

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

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OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	Group		Bank	
		30 June	31 December	30 June	31 December
		2015	2014	2015	2014
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and cash equivalents	11	9,239,717	8,273,458	9,096,871	7,780,124
Deposits and placements with banks and other financial institutions	12	3,313,291	2,852,549	4,150,478	3,872,892
Financial assets held-for-trading	13	1,236,226	1,046,895	1,236,226	1,046,895
Financial investments available-for-sale	14	15,775,939	12,866,011	12,406,467	10,085,357
Loans, advances and financing	15	66,649,799	62,638,140	56,966,663	53,470,126
Derivative financial assets	17	1,518,469	1,240,338	1,518,659	1,240,367
Other assets	18	1,032,415	229,267	1,151,786	418,169
Statutory deposits with Bank Negara Malaysia		2,295,182	2,185,892	1,893,882	1,806,092
Investments in subsidiaries		-	-	556,617	496,617
Property, plant and equipment		209,165	223,120	204,485	217,638
Prepaid lease payments		838	856	838	856
Investment properties		6,351	7,921	6,351	7,921
Non-current assets held for sale		1,483	-	1,483	-
Deferred tax assets		10,733	21,369	9,533	19,245
Current tax assets		468	16,691	-	6,872
Total assets		101,290,076	91,602,507	89,200,339	80,469,171
LIABILITIES					
Deposits from customers	19	75,563,559	71,588,131	64,920,129	61,649,806
Deposits and placements of banks and other financial institutions	20	15,191,285	10,291,077	14,278,263	9,476,126
Bills and acceptances payable		192,801	183,899	173,288	163,255
Recourse obligation on loans sold to Cagamas Berhad		375,001	-	375,001	-
Subordinated bonds	21	1,696,520	1,692,556	1,696,520	1,692,556
Derivative financial liabilities	17	1,209,443	1,006,835	1,209,396	1,006,830
Other liabilities	22	1,024,455	824,226	893,930	770,387
Current tax liabilities and zakat		6,521	35	6,476	-
Total liabilities		95,259,585	85,586,759	83,553,003	74,758,960
EQUITY					
Share capital		291,500	291,500	291,500	291,500
Reserves		5,738,991	5,724,248	5,355,836	5,418,711
Total equity		6,030,491	6,015,748	5,647,336	5,710,211
Total liabilities and equity		101,290,076	91,602,507	89,200,339	80,469,171
Commitments and contingencies	31	99,028,450	90,972,700	97,291,070	89,260,337

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 2014 and the accompanying explanatory notes on pages 12 to 54 of these unaudited condensed interim financial statements.

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	Note	Quarter ended		Year to date ended	
		30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Group					
Interest income	23	894,124	811,376	1,754,606	1,567,204
Interest expense	23	(546,515)	(476,791)	(1,078,455)	(904,471)
Net interest income	23	347,609	334,585	676,151	662,733
Income from Islamic banking operations	24	123,069	109,615	253,024	215,459
Net fee and commission income	25	92,551	69,971	170,127	146,688
Net trading income	26	43,742	43,820	91,444	81,999
Other operating income	27	6,931	7,167	16,884	12,552
Operating income		613,902	565,158	1,207,630	1,119,431
Operating expenses	28	(251,738)	(231,843)	(495,061)	(448,086)
Operating profit before impairment allowance and provision		362,164	333,315	712,569	671,345
Impairment allowance on loans, advances and financing	29	(80,407)	(51,050)	(123,978)	(100,572)
Write back of impairment allowance on investment properties		-	-	-	427
Provision for commitments and contingencies		-	-	-	(1,717)
Profit before income tax and zakat		281,757	282,265	588,591	569,483
Income tax expense	30	(70,404)	(64,755)	(145,269)	(135,871)
Zakat		(10)	(9)	(20)	(18)
Profit for the period		211,343	217,501	443,302	433,594
Other comprehensive income/(expense), net of income tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		(27,968)	21,848	33,523	51,104
- Amount transferred to profit or loss		(2,829)	10,808	(10,285)	9,721
Income tax expense/(credit) relating to components of other comprehensive income/(expense)		8,812	(8,791)	(5,151)	(15,782)
Other comprehensive (expense)/income for the period, net of tax		(21,985)	23,865	18,087	45,043
Total comprehensive income for the period		189,358	241,366	461,389	478,637
Profit attributable to owners of the Bank		211,343	217,501	443,302	433,594
Total comprehensive income attributable to owners of the Bank		189,358	241,366	461,389	478,637
Basic earnings per ordinary share (sen)		73.5	75.7	151.1	147.7

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 2014 and the accompanying explanatory notes on pages 12 to 54 of these unaudited condensed interim financial statements.

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	Note	Quarter ended		Year to date ended	
		30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Bank					
Interest income	23	906,969	825,606	1,783,035	1,594,270
Interest expense	23	(553,984)	(482,529)	(1,094,655)	(913,967)
Net interest income	23	352,985	343,077	688,380	680,303
Net fee and commission income	25	92,551	69,971	170,127	146,688
Net trading income	26	43,742	43,820	91,444	81,999
Other operating income	27	33,431	34,684	68,658	63,087
Operating income		522,709	491,552	1,018,609	972,077
Operating expenses	28	(234,497)	(213,721)	(459,846)	(413,373)
Operating profit before impairment allowance and provision		288,212	277,831	558,763	558,704
Impairment allowance on loans, advances and financing	29	(52,591)	(12,860)	(66,815)	(31,525)
Write back of impairment allowance on investment properties		-	-	-	427
Provision for commitments and contingencies		-	-	-	(1,717)
Profit before income tax and zakat		235,621	264,971	491,948	525,889
Income tax expense	30	(59,968)	(61,507)	(124,687)	(127,154)
Profit for the period		175,653	203,464	367,261	398,735
Other comprehensive income/(expense), net of income tax					
Items that are or may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		(24,891)	21,097	28,059	45,506
- Amount transferred to profit or loss		(2,817)	10,792	(6,927)	9,705
Income tax expense/(credit) relating to components of other comprehensive income/(expense)		8,042	(8,499)	(4,622)	(14,279)
Other comprehensive (expense)/income for the period, net of tax		(19,666)	23,390	16,510	40,932
Total comprehensive income for the period		155,987	226,854	383,771	439,667
Profit attributable to owners of the Bank		175,653	203,464	367,261	398,735
Total comprehensive income attributable to owners of the Bank		155,987	226,854	383,771	439,667
Basic earnings per ordinary share (sen)		61.1	70.8	124.6	135.6

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 2014 and the accompanying explanatory notes on pages 12 to 54 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

Group	<i>Non-distributable</i>				<i>Distributable</i>		Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000
Balance at 1 January 2015	291,500	858,500	464,654	130,000	56,619	69,059	4,145,416	6,015,748
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	33,523	-	33,523
- Amount transferred to profit or loss	-	-	-	-	-	(10,285)	-	(10,285)
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	(5,151)	-	(5,151)
Total other comprehensive income for the period	-	-	-	-	-	18,087	-	18,087
Profit for the period	-	-	-	-	-	-	443,302	443,302
Total comprehensive income for the period	-	-	-	-	-	18,087	443,302	461,389
Transfer to regulatory reserve	-	-	-	15,000	-	-	(15,000)	-
<i>Contributions by and distributions to owners of the Bank</i>								
Dividends paid								
- Final 2014 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2015	291,500	858,500	464,654	145,000	56,619	87,146	4,127,072	6,030,491

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 2014 and the accompanying explanatory notes on pages 12 to 54 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

Group	<i>Non-distributable</i>					<i>Distributable</i>	Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000
Balance at 1 January 2014	291,500	858,500	429,390	-	56,619	29,610	3,996,728	5,662,347
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	51,104	-	51,104
- Amount transferred to profit or loss	-	-	-	-	-	9,721	-	9,721
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	(15,782)	-	(15,782)
Total other comprehensive income for the period	-	-	-	-	-	45,043	-	45,043
Profit for the period	-	-	-	-	-	-	433,594	433,594
Total comprehensive income for the period	-	-	-	-	-	45,043	433,594	478,637
Transfer to statutory reserve	-	-	-	130,000	-	-	(130,000)	-
<i>Contributions by and distributions to owners of the Bank</i>								
Dividends paid								
- Final 2013 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2014	291,500	858,500	429,390	130,000	56,619	74,653	3,853,676	5,694,338

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 2014 and the accompanying explanatory notes on pages 12 to 54 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

	<i>Non-distributable</i>				<i>Distributable</i>	Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000
Bank							
Balance at 1 January 2015	291,500	858,500	322,000	130,000	71,873	4,036,338	5,710,211
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	28,059	-	28,059
- Amount transferred to profit or loss	-	-	-	-	(6,927)	-	(6,927)
Income tax expense relating to components of other comprehensive income	-	-	-	-	(4,622)	-	(4,622)
Total other comprehensive income for the period	-	-	-	-	16,510	-	16,510
Profit for the period	-	-	-	-	-	367,261	367,261
Total comprehensive income for the period	-	-	-	-	16,510	367,261	383,771
Transfer to regulatory reserve	-	-	-	15,000	-	(15,000)	-
<i>Contributions by and distributions to owners of the Bank</i>							
Dividends paid							
- Final 2014 ordinary	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2015	291,500	858,500	322,000	145,000	88,383	3,941,953	5,647,336

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 2014 and the accompanying explanatory notes on pages 12 to 54 of these unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015**

	<i>Non-distributable</i>				<i>Distributable</i>	Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000		Retained earnings RM'000
Bank							
Balance at 1 January 2014	291,500	858,500	322,000	-	36,308	3,923,458	5,431,766
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	45,506	-	45,506
- Amount transferred to profit or loss	-	-	-	-	9,705	-	9,705
Income tax expense relating to components of other comprehensive income	-	-	-	-	(14,279)	-	(14,279)
Total other comprehensive income for the period	-	-	-	-	40,932	-	40,932
Profit for the period	-	-	-	-	-	398,735	398,735
Total comprehensive income for the period	-	-	-	-	40,932	398,735	439,667
Transfer to statutory reserve	-	-	-	130,000	-	(130,000)	-
<i>Contributions by and distributions to owners of the Bank</i>							
Dividends paid							
- Final 2013 ordinary	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	(8,946)	(8,946)
Balance at 30 June 2014	291,500	858,500	322,000	130,000	77,240	3,745,547	5,424,787

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 2014 and the accompanying explanatory notes on pages 12 to 54 of these unaudited condensed interim financial statements.

OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	Group		Bank	
	Year to date ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before income tax and zakat	588,591	569,483	491,948	525,889
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	18	18	18	18
Depreciation of investment properties	87	91	87	91
Depreciation of property, plant and equipment	22,140	23,488	21,111	22,182
Dividends received from financial assets held-for-trading	(507)	(232)	(507)	(232)
Dividends received from financial investments available-for-sale	(450)	(450)	(450)	(450)
Impairment/(Write back of) allowance on:				
- Loans, advances and financing	123,978	100,572	66,815	31,525
- Investment properties	-	(427)	-	(427)
Net loss/(gain) on disposal of:				
- Financial investments available-for-sale	(10,285)	9,721	(6,927)	9,705
- Investment properties	-	(14,171)	-	(14,171)
- Property and equipment	3	114	3	114
Share-based expenses	2,728	3,646	2,603	3,534
Unrealised (gain)/loss on:				
- Financial assets held-for-trading	(3,299)	(2,656)	(3,299)	(2,656)
- Hedging derivatives	(539)	381	(539)	381
- Trading derivatives	(15,535)	50,723	(15,535)	50,723
Operating profit before changes in working capital	706,930	740,301	555,328	626,226
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(460,742)	(241,091)	(277,586)	(78,359)
Financial assets held-for-trading	(186,032)	(347,265)	(186,032)	(347,265)
Dividends received from financial assets held-for-trading	507	232	507	232
Loans, advances and financing	(4,135,637)	(4,188,231)	(3,563,352)	(2,811,307)
Other assets	(803,148)	67,677	(733,617)	65,329
Statutory deposits with Bank Negara Malaysia	(109,290)	(220,000)	(87,790)	(177,000)
Derivative financial assets and liabilities	(52,911)	3,231	(53,114)	3,237
Deposits from customers	3,975,428	6,799,739	3,270,323	4,591,752
Deposits and placements of banks and other financial institutions	4,900,208	2,218,617	4,802,137	2,417,725
Bills and acceptances payable	8,902	(42,733)	10,033	(43,836)
Recourse obligation on loans sold to Cagamas Berhad	375,001	-	375,001	-
Other liabilities	197,570	(32,311)	121,009	(32,123)
Cash generated from operations	4,416,786	4,758,166	4,232,847	4,214,611
Income tax and zakat paid	(117,097)	(125,306)	(106,249)	(112,542)
Net cash generated from operating activities	4,299,689	4,632,860	4,126,598	4,102,069

OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015 (CONTINUED)

	Group		Bank	
	Year to date ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of financial investments available-for-sale	(7,158,772)	(7,923,764)	(9,771,815)	(6,958,980)
Acquisition of property and equipment	(8,224)	(9,160)	(7,998)	(9,056)
Dividends received from financial investments available-for-sale	450	450	450	450
Increase in investment in subsidiary	-	-	(60,000)	(120,000)
Proceeds from disposal of financial investments available-for-sale	4,279,724	7,098,137	7,476,121	6,107,173
Proceeds from disposal of investment properties	-	45,808	-	45,808
Proceeds from disposal of property and equipment	38	29	37	11
Net cash used in investing activities	(2,886,784)	(788,500)	(2,363,205)	(934,594)
Cash flows from financing activities				
Dividends paid to owners of the Bank	(437,700)	(437,700)	(437,700)	(437,700)
Dividends paid to preference shareholders	(8,946)	(8,946)	(8,946)	(8,946)
Net cash used in financing activities	(446,646)	(446,646)	(446,646)	(446,646)
Net increase in cash and cash equivalents	966,259	3,397,714	1,316,747	2,720,829
Cash and cash equivalents at 1 January	8,273,458	8,926,484	7,780,124	9,102,977
Cash and cash equivalents at 30 June	9,239,717	12,324,198	9,096,871	11,823,806

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 2014 and the accompanying explanatory notes on pages 12 to 54 of these unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015

GENERAL INFORMATION

The principal activities of the Group and of the Bank are banking and other related financial services which include Islamic Banking ("IB") business. The subsidiaries of the Bank are principally engaged in the businesses of IB and the provision of nominee services. There were no significant changes in the nature of these activities during the financial period.

The unaudited condensed interim financial statements of the Bank as at and for the six months ended 30 June 2015 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the financial year ended 31 December 2014 was not subject to any qualification.

1 REVIEW OF PERFORMANCE

The Bank and its subsidiary companies ("the Group") recorded a net profit of RM443 million for the first six months of 2015, registering an increase of RM10 million or 2% compared to the corresponding period for 2014. Whilst operating profit rose by RM41 million or 6% to RM713 million, allowances on loans, advances and financing (+RM23 million) also increased mainly due to higher individual impairment allowance (+RM53 million), partly mitigated by lower collective impairment allowance (-RM34 million).

Compared to the corresponding period in 2014, operating income increased by RM88 million or 8% to RM1.2 billion resulted from higher net interest income (+RM13 million), income from Islamic banking (+RM38 million), higher trading income (+RM9 million) and realised gain on disposal of financial investments available-for-sale (+RM17 million). Operating expenses increased by RM47 million or 10% to RM495 million as a result of continued investments in people and infrastructure to support business growth.

The Group's total assets grew by RM9.7 billion to RM101.3 billion mainly contributed by loans, advances and financing which grew by RM4 billion or 6% to RM66.6 billion. Loans growth continued to be from housing loans (+RM2.0 billion) and domestic business enterprises financing (+RM1.2 billion), mainly funded by higher fixed/investment deposits (+RM3.7 billion).

The Group and Bank remain well capitalised with Common Equity Tier 1 (CET 1) capital ratios of 12.452% and 13.104%, Tier 1 Capital ratios of 13.743% and 14.634% and Total Capital ratios of 16.064% and 15.982% respectively.

2 ECONOMIC PERFORMANCE AND PROSPECTS

The growth performance of the global economy remains vulnerable and volatile following increased concerns over developments in Europe and China. In Malaysia, the economy continued to expand at a moderate pace supported by domestic demand and capital spending which have contributed to offsetting the weaker performance of the external sector. The country's inflation rate is expected to be higher following the implementation of the Goods and Services Tax, resulting in the frontloading of consumption activity and increased fuel prices.

With continued domestic growth activities, the Bank will maintain a selective lending profile while focusing on the development of retail financing and innovative wealth products. We will continue to invest in building capacity by expanding our branch network in the country. From the risk management perspective, we will continue to strive to preserve the quality of our assets and monitor our liquidity and capital position closely.

3 ACTIVITIES AND ACHIEVEMENTS

During the period under review, the Bank's Islamic Banking subsidiary, OCBC Al-Amin Bank Berhad, was named one of Credit Guarantee Corporation's Top SME Supporters for supporting the growth of SMEs in Malaysia. In June 2015, OCBC Bank opened its 32nd conventional banking branch, in Kulajaya.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)

4 BASIS OF PREPARATION

(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 financial statements), in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134.

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 Group's and the Bank's unaudited condensed interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2014. The explanatory notes attached in the unaudited interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Group and the Bank since the financial year ended 31 December 2014.

The accounting policies applied in the unaudited condensed interim financial statements are consistent with those applied in the annual financial statements for the year ended 31 December 2014.

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

Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- 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*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosures of Interest in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*
- Amendments to MFRS 119, *Employee benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

The Group and the Bank plan to apply the abovementioned accounting standards and amendments from the annual period commencing 1 January 2016.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)

4 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Effective for annual periods commencing on or after 1 January 2017

- MFRS 15, *Revenue from Contracts with Customers*

The Group and the Bank plan to apply the abovementioned accounting standard from the annual period commencing 1 January 2017.

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*

The Group and the Bank plan to apply the abovementioned accounting standard from the annual period commencing 1 January 2018.

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 mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets, financial liabilities and on hedge accounting. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. It is expected that the Group's and the Bank's investments in unquoted shares will be measured at fair value through other comprehensive income.

MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretations 131, *Revenue - Barter Transactions Involving Advertising Services*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 9 and MFRS 15 will result in a change in accounting policy. The Group and the Bank are currently assessing the financial impact of adopting MFRS 9 and MFRS 15.

(b) Use of estimates and judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2014.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group in these unaudited condensed interim financial statements are the same as those applied by the Group in its audited financial statements as at and for the financial year ended 31 December 2014.

6 SEASONALITY OF OPERATIONS

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

7 CHANGES IN COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group during the financial period ended 30 June 2015.

8 DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 June 2015.

The Bank subscribed for 20 million ordinary shares of RM1 each at RM3 per ordinary share amounting to RM60 million issued by its subsidiary, OCBC Al-Amin Bank Berhad on 18 June 2015.

9 DIVIDENDS

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

- i) A net cash dividend of 4.51% (on the issue price) amounting to RM8.95 million to the preference shareholders on 20 March 2015.
- ii) A final dividend of 152.2 sen per ordinary share totalling RM437.70 million in respect of the previous financial year on 28 April 2015.

The Directors proposed a net cash dividend of 4.51% (on the issue price) amounting to RM9.04 million to the preference shareholders paid on 21 September 2015.

10 SUBSEQUENT EVENTS

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**11 CASH AND CASH EQUIVALENTS**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Cash and balances with banks and other financial institutions	692,031	297,531	663,792	276,382
Money at call and deposit placements with financial institutions maturing within one month	2,160,860	1,970,878	3,083,279	2,657,094
Deposit placements with Bank Negara Malaysia	6,386,826	5,822,206	5,349,800	4,663,805
Reverse Repurchase Agreement	-	182,843	-	182,843
	<u>9,239,717</u>	<u>8,273,458</u>	<u>9,096,871</u>	<u>7,780,124</u>
a) By geographical distribution				
Malaysia	8,595,569	7,621,579	8,467,858	7,136,035
Singapore	15,323	481,497	14,561	477,959
Other ASEAN	2,310	4,793	1,436	3,883
Rest of the world	626,515	165,589	613,016	162,247
	<u>9,239,717</u>	<u>8,273,458</u>	<u>9,096,871</u>	<u>7,780,124</u>

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

12 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Licensed banks	<u>3,313,291</u>	<u>2,852,549</u>	<u>4,150,478</u>	<u>3,872,892</u>
a) By geographical distribution				
Malaysia	2,502,139	2,270,211	3,339,326	3,290,554
Singapore	692,614	349,353	692,614	349,353
Rest of the world	118,538	232,985	118,538	232,985
	<u>3,313,291</u>	<u>2,852,549</u>	<u>4,150,478</u>	<u>3,872,892</u>

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

b) By residual contractual maturity

Maturity within one year	3,313,291	2,852,549	3,786,444	3,441,301
One year to five years	-	-	364,034	431,591
	<u>3,313,291</u>	<u>2,852,549</u>	<u>4,150,478</u>	<u>3,872,892</u>

Included in deposits and placements with banks and other financial institutions are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") as part of an arrangement with OCBC Al-Amin Bank Berhad ("OCBC Al-Amin"). The RPSIA is a contract based on the Mudharabah principle to fund a specific business venture where the Bank solely provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture arrangement is shared with the Bank as mudarib based on a pre-agreed ratio, and losses borne by depositors.

As at 30 June 2015, the RPSIA placements amounted to RM1.34 billion (31 December 2014: RM1.32 billion) at profit rates ranging from 1.66% to 4.20% per annum (31 December 2014: 1.56% to 5.67% per annum).

