	595,983
Finance, insurance and business services	7,918,223	6,522,354	6,838,566	6,175,204
Community, social and personal services	1,981,725	1,527,934	1,829,830	1,302,639
Household	190,447	186,042	111,820	102,273
Others	3,367	33,203	-	-
	<u>31,119,100</u>	<u>28,056,238</u>	<u>26,735,028</u>	<u>25,139,038</u>

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 33 CREDIT RISKS (continued)

## (e) Credit quality of contingent liabilities and commitments (continued)

	Group		Bank	
	30 June 2018 RM'000	31 December 2017 RM'000	30 June 2018 RM'000	31 December 2017 RM'000
(iv) By residual contractual maturity				
Within one year	560,307	713,921	401,979	488,419
One to five years	15,369,278	13,211,513	11,869,561	11,071,866
Over five years	15,189,515	14,130,804	14,463,488	13,578,753
	<u>31,119,100</u>	<u>28,056,238</u>	<u>26,735,028</u>	<u>25,139,038</u>

## 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  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 customer  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 - 30 JUNE 2018 (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>
<b>30 June 2018</b>				
<b>Financial assets at fair value</b>				
Fair value through profit or loss	890,021	946,874	-	1,836,895
Fair value through other comprehensive income	8,025,376	7,276,126	-	15,301,502
Loans, advances and financing	-	-	23,269	23,269
Derivative assets	1,690	919,607	18,440	939,737
	<u>8,917,087</u>	<u>9,142,607</u>	<u>41,709</u>	<u>18,101,403</u>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	764	827,053	18,847	846,664
<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 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 liabilities	1,160	1,063,400	16,294	1,080,854
<b>Bank</b>				
<b>30 June 2018</b>				
<b>Financial assets at fair value</b>				
Fair value through profit or loss	890,021	936,897	-	1,826,918
Fair value through other comprehensive income	5,706,430	5,373,332	-	11,079,762
Loans, advances and financing	-	-	23,269	23,269
Derivative assets	1,699	919,499	18,440	939,638
	<u>6,598,150</u>	<u>7,229,728</u>	<u>41,709</u>	<u>13,869,587</u>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	752	826,833	18,847	846,432
<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 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 liabilities	1,171	1,062,962	16,294	1,080,427

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****34 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

**Fair value hierarchy of financial assets and liabilities (continued)**

	<b>Group and Bank</b>	
	<b>30 June 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	(34,213)	(300)
Recognised in profit or loss		
- Realised loss	(35)	-
- Unrealised gain	3,797	4,800
At 30 June/31 December	<u>41,709</u>	<u>15,662</u>
<b>Financial liabilities at fair value</b>		
At 1 January	16,294	12,294
Recognised in profit or loss		
- Realised loss	(35)	-
- Unrealised loss	2,588	4,000
At 30 June/31 December	<u>18,847</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>30 June 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	23,269	-	Fair value through profit or loss	Discounted cash flow analysis and market approach	Implied equity value, incentive fee and discount factor
Derivative assets	<u>41,709</u>	<u>15,662</u>	Hedge for trading	Option pricing model	Standard deviation
	<u>64,978</u>	<u>15,662</u>			
<b>Liabilities</b>					
Derivative liabilities	<u>18,847</u>	<u>16,294</u>	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 2018 (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.

<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>30 June 2018</b>					
Net interest/finance income	517,014	236,433	91,925	70,627	915,999
Non-interest/finance income	82,578	85,864	132,219	26,290	326,951
Operating income	599,592	322,297	224,144	96,917	1,242,950
Operating expenses	(229,558)	(267,163)	(47,610)	(25,814)	(570,145)
Operating profit before impairment allowance and provision	370,034	55,134	176,534	71,103	672,805
Impairment allowances and provision and contingencies	(61,242)	(24,867)	10	14,643	(71,456)
Profit before income tax and zakat	308,792	30,267	176,544	85,746	601,349
Income tax expense and zakat	(70,518)	(7,350)	(42,370)	(29,638)	(149,876)
Profit for the period	238,274	22,917	134,174	56,108	451,473

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

## 35 SEGMENT INFORMATION (continued)

<u>Group</u>	<b>Business Banking RM'000</b>	<b>Consumer Financial Services RM'000</b>	<b>Global Treasury RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>30 June 2018</b>					
Gross loans, advances and financing	38,576,283	29,631,910	-	59,155	68,267,348
Gross impaired loans, advances and financing	806,356	547,541	-	-	1,353,897
Deposits from customers	<u>33,661,248</u>	<u>35,080,382</u>	<u>4,109,796</u>	<u>-</u>	<u>72,851,426</u>
<b>30 June 2017</b>					
Net interest/finance income	510,333	234,326	103,147	38,412	886,218
Non-interest/finance income	<u>67,355</u>	<u>94,083</u>	<u>121,659</u>	<u>38,800</u>	<u>321,897</u>
Operating income	577,688	328,409	224,806	77,212	1,208,115
Operating expenses	<u>(210,592)</u>	<u>(257,317)</u>	<u>(50,183)</u>	<u>(21,959)</u>	<u>(540,051)</u>
Operating profit before impairment allowance and provision	367,096	71,092	174,623	55,253	668,064
Impairment allowances and provision for commitments and contingencies	<u>(50,819)</u>	<u>(5,639)</u>	<u>-</u>	<u>(16)</u>	<u>(56,474)</u>
Profit before income tax and zakat	316,277	65,453	174,623	55,237	611,590
Income tax expense and zakat	<u>(75,925)</u>	<u>(15,708)</u>	<u>(41,908)</u>	<u>(16,585)</u>	<u>(150,126)</u>
Profit for the period	<u>240,352</u>	<u>49,745</u>	<u>132,715</u>	<u>38,652</u>	<u>461,464</u>
<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	<u>34,396,395</u>	<u>34,080,541</u>	<u>5,175,803</u>	<u>-</u>	<u>73,652,739</u>