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**13 FINANCIAL ASSETS HELD-FOR-TRADING**

	Group and Bank	
	30 June	31 December
	2015	2014
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	50,807	274,981
Malaysian Government Securities	212,411	308,502
Private Debt Securities	917,947	452,027
Quoted shares in Malaysia	55,061	11,385
	<u>1,236,226</u>	<u>1,046,895</u>

14 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	30 June	31 December	30 June	31 December
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At fair value				
Bank Negara Malaysia Monetary Notes	591,222	2,339,009	352,924	1,566,568
Foreign Government Debt Securities	929,717	227,824	730,541	102,817
Malaysian Government Investment Issues	3,403,599	2,028,635	1,676,488	927,663
Malaysian Government Securities	4,066,694	3,794,818	4,066,694	3,794,818
Malaysian Treasury Bills	158,284	189,137	158,284	189,137
Malaysian Government Debt Securities	218,384	297,143	63,971	115,130
Negotiable Instruments of Deposit	2,998,188	899,464	2,414,701	663,163
Private Debt Securities	3,301,126	2,981,257	2,834,139	2,617,337
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
Debentures	191	190	191	190
	<u>15,775,951</u>	<u>12,866,023</u>	<u>12,406,479</u>	<u>10,085,369</u>
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	<u>15,775,939</u>	<u>12,866,011</u>	<u>12,406,467</u>	<u>10,085,357</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**15 LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
At amortised cost				
Overdrafts	3,001,333	2,944,663	3,001,333	2,944,663
Term loans/financing:				
- Housing loans/financing	26,148,948	24,174,058	24,470,266	22,797,626
- Syndicated term loans/financing	1,438,938	1,646,412	1,260,697	1,480,703
- Hire purchase receivables	931,474	903,585	10	54
- Other term loans/financing	27,013,183	25,563,510	22,003,325	20,538,578
Credit/charge card	544,874	585,185	544,874	585,185
Bills receivable	220,370	369,136	189,699	356,129
Trust receipts	30,760	43,021	30,450	42,774
Claims on customers under acceptance credits	2,198,023	1,884,678	1,938,691	1,656,531
Revolving credit	4,852,511	4,484,271	3,057,022	2,833,649
Staff loans/financing	80,136	83,511	80,136	83,511
Other loans/financing	1,228,718	962,869	1,196,132	941,274
Gross loans, advances and financing	67,689,268	63,644,899	57,772,635	54,260,677
Allowance for loans, advances and financing				
- Individual impairment	(324,777)	(323,671)	(253,733)	(261,273)
- Collective impairment	(714,692)	(683,088)	(552,239)	(529,278)
Net loans, advances and financing	66,649,799	62,638,140	56,966,663	53,470,126
a) By type of customer				
Domestic non-bank financial institutions				
- Stockbroking companies	2,811	-	2,811	-
- Others	929,367	243,896	864,963	201,646
Domestic business enterprises				
- Small medium enterprises	14,547,434	14,269,616	11,575,990	11,348,854
- Others	18,043,549	17,122,094	15,082,351	14,175,788
Individuals	31,220,871	29,333,087	28,561,353	27,007,838
Foreign entities	2,945,236	2,676,206	1,685,167	1,526,551
	67,689,268	63,644,899	57,772,635	54,260,677
b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	223,275	249,508	200,586	224,688
- Hire purchase receivables	655,098	690,438	10	54
- Other fixed rate loans/financing	6,872,766	6,436,443	3,854,798	3,471,866
Variable rate				
- BLR/BFR plus	43,496,722	41,703,429	41,308,116	39,839,536
- Cost plus	15,523,128	13,894,671	11,512,212	10,054,123
- Other variable rates	918,279	670,410	896,913	670,410
	67,689,268	63,644,899	57,772,635	54,260,677

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**15 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
c) By sector				
Agriculture, hunting, forestry and fishing	2,880,772	2,998,396	2,627,430	2,747,656
Mining and quarrying	454,739	321,684	248,437	228,840
Manufacturing	8,401,314	7,866,699	6,569,737	6,067,579
Electricity, gas and water	410,873	513,091	249,033	272,455
Construction	1,346,857	1,229,607	997,084	906,369
Real estate	6,747,259	6,527,298	6,206,434	5,915,318
Wholesale & retail trade and restaurants & hotels	7,804,827	7,600,787	6,258,085	6,085,394
Transport, storage and communication	1,934,642	1,959,932	1,600,013	1,606,014
Finance, insurance and business services	2,083,985	1,484,017	1,647,279	1,105,471
Community, social and personal services	1,497,378	1,296,069	1,163,566	954,891
Household				
- Purchase of residential properties	27,357,358	25,394,117	25,637,055	23,985,093
- Purchase of non-residential properties	1,408,250	1,444,630	1,362,789	1,400,551
- Others	3,517,195	3,385,072	2,544,483	2,447,684
Others	1,843,819	1,623,500	661,210	537,362
	<u>67,689,268</u>	<u>63,644,899</u>	<u>57,772,635</u>	<u>54,260,677</u>
d) By geographical distribution				
Malaysia	65,122,508	61,287,836	56,116,464	52,737,004
Singapore	477,833	362,839	464,389	350,964
Other ASEAN	254,400	337,696	254,400	337,696
Rest of the world	1,834,527	1,656,528	937,382	835,013
	<u>67,689,268</u>	<u>63,644,899</u>	<u>57,772,635</u>	<u>54,260,677</u>
The analysis by geography is determined based on where the credit risk resides.				
e) By residual contractual maturity				
Within one year	14,698,944	13,102,759	12,186,049	10,966,450
One year to five years	8,245,020	8,714,780	5,213,423	5,444,961
Over five years	44,745,304	41,827,360	40,373,163	37,849,266
	<u>67,689,268</u>	<u>63,644,899</u>	<u>57,772,635</u>	<u>54,260,677</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**16 IMPAIRED LOANS, ADVANCES AND FINANCING**

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
At 1 January	1,277,026	1,307,531	1,080,344	1,200,172
Impaired during the period	781,771	1,071,652	504,930	769,186
Reclassified as unimpaired	(212,281)	(378,921)	(191,335)	(352,889)
Amount recovered	(324,862)	(615,724)	(189,200)	(488,624)
Amount written off	(103,897)	(110,632)	(57,773)	(50,621)
Effect of foreign exchange difference	10,711	3,120	10,711	3,120
At 30 June/31 December	1,428,468	1,277,026	1,157,677	1,080,344
Individual impairment allowance	(324,777)	(323,671)	(253,733)	(261,273)
Collective impairment allowance	(11,975)	(10,244)	(8,679)	(8,028)
Net impaired loans, advances and financing	1,091,716	943,111	895,265	811,043

a) By sector

Agriculture, hunting, forestry and fishing	1,873	15,656	1,189	15,001
Mining and quarrying	203,254	87	110,361	-
Manufacturing	391,092	453,074	346,524	399,841
Construction	14,838	20,830	12,999	19,463
Real estate	100,031	160,228	63,848	88,958
Wholesale & retail trade and restaurants & hotels	189,023	139,255	166,251	121,250
Transport, storage and communication	83,893	83,254	75,952	76,378
Finance, insurance and business services	21,756	17,986	14,147	11,731
Community, social and personal services	9,994	9,963	7,806	7,845
Household				
- Purchase of residential properties	296,461	270,399	280,123	261,927
- Purchase of non-residential properties	27,688	23,968	26,388	23,776
- Others	87,198	78,483	51,386	50,994
Others	1,367	3,843	703	3,180
	1,428,468	1,277,026	1,157,677	1,080,344

b) By geographical distribution

Malaysia	1,421,131	1,272,863	1,150,340	1,076,181
Singapore	1,430	655	1,430	655
Rest of the world	5,907	3,508	5,907	3,508
	1,428,468	1,277,026	1,157,677	1,080,344

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

c) By period overdue

Less than 3 months	617,702	454,472	413,363	317,494
3 months to less than 6 months	165,734	147,399	119,812	114,271
6 months to less than 9 months	74,600	56,493	66,662	48,918
Over 9 months	570,432	618,662	557,840	599,661
	1,428,468	1,277,026	1,157,677	1,080,344

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**16 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
d) By collateral type				
Property	792,315	814,029	723,566	723,043
Fixed deposits	503	371	503	371
Stock and shares	48	238	48	238
Machinery	2,483	6,932	-	-
Secured - others	308,232	98,788	203,867	90,163
Unsecured - corporate and other guarantees	26,153	46,371	24,840	36,539
Unsecured - clean	298,734	310,297	204,853	229,990
	1,428,468	1,277,026	1,157,677	1,080,344

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

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Individual impairment allowance				
At 1 January	323,671	254,480	261,273	209,634
Made during the period/year	167,828	300,097	91,622	185,090
Amount written back	(61,499)	(117,281)	(40,219)	(79,950)
Amount written off	(104,000)	(110,631)	(57,876)	(50,620)
Discount unwind	(1,768)	(2,994)	(1,612)	(2,881)
Effect of foreign exchange difference	545	-	545	-
At 30 June/31 December	324,777	323,671	253,733	261,273
Collective impairment allowance				
At 1 January	683,088	533,169	529,278	473,018
Made during the period/year	31,604	149,919	22,961	56,260
At 30 June/31 December	714,692	683,088	552,239	529,278

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 JUNE 2015 (continued)**16 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

i) By sector

<u>Group</u>	Individual impairment allowance		Individual impairment allowance charged to profit or loss		Individual impairment allowance written off		Collective impairment allowance	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	433	379	247	398	185	305	29,400	31,063
Mining and quarrying	49	87	-	87	-	-	5,788	3,774
Manufacturing	97,179	116,518	10,733	83,195	23,184	9,654	92,330	87,935
Electricity, gas and water	-	-	-	-	-	-	5,061	6,641
Construction	3,178	7,891	2,881	3,992	6,992	2,815	15,308	14,135
Real estate	8,780	1,390	7,515	256	15	-	68,389	68,061
Wholesale & retail trade and restaurants & hotels	57,766	45,328	45,195	43,347	25,355	24,963	84,967	84,128
Transport, storage and communication	16,037	15,198	6,331	10,261	5,496	2,151	20,705	21,409
Finance, insurance and business services	5,981	6,454	4,605	7,717	3,401	2,242	22,938	16,992
Community, social and personal services	3,708	3,621	2,286	3,552	1,396	1,567	16,632	14,942
Household								
- Purchase of residential properties	61,635	61,640	22,583	35,695	4,813	8,887	273,916	257,728
- Purchase of non-residential properties	2,301	4,348	1,101	2,077	1,854	510	13,812	14,412
- Others	67,187	57,790	64,182	108,939	29,212	56,891	39,590	38,708
Others	543	3,027	169	581	2,097	646	25,856	23,160
	324,777	323,671	167,828	300,097	104,000	110,631	714,692	683,088

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**16 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

a) By sector (continued)

	Individual impairment allowance		Individual impairment allowance charged to profit or loss		Individual impairment allowance written off		Collective impairment allowance	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
Agriculture, hunting, forestry and fishing	174	143	37	213	#REF!	202	25,224	26,930
Mining and quarrying	-	-	#REF!	-	#REF!	-	2,385	2,243
Manufacturing	92,245	104,526	7,411	73,263	13,391	5,198	62,190	58,447
Electricity, gas and water	-	-	#REF!	-	#REF!	-	2,391	2,670
Construction	2,297	7,193	1,677	2,892	6,099	1,709	9,551	8,813
Real estate	3,261	1,102	2,256	256	15	-	59,557	57,968
Wholesale & retail trade and restaurants & hotels	45,629	33,778	32,151	25,424	15,274	13,249	59,646	59,315
Transport, storage and communication	12,531	11,717	3,926	6,473	3,477	1,081	15,241	15,627
Finance, insurance and business services	2,296	2,564	1,724	2,701	1,016	553	15,793	10,810
Community, social and personal services	2,010	1,959	1,009	943	347	290	11,152	9,340
Household								
- Purchase of residential properties	58,896	60,510	19,868	34,667	4,813	8,804	245,576	234,498
- Purchase of non-residential properties	2,277	4,348	1,077	2,077	1,854	510	13,062	13,685
- Others	31,667	30,474	20,396	35,655	9,493	18,378	24,126	23,692
Others	450	2,959	90	526	2,097	646	6,345	5,240
	253,733	261,273	#REF!	185,090	#REF!	50,620	552,239	529,278

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**16 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

b) By geographical distribution

	Group				Bank			
	Individual impairment allowance		Collective impairment allowance		Individual impairment allowance		Collective impairment allowance	
	30 June 2015 RM'000	31 December 2014 RM'000						
Malaysia	322,902	323,287	683,784	654,406	251,858	260,889	536,356	514,347
Singapore	398	297	4,677	3,633	398	297	4,455	3,437
Other ASEAN	-	-	2,442	3,310	-	-	2,442	3,310
Rest of the world	1,477	87	23,789	21,739	1,477	87	8,986	8,184
	324,777	323,671	714,692	683,088	253,733	261,273	552,239	529,278

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

<u>Group</u>	30 JUNE 2015			31 DECEMBER 2014		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Trading						
Foreign exchange derivatives						
- Forwards	7,272,739	146,857	46,737	3,709,288	126,862	46,049
- Swaps	17,570,870	1,102,783	904,888	18,058,253	766,695	618,677
- Options	2,071,792	55,424	5,162	1,518,249	51,070	8,919
- Others	108,800	870	870	488,793	3,466	3,466
Interest rate derivatives						
- Swaps	42,989,694	126,649	153,971	40,235,444	185,526	204,158
- Options	720,733	236	3,449	974,953	-	3,940
- Futures	4,426,603	57	72	40,000	-	42
- Swaptions	-	-	-	200,000	-	677
- Others	10,000	135	-	16,520	441	-
Equity and other derivatives						
- Swaps	766,500	73,074	73,074	1,288,980	91,314	91,314
- Exchange traded futures	45,670	448	640	1,133	5	-
- Options	38,470	1,408	2,316	-	-	-
- Commodity futures	29,358	1,713	1,698	27,214	2,861	2,803
- Bond forwards	-	-	-	75,000	1,186	-
- Credit linked notes	887,834	6,724	6,724	2,022,200	10,828	10,828
- Warrants	1,855	1,262	-	-	-	-
	<u>76,940,918</u>	<u>1,517,640</u>	<u>1,199,601</u>	<u>68,656,027</u>	<u>1,240,254</u>	<u>990,873</u>
Hedging						
Interest rate derivatives						
- Swaps	1,609,677	829	9,842	1,589,612	84	15,962
	<u>78,550,595</u>	<u>1,518,469</u>	<u>1,209,443</u>	<u>70,245,639</u>	<u>1,240,338</u>	<u>1,006,835</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)**

	30 JUNE 2015			31 DECEMBER 2014		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
Bank						
Trading						
Foreign exchange derivatives						
- Forward	7,295,245	146,863	46,690	3,749,960	126,893	46,043
- Swaps	17,631,254	1,102,967	904,888	17,950,349	766,693	618,678
- Options	2,071,792	55,424	5,162	1,518,249	51,070	8,919
- Others	108,800	870	870	488,793	3,466	3,466
Interest rate derivatives						
- Swaps	42,989,694	126,649	153,971	40,235,444	185,526	204,158
- Options	720,733	236	3,449	974,953	-	3,940
- Futures	4,426,603	57	72	40,000	-	42
- Swaptions	-	-	-	200,000	-	677
- Others	10,000	135	-	16,520	441	-
Equity and other derivatives						
- Swaps	766,500	73,074	73,074	1,288,980	91,314	91,314
- Exchange traded futures	45,670	448	640	1,133	5	-
- Options	38,470	1,408	2,316	-	-	-
- Commodity futures	29,358	1,713	1,698	27,214	2,861	2,803
- Bond forwards	-	-	-	75,000	1,186	-
- Credit linked notes	887,834	6,724	6,724	2,022,200	10,828	10,828
- Warrants	1,855	1,262	-	-	-	-
	<u>77,023,808</u>	<u>1,517,830</u>	<u>1,199,554</u>	<u>68,588,795</u>	<u>1,240,283</u>	<u>990,868</u>
Hedging						
Interest rate derivatives						
- Swaps	1,609,677	829	9,842	1,589,612	84	15,962
	<u>78,633,485</u>	<u>1,518,659</u>	<u>1,209,396</u>	<u>70,178,407</u>	<u>1,240,367</u>	<u>1,006,830</u>

18 OTHER ASSETS

	Note	Group		Bank	
		30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Interest/Profit receivable		160,206	123,215	140,556	113,694
Amount due from subsidiary	(a)	-	-	9,529	-
Unquoted Islamic subordinated bond of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		872,209	106,052	801,701	104,475
		<u>1,032,415</u>	<u>229,267</u>	<u>1,151,786</u>	<u>418,169</u>

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

(b) The Bank subscribed for RM200 million non-tradeable, non-transferable, redeemable Islamic subordinated bond on 1 December 2008, due in 2021 and non-callable until 2016 under the principle of Mudharabah at a projected constant rate of 5.45% per annum for the period from the issue date up to 23 November 2016 and a step up of 100 basis points commencing from 24 November 2016.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**19 DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
a) By type of deposit				
Demand deposits	14,458,441	13,116,661	11,374,725	10,348,592
Saving deposits	5,259,103	5,053,745	4,963,069	4,748,366
Fixed/Investment deposits	49,573,794	45,833,799	42,740,811	40,151,206
Negotiable instruments of deposit	2,150	7,564	2,150	2,215
Short-term money market deposits	3,130,402	3,579,455	2,699,705	2,402,520
Structured investments	3,139,669	3,996,907	3,139,669	3,996,907
	<u>75,563,559</u>	<u>71,588,131</u>	<u>64,920,129</u>	<u>61,649,806</u>
b) By type of customer				
Government and statutory bodies	1,064,720	256,455	276,650	6,979
Non-bank financial institutions	8,196,076	8,196,076	6,439,119	8,163,534
Business enterprises	31,055,815	27,478,229	25,421,624	22,481,216
Individuals	30,904,913	29,838,777	28,560,081	27,519,571
Foreign entities	3,411,920	2,788,528	3,334,775	2,686,317
Others	930,115	3,030,066	887,880	792,189
	<u>75,563,559</u>	<u>71,588,131</u>	<u>64,920,129</u>	<u>61,649,806</u>
c) By maturity structure				
Within six months	60,796,027	59,005,107	51,849,219	50,282,959
Six months to one year	11,982,927	9,416,456	10,291,609	8,203,191
One year to three years	1,109,803	1,281,244	1,104,899	1,278,432
Three years to five years	1,629,802	1,145,324	1,629,402	1,145,224
Over five years	45,000	740,000	45,000	740,000
	<u>75,563,559</u>	<u>71,588,131</u>	<u>64,920,129</u>	<u>61,649,806</u>

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Licensed banks	14,909,280	10,155,028	13,996,258	9,340,077
Bank Negara Malaysia	154,359	-	154,359	-
Other financial institutions	127,646	136,049	127,646	136,049
	<u>15,191,285</u>	<u>10,291,077</u>	<u>14,278,263</u>	<u>9,476,126</u>

21 SUBORDINATED BONDS

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
RM200 million Redeemable Islamic Subordinated Bond 2006/2021	200,000	200,000
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
RM500 million Redeemable Subordinated Bonds 2010/2020	500,135	499,768
RM600 million Redeemable Subordinated Bonds 2012/2022	596,385	592,788
	<u>1,696,520</u>	<u>1,692,556</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**22 OTHER LIABILITIES**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Amount due to subsidiary	-	-	444	55,921
Equity compensation benefits	8,152	9,103	8,152	9,103
Interest/Profit payable	590,268	442,055	513,282	381,755
Other payables and accruals	419,510	366,542	365,527	317,082
Provision for commitments and contingencies	6,525	6,526	6,525	6,526
	1,024,455	824,226	893,930	770,387

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

23 NET INTEREST INCOME

Group	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	690,689	610,621	1,353,862	1,195,354
- Recoveries from impaired loans, advances and financing	15,317	13,657	29,378	28,581
- Discount unwind from impaired loans, advances and financing	817	748	1,612	1,345
Money at call and deposit placements with banks and other financial institutions	52,736	78,377	112,175	133,968
Financial assets held-for-trading	11,776	7,018	17,878	12,882
Financial investments available-for-sale	106,330	98,185	206,119	189,368
Others	16,459	2,770	33,582	5,706
	894,124	811,376	1,754,606	1,567,204
Interest expense				
Deposits from customers	(467,215)	(411,602)	(933,409)	(784,150)
Deposits and placements of banks and other financial institutions	(22,492)	(39,503)	(33,231)	(69,711)
Recourse obligation on loans sold to Cagamas Berhad	(295)	-	(295)	-
Subordinated bonds	(20,713)	(20,113)	(41,129)	(39,713)
Others	(35,800)	(5,573)	(70,391)	(10,897)
	(546,515)	(476,791)	(1,078,455)	(904,471)
Net interest income	347,609	334,585	676,151	662,733

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**23 NET INTEREST INCOME (continued)**