**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 2017.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****36 CAPITAL ADEQUACY**

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>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 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	5,741,607	5,473,295	5,008,077	4,830,643
Other reserves	710,344	650,618	566,322	499,377
CET 1 capital	7,205,951	6,877,913	6,328,399	6,084,020
Regulatory adjustment for CET 1 capital	(694,472)	(581,016)	(1,154,535)	(930,754)
CET 1 capital	6,511,479	6,296,897	5,173,864	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	444,083	445,011	444,083	445,011
Tier 1 capital	7,275,562	7,141,908	5,937,947	5,998,277
<b>Tier 2 capital</b>				
Stage 1 and 2 expected credit loss under the Standardised Approach and qualifying regulatory reserves*	15,978	13,751	10,613	7,887
Surplus eligible provisions over expected losses	245,049	234,802	205,003	198,587
Subordinated bonds	1,024,826	1,025,922	1,024,826	1,025,922
	1,285,853	1,274,475	1,240,442	1,232,396
Regulatory adjustment for Tier 2 capital	-	-	(200,000)	(311,698)
Tier 2 capital	1,285,853	1,274,475	1,040,442	920,698
<b>Capital base</b>	<b>8,561,415</b>	<b>8,416,383</b>	<b>6,978,389</b>	<b>6,918,975</b>

\* Excludes Stage 1 and 2 expected credit loss on loans, advances and financing.

**Before deducting proposed dividend**

CET 1 capital ratio	13.611%	13.764%	12.965%	13.415%
Tier 1 capital ratio	15.209%	15.611%	14.880%	15.615%
Total capital ratio	17.897%	18.396%	17.488%	18.011%

**After deducting proposed dividend**

CET 1 capital ratio	13.323%	13.436%	12.620%	13.024%
Tier 1 capital ratio	14.920%	15.283%	14.534%	15.224%
Total capital ratio	17.608%	18.068%	17.142%	17.621%

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>	<b>30 June 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Total RWA for credit risk	42,119,753	40,233,794	35,016,150	33,728,810
Total RWA for market risk	1,059,446	936,873	1,057,180	932,356
Total RWA for operational risk	4,659,017	4,579,962	3,831,552	3,753,494
	47,838,216	45,750,629	39,904,882	38,414,660

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (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 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:

	<b>30 June 2018</b>	<b>31 December 2017</b>
CET 1 capital ratio	16.576%	16.569%
Tier 1 capital ratio	16.576%	16.569%
Total capital ratio	<u>19.626%</u>	<u>19.815%</u>

**37 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.

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 an accounting mismatch.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)****37 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)**

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>Note</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>Group</b>					
Cash and cash equivalents	9	Loans and receivables	Amortised cost	6,158,261	6,158,046
Deposits and placements with banks and other financial institutions	10	Loans and receivables	Amortised cost	71,835	71,803
Financial assets at FVTPL	12	Held-for-trading	FVTPL	1,690,763	1,823,666
Financial investments at FVOCI	13	Available-for-sale	FVOCI - debt instruments	13,501,159	13,353,074
			FVOCI - equity instruments	13,392,613	13,259,718
				108,546	93,356
Loans, advances and financing	14	Loans and receivables		67,452,350	67,570,315
			Amortised cost	67,396,732	67,513,817
			FVTPL	55,618	56,498
Derivative financial assets	16	Held-for-trading	FVTPL	835,825	835,825
Other assets	17	Loans and receivables	Amortised cost	370,277	369,185
Statutory deposits with BNM		Loans and receivables	Amortised cost	1,752,717	1,752,717
<b>Bank</b>					
Cash and cash equivalents	9	Loans and receivables	Amortised cost	5,571,918	5,571,731
Deposits and placements with banks and other financial institutions	10	Loans and receivables	Amortised cost	182,518	182,486
Investment account placement	11	Loans and receivables	Amortised cost	1,793,011	1,793,011
Financial assets at FVTPL	12	Held-for-trading	FVTPL	1,690,763	1,690,949
Financial investments at FVOCI	13	Available-for-sale		8,778,279	8,762,911
			FVOCI - debt instruments	8,669,733	8,669,555
			FVOCI - equity instruments	108,546	93,356
Loans, advances and financing	14	Loans and receivables		57,742,824	57,848,732
			Amortised cost	57,687,206	57,792,234
			FVTPL	55,618	56,498
Derivative financial assets	16	Held-for-trading	FVTPL	835,625	835,625
Other assets	17	Loans and receivables	Amortised cost	709,911	709,352
Statutory deposits with BNM		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 - 30 JUNE 2018 (continued)****37 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>



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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

37 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 - 30 JUNE 2018 (continued)**

**37 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.

Upon adoption of MFRS 9, financial assets measured at amortised cost or fair value through other comprehensive income are categorised into the following stages for impairment provisioning:

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, loss allowance 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 probability of default ("PD"), loss given default ("LGD"), and exposure at default ("EAD"). These parameters are derived from internal rating models after adjusting them to be un-biased 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 - 30 JUNE 2018 (continued)**

**37 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 and contractual cash flow characteristics of the financial asset.
  - The designation and revocation of previous designations of certain financial assets.
- 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.

**38 CONTINGENT LIABILITY**

As at the year end date, the Inland Revenue Board ("IRB") had commenced a review on certain of the Group's and the Bank's transactions for compliance with Income Tax Act 1967 requirements. Pending the completion and finalisation of the aforesaid review by IRB, additional tax payable, if any, cannot be presently determined.