	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Bank				
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	690,689	610,621	1,353,862	1,195,354
- Recoveries from impaired loans, advances and financing	15,317	13,657	29,378	28,581
- Discount unwind from impaired loans, advances and financing	817	748	1,612	1,345
Money at call and deposit placements with banks and other financial institutions	62,182	89,238	133,851	154,177
Financial assets held-for-trading	11,776	7,018	17,878	12,882
Financial investments available-for-sale	107,012	98,837	207,467	190,820
Unquoted Islamic Subordinated Bonds of subsidiary	2,717	2,717	5,405	5,405
Others	16,459	2,770	33,582	5,706
	<u>906,969</u>	<u>825,606</u>	<u>1,783,035</u>	<u>1,594,270</u>
Interest expense				
Deposits from other customers	(467,215)	(411,602)	(933,409)	(784,150)
Deposits and placements of banks and other financial institutions	(29,961)	(45,241)	(49,431)	(79,207)
Recourse obligation on loans sold to Cagamas Berhad	(295)	-	(295)	-
Subordinated term loan/bonds	(20,713)	(20,113)	(41,129)	(39,713)
Others	(35,800)	(5,573)	(70,391)	(10,897)
	<u>(553,984)</u>	<u>(482,529)</u>	<u>(1,094,655)</u>	<u>(913,967)</u>
Net interest income	<u>352,985</u>	<u>343,077</u>	<u>688,380</u>	<u>680,303</u>

24 INCOME FROM ISLAMIC BANKING OPERATIONS

	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Group				
Income derived from investment of depositors' funds and others	190,456	144,743	385,940	282,549
Income derived from investment of shareholder's funds	25,455	22,123	47,817	38,924
Income attributable to depositors	(92,842)	(57,251)	(180,733)	(106,014)
	<u>123,069</u>	<u>109,615</u>	<u>253,024</u>	<u>215,459</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**25 NET FEE AND COMMISSION INCOME**

	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
Group and Bank	RM'000	RM'000	RM'000	RM'000
Commission	29,182	27,789	62,187	56,836
Service charges and fees	52,185	30,707	85,088	67,755
Guarantee fees	8,725	8,913	16,479	16,984
Other fee income	2,459	2,562	6,373	5,113
	92,551	69,971	170,127	146,688

26 NET TRADING INCOME

	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
Group and Bank	RM'000	RM'000	RM'000	RM'000
Foreign exchange (loss)/gain	(81,449)	(2,663)	(128,467)	11,465
Realised gain on financial assets held-for-trading	11,179	10,285	12,186	13,917
Realised gain on trading derivatives	162,919	64,420	188,891	104,684
Unrealised (loss)/gain on financial assets held-for-trading	(2,464)	(2,068)	3,299	2,656
Unrealised (loss)/gain on trading derivatives	(46,443)	(26,154)	15,535	(50,723)
	43,742	43,820	91,444	81,999

27 OTHER OPERATING INCOME

	Quarter ended		Year to date ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
Group	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on disposal:				
- Financial investments available-for-sale	2,817	(10,792)	6,927	(9,705)
- Investment properties	-	14,171	-	14,171
- Property and equipment	(7)	(26)	(3)	(114)
Gross dividends from financial investments available-for-sale				
- Malaysia	324	-	450	450
Gross dividends from financial assets held-for-trading				
- Malaysia	507	191	507	232
Rental of premises	1,075	1,469	2,281	3,314
Rental of safe deposit boxes	1,576	1,509	3,188	2,852
Unrealised gain/(loss) on hedging derivatives	319	(168)	539	(381)
Others	320	813	2,995	1,733
	6,931	7,167	16,884	12,552

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**27 OTHER OPERATING INCOME (continued)**

	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Bank				
Gain/(Loss) on disposal:				
- Financial investments available-for-sale	2,817	(10,792)	6,927	(9,705)
- Investment properties	-	14,171	-	14,171
- Property and equipment	(7)	(26)	(3)	(114)
Gross dividends from financial investments available-for-sale				
- Malaysia	324	-	450	450
Gross dividends from financial assets held-for-trading - Malaysia	507	191	507	232
Rental of premises	1,092	1,487	2,317	3,346
Rental of safe deposit boxes	1,576	1,509	3,188	2,852
Shared services income received from subsidiary	26,481	27,417	51,736	50,421
Unrealised gain/(loss) on hedging derivatives	319	(168)	539	(381)
Others	322	895	2,997	1,815
	33,431	34,684	68,658	63,087

28 OPERATING EXPENSES

	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Group				
Personnel expenses	124,264	107,653	242,837	213,223
Establishment expenses	24,174	24,450	47,773	45,751
Marketing expenses	8,760	11,281	17,834	19,970
General administrative expenses	94,540	88,459	186,617	169,142
	251,738	231,843	495,061	448,086
Bank				
Personnel expenses	116,504	99,269	226,688	196,533
Establishment expenses	22,433	22,451	44,256	41,861
Marketing expenses	7,938	9,915	16,129	18,219
General administrative expenses	87,622	82,086	172,773	156,760
	234,497	213,721	459,846	413,373

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**28 OPERATING EXPENSES (continued)**

<u>Group</u>	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Personnel expenses				
Salaries, allowances and bonus	97,137	83,567	191,910	167,803
Employees Provident Fund contributions	14,465	13,306	28,952	26,604
Share-based expenses	1,159	1,844	2,728	3,646
Others	11,503	8,936	19,247	15,170
	<u>124,264</u>	<u>107,653</u>	<u>242,837</u>	<u>213,223</u>
Establishment expenses				
Depreciation of property and equipment	11,051	11,674	22,140	23,488
Rental of premises	4,672	4,173	9,006	8,135
Repair and maintenance	2,749	1,956	4,973	3,640
Information technology costs	1,747	835	2,492	1,936
Hire of equipment	214	252	383	472
Depreciation of investment properties	43	44	87	91
Amortisation of prepaid lease payments	9	9	18	18
Others	3,689	5,507	8,674	7,971
	<u>24,174</u>	<u>24,450</u>	<u>47,773</u>	<u>45,751</u>
Marketing expenses				
Advertisement and business promotion	8,120	9,190	14,969	15,800
Transport and travelling	507	1,601	2,157	2,892
Others	133	490	708	1,278
	<u>8,760</u>	<u>11,281</u>	<u>17,834</u>	<u>19,970</u>
General administrative expenses				
Intercompany expenses	73,990	69,606	145,018	134,434
Others	20,550	18,853	41,599	34,708
	<u>94,540</u>	<u>88,459</u>	<u>186,617</u>	<u>169,142</u>
Bank				
Personnel expenses				
Salaries, allowances and bonus	91,086	76,988	179,115	154,521
Employees Provident Fund contributions	13,521	12,227	26,980	24,440
Share-based expenses	1,088	1,776	2,603	3,534
Others	10,809	8,278	17,990	14,038
	<u>116,504</u>	<u>99,269</u>	<u>226,688</u>	<u>196,533</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**28 OPERATING EXPENSES (continued)**

	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Bank				
Establishment expenses				
Depreciation of property and equipment	10,573	11,065	21,111	22,182
Rental of premises	4,000	3,599	7,751	6,984
Repair and maintenance	2,641	1,786	4,717	3,390
Information technology costs	1,676	805	2,394	1,888
Hire of equipment	214	252	383	472
Depreciation of investment properties	43	44	87	91
Amortisation of prepaid lease payments	9	9	18	18
Others	3,277	4,891	7,795	6,836
	<u>22,433</u>	<u>22,451</u>	<u>44,256</u>	<u>41,861</u>
Marketing expenses				
Advertisement and business promotion	6,976	8,085	13,648	14,517
Transport and travelling	846	1,357	1,809	2,460
Others	116	473	672	1,242
	<u>7,938</u>	<u>9,915</u>	<u>16,129</u>	<u>18,219</u>
General administrative expenses				
Intercompany expenses	67,961	63,796	133,104	123,156
Others	19,661	18,290	39,669	33,604
	<u>87,622</u>	<u>82,086</u>	<u>172,773</u>	<u>156,760</u>

29 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Group				
Individual impairment allowance				
- Made during the period	105,688	56,456	167,828	109,490
- Written back	(30,194)	(27,242)	(61,499)	(55,440)
Collective impairment allowance				
- Made during the period	12,646	31,641	31,604	66,140
Impaired loans, advances and financing recovered	(7,744)	(9,814)	(13,991)	(19,639)
Others	11	9	36	21
	<u>80,407</u>	<u>51,050</u>	<u>123,978</u>	<u>100,572</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**29 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING (continued)**

	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Bank				
Individual impairment allowance				
- Made during the period	63,864	28,008	91,622	55,999
- Written back	(18,076)	(18,002)	(40,219)	(38,178)
Collective impairment allowance				
- Made during the period	10,940	10,055	22,961	28,265
Impaired loans, advances and financing recovered	(4,148)	(7,210)	(7,585)	(14,582)
Others	11	9	36	21
	52,591	12,860	66,815	31,525

30 INCOME TAX EXPENSE

	Quarter ended		Year to date ended	
	30 June 2015 RM'000	30 June 2014 RM'000	30 June 2015 RM'000	30 June 2014 RM'000
Group				
Malaysian income tax				
- Current year	76,200	68,835	139,787	128,914
- Prior years	-	(2,062)	-	(2,062)
	76,200	66,773	139,787	126,852
Deferred tax				
- Origination and reversal of temporary differences	(5,796)	(2,018)	5,482	9,019
	70,404	64,755	145,269	135,871
Bank				
Malaysian income tax				
- Current year	65,562	65,553	119,599	120,927
- Prior years	-	(2,062)	-	(2,062)
	65,562	63,491	119,599	118,865
Deferred tax				
- Origination and reversal of temporary differences	(5,594)	(1,984)	5,088	8,289
	59,968	61,507	124,687	127,154

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**31 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for commitments and contingencies already made in the financial statements (Note 22), 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	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000
30 June 2015				
Direct credit substitutes	603,246		603,246	398,053
Transaction-related contingent items	2,551,373		1,312,480	886,129
Short-term self-liquidating trade-related contingencies	536,496		112,837	53,471
Forward asset purchases, forward deposits, partly paid shares and securities	69,116		69,116	8,727
Foreign exchange related contracts				
- Less than one year	17,774,352	519,051	742,086	121,965
- One year to less than five years	6,247,195	543,287	1,120,253	331,714
- Five years and above	2,277,770	205,772	631,767	397,583
Interest rate contracts				
- Less than one year	12,007,806	7,194	27,109	4,397
- One year to less than five years	26,982,165	50,656	638,379	147,669
- Five years and above	2,852,215	17,271	213,769	81,121
Equity and commodity related contracts	406,450	3,243	26,413	5,651
Credit derivative contracts	452,734	4,231	30,120	5,289
Formal standby facilities and credit lines				
- Maturity not exceeding one year	2,440		1,802	769
- Maturity exceeding one year	5,616,688		5,229,991	665,605
Other unconditionally cancellable commitments	20,648,404		2,169,508	475,640
Total	99,028,450	1,350,705	12,928,876	3,583,783
31 December 2014				
Direct credit substitutes	654,668		654,668	448,046
Transaction-related contingent items	2,410,328		1,245,354	819,989
Short-term self-liquidating trade-related contingencies	464,668		101,032	40,879
Forward asset purchases, forward deposits, partly paid shares and securities	29,487		29,487	-
Foreign exchange related contracts				
- Less than one year	14,356,946	400,550	633,867	111,209
- One year to less than five years	6,440,155	408,519	1,000,574	339,532
- Five years and above	1,912,872	116,613	486,109	300,991
Interest rate contracts				
- Less than one year	11,154,817	4,699	23,991	3,338
- One year to less than five years	25,731,603	58,098	632,117	176,274
- Five years and above	2,447,907	13,205	177,866	68,551
Equity and commodity related contracts	656,390	10,305	74,796	9,028
Credit derivative contracts	1,011,100	5,863	79,308	16,289
Formal standby facilities and credit lines				
- Maturity not exceeding one year	4,382		3,390	1,934
- Maturity exceeding one year	6,294,111		5,665,080	867,170
Other unconditionally cancellable commitments	17,403,266		1,985,103	437,913
Total	90,972,700	1,017,852	12,792,742	3,641,143

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)

31 COMMITMENTS AND CONTINGENCIES (continued)

<u>Bank</u>	<u>Principal amount</u>	<u>Positive fair value of derivative contracts</u>	<u>Credit equivalent amount</u>	<u>Risk weighted amount</u>
	RM'000	RM'000	RM'000	RM'000
30 June 2015				
Direct credit substitutes	563,010		563,010	367,214
Transaction-related contingent items	2,342,988		1,203,386	793,514
Short-term self-liquidating trade-related contingencies	506,425		106,628	51,567
Forward asset purchases, forward deposits, partly paid shares and securities	40,062		40,062	-
Foreign exchange related contracts				
- Less than one year	17,761,825	519,272	742,152	121,814
- One year to less than five years	6,247,195	543,287	1,120,253	331,714
- Five years and above	2,277,770	205,772	631,767	397,583
Interest rate contracts				
- Less than one year	12,007,806	7,194	27,109	4,397
- One year to less than five years	26,982,165	50,656	638,379	147,669
- Five years and above	2,852,215	17,271	213,769	81,121
Equity and commodity related contracts	406,450	3,243	26,413	5,651
Credit derivative contracts	452,734	4,231	30,120	5,289
Formal standby facilities and credit lines				
- Maturity not exceeding one year	2,440		1,802	769
- Maturity exceeding one year	5,215,491		4,851,460	582,648
Other unconditionally cancellable commitments	19,632,494		2,082,080	435,687
Total	97,291,070	1,350,926	12,278,390	3,326,637
31 December 2014				
Direct credit substitutes	633,835		633,835	434,447
Transaction-related contingent items	2,198,681		1,134,909	737,782
Short-term self-liquidating trade-related contingencies	429,875		91,547	37,418
Forward asset purchases, forward deposits, partly paid shares and securities	29,487		29,487	-
Foreign exchange related contracts				
- Less than one year	14,243,725	400,573	632,248	110,296
- One year to less than five years	6,440,155	408,519	1,000,574	339,532
- Five years and above	1,912,872	116,613	486,109	300,991
Interest rate contracts				
- Less than one year	11,154,817	4,699	23,991	3,338
- One year to less than five years	25,731,603	58,098	632,117	176,274
- Five years and above	2,447,907	13,205	177,866	68,551
Equity and commodity related contracts	656,390	10,305	74,796	9,028
Credit derivative contracts	1,011,100	5,863	79,308	16,289
Formal standby facilities and credit lines				
- Maturity not exceeding one year	3,098		2,345	1,264
- Maturity exceeding one year	5,753,851		5,208,228	757,219
Other unconditionally cancellable commitments	16,612,941		1,981,668	436,762
Total	89,260,337	1,017,875	12,189,028	3,429,191

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**32 CAPITAL COMMITMENTS**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Capital expenditure commitments in respect of property and equipment				
- Authorised but not contracted for	25,771	43,185	18,432	39,767
- Contracted but not provided for	1,570	7,064	1,570	7,064
	<u>27,341</u>	<u>50,249</u>	<u>20,002</u>	<u>46,831</u>

33 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

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

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Aggregate value of outstanding credit exposure to connected parties:				
Credit facility and leasing (except guarantee)	755,695	366,303	1,301,046	364,237
Commitments and contingencies	406,123	1,596,976	405,842	2,068,511
	<u>1,161,818</u>	<u>1,963,279</u>	<u>1,706,888</u>	<u>2,432,748</u>
Percentage of outstanding credit exposures to connected parties:				
As a proportion of total credit exposures	1.36%	2.42%	2.30%	3.49%
Impaired or in default	-	-	-	-

34 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, equals their carrying amount as reported in the statements of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Note	Group		Bank	
		30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Cash and cash equivalents		9,239,717	8,273,458	9,096,871	7,780,124
Deposits and placements with banks and other financial institutions		3,313,291	2,852,549	4,150,478	3,872,892
Financial assets held-for trading	(a)	1,236,226	1,046,895	1,236,226	1,046,895
Financial investments available-for-sale	(b)	15,775,951	12,866,023	12,406,479	10,085,369
Loans, advances and financing	(c)	67,689,268	63,644,899	57,772,635	54,260,677
Derivative financial assets	(d)	1,518,469	1,240,338	1,518,659	1,240,367
Other assets		1,032,415	229,267	1,151,786	418,169
Contingent liabilities and commitments	(e)	78,380,046	73,569,434	77,658,576	72,647,396
		<u>178,185,383</u>	<u>163,722,863</u>	<u>164,991,710</u>	<u>151,351,889</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**34 CREDIT RISKS (continued)****(a) Credit quality of financial assets held-for-trading**

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.

	Group and Bank	
	30 June 2015 RM'000	31 December 2014 RM'000
(i) By issuer		
Government and Central Bank	263,218	583,483
Banks	107,101	51,179
Non-bank financial institutions	576,261	45,356
Business enterprises	289,646	366,877
	<u>1,236,226</u>	<u>1,046,895</u>
(ii) By geography		
Malaysia	1,190,697	1,046,814
Singapore	28	-
Rest of the world	45,501	81
	<u>1,236,226</u>	<u>1,046,895</u>
(iii) By credit rating		
Government and Central Bank (unrated)	10,739	264,580
Government (AAA to BBB)	252,479	318,903
Investment grade (AAA to BBB)	962,952	452,009
Unrated	10,056	11,403
	<u>1,236,226</u>	<u>1,046,895</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,376	4,724
Mining and quarrying	189	-
Manufacturing	18,415	1,701
Electricity, gas and water	51	4,694
Construction	77,184	-
Real estate	3,122	98
Wholesale & retail trade and restaurants & hotels	334	19,982
Transport, storage and communication	1,884	4
Finance, insurance and business services	862,564	96,535
Education, health and others	-	75,000
Others	271,107	844,157
	<u>1,236,226</u>	<u>1,046,895</u>
(v) By residual contractual maturity		
Within one year	972,467	96,294
One to five years	253,646	495,486
Over five years	10,113	455,115
	<u>1,236,226</u>	<u>1,046,895</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**34 CREDIT RISKS (continued)****(b) Credit quality of financial investments available-for-sale**

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 available-for-sale as disclosed in Note 14.

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
(i) By issuer				
Government and Central Bank	8,438,183	8,648,742	6,318,361	6,593,316
Foreign government	929,716	227,824	730,541	102,817
Public sector	95,080	59,941	70,074	49,928
Banks	3,712,872	1,669,779	3,129,385	1,433,478
Non-bank financial institutions	610,298	429,030	520,474	399,097
Business enterprises	1,989,611	1,830,518	1,637,454	1,506,544
Others	191	189	190	189
	<u>15,775,951</u>	<u>12,866,023</u>	<u>12,406,479</u>	<u>10,085,369</u>
(ii) By geography				
Malaysia	13,831,955	11,785,730	10,661,658	9,130,083
Singapore	42,764	40,328	42,764	40,328
Other ASEAN	405,360	968,331	325,643	907,923
Rest of the world	1,495,872	71,634	1,376,414	7,035
	<u>15,775,951</u>	<u>12,866,023</u>	<u>12,406,479</u>	<u>10,085,369</u>
(iii) By credit rating				
Government and Central Bank (unrated)	1,427,062	2,795,881	1,030,297	1,946,018
Government (A to AAA)	7,011,121	5,852,861	5,288,064	4,647,298
Foreign government (unrated)	637,452	29,549	613,122	7,035
Foreign government (AAA to BBB)	292,264	198,275	117,419	95,782
Investment grade (AAA to BBB)	2,681,438	2,484,124	2,361,995	2,232,902
Unrated	3,726,614	1,505,333	2,995,582	1,156,334
	<u>15,775,951</u>	<u>12,866,023</u>	<u>12,406,479</u>	<u>10,085,369</u>
(iv) By sector				
Agriculture, hunting, forestry and fishing	83,798	60,504	24,386	24,248
Mining and quarrying	255,706	177,843	255,706	177,843
Manufacturing	24,957	14,947	10,007	-
Electricity, gas and water	114,720	160,303	114,720	160,303
Construction	10,091	10,033	10,091	10,033
Real estate	-	7,035	-	7,035
Wholesale & retail trade and restaurants & hotels	44,393	43,941	44,393	43,941
Transport, storage and communication	435,163	302,399	420,167	302,399
Finance, insurance and business services	5,307,030	3,097,601	4,456,191	2,658,780
Education, health and others	-	117,680	-	117,680
Others	9,500,093	8,873,737	7,070,818	6,583,107
	<u>15,775,951</u>	<u>12,866,023</u>	<u>12,406,479</u>	<u>10,085,369</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**34 CREDIT RISKS (continued)****(b) Credit quality of financial investments available-for-sale (continued)**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
(v) By residual contractual maturity				
Within one year	6,855,655	5,393,510	4,822,384	3,864,914
One to five years	6,616,604	5,231,500	5,525,661	4,194,171
Over five years	2,303,692	2,241,013	2,058,434	2,026,284
	<u>15,775,951</u>	<u>12,866,023</u>	<u>12,406,479</u>	<u>10,085,369</u>

(c) Credit quality of loans, advances and financing

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

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Neither past due nor impaired	65,696,599	61,356,394	56,186,764	52,288,880
Past due loans, advances and financing	1,664,131	1,921,780	1,352,767	1,733,287
- Unimpaired	564,201	1,011,479	428,194	891,453
- Impaired	1,099,930	910,301	924,573	841,834
Impaired but not past due	328,538	366,725	233,104	238,510
Gross loans, advances and financing	<u>67,689,268</u>	<u>63,644,899</u>	<u>57,772,635</u>	<u>54,260,677</u>

Neither past due nor impaired**(i) By internal grading**

Pass	64,718,661	60,184,655	55,500,579	51,379,198
Special Mention	977,938	1,171,739	686,185	909,682
	<u>65,696,599</u>	<u>61,356,394</u>	<u>56,186,764</u>	<u>52,288,880</u>

Past due but not impaired**(i) By period overdue**

Less than 2 months	471,779	939,771	361,186	845,775
2 months to less than 3 months	92,422	71,708	67,008	45,678
	<u>564,201</u>	<u>1,011,479</u>	<u>428,194</u>	<u>891,453</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**34 CREDIT RISKS (continued)****(c) Credit quality of loans, advances and financing (continued)**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Past due but not impaired				
(ii) By geographical distribution				
Malaysia	556,243	878,775	420,236	758,749
Singapore	4,820	7,577	4,820	7,577
Other ASEAN	231	4,838	231	4,838
Rest of the world	2,907	120,289	2,907	120,289
	<u>564,201</u>	<u>1,011,479</u>	<u>428,194</u>	<u>891,453</u>
(iii) By sector				
Agriculture, hunting, forestry and fishing	740	37,184	250	35,756
Mining and quarrying	2,254	118,075	33	116,326
Manufacturing	25,915	209,637	7,373	190,578
Electricity, gas and water	164	222	-	-
Construction	7,119	35,474	3,888	31,946
Real estate	10,728	100,092	10,728	100,092
Wholesale & retail trade and restaurants & hotels	57,553	80,941	29,547	59,541
Transport, storage and communication	5,852	11,826	977	7,282
Finance, insurance and business services	7,519	9,199	999	4,981
Community, social and personal services	7,163	9,849	3,691	3,355
Household				
- Purchase of residential properties	354,940	319,774	330,391	300,378
- Purchase on non-residential properties	18,963	17,834	18,963	17,834
- Others	65,291	61,169	21,354	23,181
Others	-	203	-	203
	<u>564,201</u>	<u>1,011,479</u>	<u>428,194</u>	<u>891,453</u>

Impaired

The analysis of impaired loans, advances and financing are detailed in Note 16.

Collateral

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

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties being financed;
- For car loans, charges over 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 2015 and 31 December 2014, 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 2015 (continued)**34 CREDIT RISKS (continued)****(c) Credit quality of loans, advances and financing (continued)**

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

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Fair value of collateral held against the covered portion of loans, advances and financing	<u>2,106,592</u>	<u>1,411,875</u>	<u>1,584,638</u>	<u>1,285,323</u>
Covered portion of loans, advances and financing	1,103,581	920,358	927,984	813,815
Uncovered portion of loans, advances and financing	<u>324,887</u>	<u>356,668</u>	<u>229,693</u>	<u>266,529</u>
	<u>1,428,468</u>	<u>1,277,026</u>	<u>1,157,677</u>	<u>1,080,344</u>

(d) Credit quality of derivative assets

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
(i) By counterparty				
Banks	1,049,850	777,260	1,050,104	777,311
Non-bank financial institutions	168,238	142,426	168,238	142,426
Business enterprises	214,360	191,728	214,296	191,706
Individuals	86,021	128,918	86,021	128,918
Others	-	6	-	6
	<u>1,518,469</u>	<u>1,240,338</u>	<u>1,518,659</u>	<u>1,240,367</u>
(ii) By geography distribution				
Malaysia	1,477,570	1,209,582	1,477,760	1,213,681
Singapore	34,341	20,432	34,341	20,432
Other ASEAN	2,226	957	2,226	957
Rest of the world	4,332	9,367	4,332	5,297
	<u>1,518,469</u>	<u>1,240,338</u>	<u>1,518,659</u>	<u>1,240,367</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**34 CREDIT RISKS (continued)****(d) Credit quality of derivative assets (continued)**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
(iii) By sector				
Agriculture, hunting, forestry and fishing	120,544	73,655	120,544	73,655
Manufacturing	79,892	97,584	79,838	97,571
Construction	3,081	3,092	3,081	3,092
Wholesale & retail trade and restaurants & hotels	7,431	11,761	7,431	11,761
Transport, storage and communication	693	1,089	684	1,085
Finance, insurance and business services	1,281,101	999,494	1,281,354	999,540
Others	25,727	53,663	25,727	53,663
	<u>1,518,469</u>	<u>1,240,338</u>	<u>1,518,659</u>	<u>1,240,367</u>
(iv) By residual contractual maturity				
Within one year	639,003	523,665	639,193	523,694
One to five years	655,211	521,122	655,211	521,122
Over five years	224,255	195,551	224,255	195,551
	<u>1,518,469</u>	<u>1,240,338</u>	<u>1,518,659</u>	<u>1,240,367</u>

(e) Credit quality of contingent liabilities and commitments

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
(i) By counterparty				
Government and Central Bank	40,062	29,487	40,062	29,487
Banks	59,776,274	55,580,395	59,754,745	55,452,028
Non-bank financial institutions	2,571,902	1,827,944	2,569,135	1,825,794
Business enterprises	10,262,788	10,199,950	9,884,285	9,782,051
Individuals	5,344,558	5,924,245	5,025,887	5,550,623
Others	384,462	7,413	384,462	7,413
	<u>78,380,046</u>	<u>73,569,434</u>	<u>77,658,576</u>	<u>72,647,396</u>
(ii) By geography				
Malaysia	70,976,656	68,898,457	70,257,723	68,088,621
Singapore	5,226,446	3,920,015	5,223,909	3,919,606
Other ASEAN	212,479	308,286	212,479	196,493
Rest of the world	1,964,465	442,676	1,964,465	442,676
	<u>78,380,046</u>	<u>73,569,434</u>	<u>77,658,576</u>	<u>72,647,396</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**34 CREDIT RISKS (continued)****(e) Credit quality of contingent liabilities and commitments (continued)**

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
(iii) By sector				
Agriculture, hunting, forestry and fishing	373,616	436,152	370,605	433,808
Mining and quarrying	1,516,141	1,308,900	1,516,141	1,306,593
Manufacturing	2,496,220	2,588,791	2,408,774	2,494,037
Electricity, gas and water	429,535	440,189	429,535	440,189
Construction	961,115	969,694	831,515	843,614
Real estate	867,421	862,553	865,301	860,753
Wholesale & retail trade and restaurants & hotels	1,102,379	815,258	1,071,482	771,959
Transport, storage and communication	1,581,692	1,562,152	1,556,605	1,539,703
Finance, insurance and business services	62,802,590	57,894,509	62,793,426	57,753,987
Community, social and personal services	214,719	189,962	208,817	184,101
Household	5,925,046	6,384,252	5,606,375	6,010,630
Others	109,572	117,022	-	8,022
	<u>78,380,046</u>	<u>73,569,434</u>	<u>77,658,576</u>	<u>72,647,396</u>
(iv) By residual contractual maturity				
Within one year	32,836,069	28,766,023	32,728,999	28,516,550
One to five years	34,793,564	34,116,537	34,609,024	33,955,050
Over five years	10,750,413	10,686,874	10,320,553	10,175,796
	<u>78,380,046</u>	<u>73,569,434</u>	<u>77,658,576</u>	<u>72,647,396</u>

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. The fair value of a financial instrument is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, such market prices do not exist as there is currently no ready market wherein exchanges between willing parties occur.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)

35 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

The Group and the Bank use various methodologies to estimate the fair values of such instruments. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgments made regarding risk characteristics of various financial instruments, discount rates, estimated future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financings to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sales transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as going concerns.

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of MFRS 132 which requires fair value information to be disclosed. These include property and equipment, investment properties, prepaid lease payments and investments in subsidiaries.

For financial assets and liabilities not carried at fair value on the financial statements, the Group and the Bank have determined that their fair values were not materially different from the carrying amounts at the reporting date.

(A) Fair value measurement

(i) Financial assets and financial liabilities

(a) Short term financial instruments

The carrying amounts approximate the fair values of cash and cash equivalents, deposits and placements with banks and other financial institutions with maturity less than one year, interest/profit and other short-term receivables due to their short tenor or frequent re-pricing.

(b) Deposits and placements with/of banks and other financial institutions

For deposits and placements with maturity of one year or more, the fair value is estimated based on discounted cash flows using prevailing money market interest/profit rates for deposits and placements with similar remaining periods to maturity.

(c) Financial assets held-for-trading and financial investments available-for-sale

The fair value of financial assets that are actively traded is determined by quoted bid prices. For non-actively traded financial investments, independent broker quotations are obtained or valuation techniques are used to fair value the financial investments. The fair value of unquoted equity instruments classified under available-for-sale portfolio is estimated using internal valuation techniques.

(d) Loans, advances and financing

Loans, advances and financing are carried at amortised cost on the statement of financial position, net of individual and collective impairment allowances. The fair values of loans, advances and financing with maturity of less than one year are estimated to approximate their carrying amounts. For loan, advances and financing with maturity of one year or more, the fair values are estimated based on discounted cash flows using market rates of loan, advances and financing of similar credit risks and

(e) Deposits from customers

For deposits with maturity of less than one year, the carrying amount is a reasonable estimate of the fair value. For deposits with maturity of one year or more, the fair value is estimated using discounted cash flows based on market rates for similar products and maturity.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)

35 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(A) Fair value measurement (continued)

(i) Financial assets and financial liabilities

(f) Bills and acceptances payable

Bills and acceptances payable are substantially with maturity of less than one year. The carrying amount of bills and acceptances payable is a reasonable estimate of the fair value.

(g) Recourse obligation on loans sold to Cagamas Berhad

For floating rate contracts, the carrying amount is generally a reasonable estimate of the fair value. The fair value of fixed rate contracts is estimated based on discounted cash flows using prevailing rates offered by Cagamas Berhad for similar products and remaining period to maturity.

(h) Subordinated bonds

Fair value for the subordinated bonds is determined using quoted market prices where available, or by reference to quoted market prices of similar instruments.

(ii) Off-statements of financial position financial instruments

The fair value of off-statement of financial position financial instruments is the estimated amount the Group or the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statements of financial position financial instruments are disclosed in Note 17.

(B) Fair value hierarchy of financial assets and liabilities

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 fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

- 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 inputs that are not based on observable market data for the financial assets and liabilities.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**35 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial assets and liabilities (continued)****Valuation techniques and unobservable parameters for Level 3 financial assets and liabilities**

Group and Bank	30 June 2015 Fair value RM'000	31 December 2014 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Derivative assets	10,745	16,298	Hedge for trading	Option pricing model	Standard deviation
Liabilities					
Derivative liabilities	14,866	20,914	Hedge for trading	Option pricing model	Standard deviation

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

<u>Group</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
30 June 2015				
Financial assets at fair value				
Held-for-trading	1,186,169	50,057	-	1,236,226
Available-for-sale	11,301,038	4,366,355	108,546	15,775,939
Derivative assets	7,989	1,499,735	10,745	1,518,469
	<u>12,495,196</u>	<u>5,916,147</u>	<u>119,291</u>	<u>18,530,634</u>
Financial liabilities at fair value				
Derivative liabilities	7,421	1,187,156	14,866	1,209,443
31 December 2014				
Financial assets at fair value				
Held-for-trading	786,938	259,957	-	1,046,895
Available-for-sale	10,941,447	1,816,018	108,546	12,866,011
Derivative assets	1,036	1,223,004	16,298	1,240,338
	<u>11,729,421</u>	<u>3,298,979</u>	<u>124,844</u>	<u>15,153,244</u>
Financial liabilities at fair value				
Derivative liabilities	1,134	984,787	20,914	1,006,835
Bank				
30 June 2015				
Financial assets at fair value				
Held-for-trading	1,186,169	50,057	-	1,236,226
Available-for-sale	9,143,560	3,154,361	108,546	12,406,467
Derivative assets	8,047	1,499,867	10,745	1,518,659
	<u>10,337,776</u>	<u>4,704,285</u>	<u>119,291</u>	<u>15,161,352</u>
Financial liabilities at fair value				
Derivative liabilities	7,435	1,187,095	14,866	1,209,396

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**35 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial assets and liabilities (continued)**

Bank (continued)	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
31 December 2014				
Financial assets at fair value				
Held-for-trading	786,938	259,957	-	1,046,895
Available-for-sale	8,675,752	1,301,059	108,546	10,085,357
Derivative assets	1,089	1,222,980	16,298	1,240,367
	<u>9,463,779</u>	<u>2,783,996</u>	<u>124,844</u>	<u>12,372,619</u>
Financial liabilities at fair value				
Derivative liabilities	1,145	984,771	20,914	1,006,830

Transfer between Level 1 and 2 fair values

During the financial period, financial investments available-for-sale with a carrying amount of RM 542,516,339 (31 December 2014: RM424,805,404) was transferred from Level 2 to Level 1 because active market price is available.

During the financial period, financial investments available-for-sale with a carrying amount of RM 411,793,600 (31 December 2014: RM 410,346,600) was transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities became no longer regularly available.

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

	Group and Bank		
	Trading	Available for-sale	Total
	RM'000	RM'000	RM'000
30 June 2015			
Financial assets at fair value			
At 1 January 2015	16,298	108,546	124,844
Purchased	2,818	-	2,818
Recognised in profit or loss			
- Realised loss	(5,236)	-	(5,236)
- Unrealised loss	(3,135)	-	(3,135)
At 30 June 2015	<u>10,745</u>	<u>108,546</u>	<u>119,291</u>
Financial liabilities at fair value			
At 1 January 2015	20,914	-	20,914
Issued	5,560	-	5,560
Settled/disposed	(9,892)	-	(9,892)
Recognised in profit or loss			
- Realised loss	562	-	562
- Unrealised gain	(2,278)	-	(2,278)
At 30 June 2015	<u>14,866</u>	<u>-</u>	<u>14,866</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**35 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial assets and liabilities (continued)**

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

	Group and Bank		
	Trading	Available for-sale	Total
	RM'000	RM'000	RM'000
31 December 2014			
Financial assets at fair value			
At 1 January 2014	41,232	108,546	149,778
Settled/disposed	(12)	-	(12)
Recognised in profit or loss			
- Realised loss	(17,381)	-	(17,381)
- Unrealised loss	(7,541)	-	(7,541)
At 31 December 2014	<u>16,298</u>	<u>108,546</u>	<u>124,844</u>
Financial liabilities at fair value			
At 1 January 2014	46,359	-	46,359
Issued	4,217	-	4,217
Settled/disposed	(5,440)	-	(5,440)
Recognised in profit or loss			
- Realised gain	(15,704)	-	(15,704)
- Unrealised gain	(8,518)	-	(8,518)
At 31 December 2014	<u>20,914</u>	<u>-</u>	<u>20,914</u>

Valuation control framework

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management ("MRM") function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Treasury Financial Control – Valuation Control function within the Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation related policies are reviewed annually by the MRM and Finance Division. Any material change to the framework requires the approval of the Chief Executive Officer and concurrence from the Board Risk Management Committee. Group Internal Audit provides independent assurance on the respective divisions' compliance with the policy.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**35 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(C) Fair value of financial assets and liabilities not carried at fair value**

The table below is a comparison of the carrying amounts and fair values of the financial instruments of the Group and the Bank which are not measured at fair value in the financial statements. The table does not include those short term/on demand financial assets and financial liabilities where the carrying amounts reasonably approximate their fair values. It also does not include non-financial assets and liabilities.

In terms of fair value hierarchy, the financial instruments not carried at fair value are classified under Level 3.

	Group		Bank	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
	RM'000	RM'000	RM'000	RM'000
30 June 2015				
Financial assets				
Loans, advances and financing	66,649,799	66,861,713	56,966,663	56,973,620
31 December 2014				
Financial assets				
Loans, advances and financing	62,638,140	62,858,708	53,470,126	53,493,399

The fair values of variable rate loans, advances and financing are carried approximately to their carrying values. For fixed rate loans, advances and financing, the fair values are valued based on expected future discounted cash flows using market rates of loan, advances and financing of similar credit risks and maturity. For impaired loans, advances and financing, the fair values are carried at amortised costs net of individual and collective impairment allowance.

36 SEGMENT INFORMATION**Operating Segment**

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the 'management approach', which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision maker in order to allocate resources to a segment and to assess its performance. The Group's businesses are organised into the following four segments based on the types of products and services that it provides:

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 Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad (together referred as "OCBC Malaysia") provides correspondent banking services, payments and trade-related services.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)

36 SEGMENT INFORMATION (continued)

Operating Segment (continued)

Consumer Financial Services

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

Global Treasury

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

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

Others

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

Measurement and Evaluation of Segment Performance

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.

Major Customers

No revenue from a single customer amounted to greater than 10% of the Group's revenue for the current financial period (31 December 2014: NIL).

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**36 SEGMENT INFORMATION (continued)****Geographical Segment**

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

Group	Business Banking RM'000	Consumer Financial Services RM'000	Global Treasury RM'000	Others RM'000	Total RM'000
30 June 2015					
Net interest/finance income	498,551	257,244	94,875	53,188	903,858
Non-interest/finance income	73,669	67,027	107,754	55,322	303,772
Operating income	572,220	324,271	202,629	108,510	1,207,630
Operating expenses	(190,384)	(241,085)	(44,518)	(19,074)	(495,061)
Operating profit before impairment allowance and provision	381,836	83,186	158,111	89,436	712,569
Impairment allowances and provision for commitments and contingencies	(74,165)	(49,783)	-	(30)	(123,978)
Profit before income tax and zakat	307,671	33,403	158,111	89,406	588,591
Income tax expense and zakat	(76,917)	(8,351)	(39,528)	(20,493)	(145,289)
Profit for the period	230,754	25,052	118,583	68,913	443,302
Gross loans, advances and financing	37,676,959	29,932,158	-	80,151	67,689,268
Deposits from customers	42,341,763	30,016,103	3,205,693	-	75,563,559
Gross impaired loans, advances and financing	1,060,858	366,677	-	933	1,428,468
30 June 2014					
Net interest/finance income	471,337	239,624	86,688	59,394	857,043
Non-interest/finance income	61,978	56,890	115,559	27,961	262,388
Operating income	533,315	296,514	202,247	87,355	1,119,431
Operating expenses	(171,937)	(237,039)	(38,934)	(176)	(448,086)
Operating profit before impairment allowance and provision	361,378	59,475	163,313	87,179	671,345
(Impairment)/write back of allowances and provision for commitments and contingencies	(48,186)	(54,098)	-	422	(101,862)
Profit before income tax and zakat	313,192	5,377	163,313	87,601	569,483
Income tax expense and zakat	(78,245)	(1,344)	(40,828)	(15,472)	(135,889)
Profit for the period	234,947	4,033	122,485	72,129	433,594
31 December 2014					
Gross loans, advances and financing	35,761,996	27,799,313	-	83,590	63,644,899
Deposits from customers	39,029,835	28,491,300	4,066,996	-	71,588,131
Gross impaired loans, advances and financing	947,464	329,562	-	-	1,277,026

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**37 CAPITAL ADEQUACY**

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's ("BNM") 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 the BNM Capital Adequacy Framework (Capital Components).

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Common Equity Tier 1 ("CET 1") capital				
Paid-up ordinary share capital	287,500	287,500	287,500	287,500
Ordinary share premium	462,500	462,500	462,500	462,500
Retained earnings	4,127,072	4,145,416	3,941,953	4,036,338
Other reserves	753,419	720,332	555,383	523,873
CET 1 capital	5,630,491	5,615,748	5,247,336	5,310,211
Regulatory adjustment for CET 1 capital	(222,821)	(215,058)	(443,215)	(310,250)
Eligible CET 1 capital	5,407,670	5,400,690	4,804,121	4,999,961
Additional Tier 1 capital				
Paid-up non-cumulative, non-convertible perpetual preference shares	2,800	3,200	2,800	3,200
Preference share premium	277,200	316,800	277,200	316,800
Innovative Tier 1 capital	280,000	320,000	280,000	320,000
Eligible Tier 1 capital	5,967,670	6,040,690	5,364,121	5,639,961
Tier 2 capital				
Collective impairment allowance under the Standardised Approach*	20,872	19,242	8,243	7,763
Surplus eligible provisions over expected losses	75,309	141,335	108,785	132,734
Subordinated bonds	910,000	1,040,000	910,000	1,040,000
	1,006,181	1,200,577	1,027,028	1,180,497
Regulatory adjustment for Tier 2 capital	-	-	(533,970)	(597,294)
Eligible Tier 2 capital	1,006,181	1,200,577	493,058	583,203
Capital base				
	6,973,851	7,241,267	5,857,179	6,223,164
* Excluding the collective impairment allowance on impaired loans, advances and financing				
Before deducting proposed dividend				
CET 1 capital ratio	12.472%	13.086%	13.129%	14.201%
Tier 1 capital ratio	13.764%	14.636%	14.659%	16.019%
Total capital ratio	16.085%	17.545%	16.006%	17.675%
After deducting proposed dividend				
CET 1 capital ratio	12.452%	12.003%	13.104%	12.933%
Tier 1 capital ratio	13.743%	13.554%	14.634%	14.750%
Total capital ratio	16.064%	16.463%	15.982%	16.407%

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2015 (continued)**37 CAPITAL ADEQUACY (continued)**

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

	Group		Bank	
	30 June 2015 RM'000	31 December 2014 RM'000	30 June 2015 RM'000	31 December 2014 RM'000
Total RWA for credit risk	38,157,943	35,941,269	32,030,976	30,448,795
Total RWA for market risk	1,027,180	1,284,802	1,026,041	1,277,216
Total RWA for operational risk	4,124,381	4,046,159	3,488,241	3,482,210
Total RWA for large exposure risk	47,476	-	47,476	-
	43,356,980	41,272,230	36,592,734	35,208,221

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

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts ("RPSIA") which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 June 2015, the credit risk relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM530 million (31 December 2014: RM581 million).

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

	30 June 2015	31 December 2014
CET 1 capital ratio	12.996%	12.609%
Tier 1 capital ratio	12.996%	12.609%
Total capital ratio	15.213%	15.458%