

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

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

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

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OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

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

	Note	Group		Bank	
		30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
ASSETS					
Cash and cash equivalents		7,921,610	8,273,458	7,360,739	7,780,124
Deposits and placements with banks and other financial institutions		2,120,229	2,852,549	3,183,231	3,872,892
Financial assets held-for-trading	8	1,441,800	1,046,895	1,441,800	1,046,895
Financial investments available-for-sale	9	12,834,731	12,866,011	9,825,958	10,085,357
Loans, advances and financing	10	68,464,898	62,638,140	58,230,034	53,470,126
Derivative financial assets	12	3,137,689	1,240,338	3,137,788	1,240,367
Other assets	13	262,456	229,267	597,740	418,169
Statutory deposits with Bank Negara Malaysia		2,356,522	2,185,892	1,979,422	1,806,092
Investments in subsidiaries		-	-	556,617	496,617
Property and equipment		206,372	223,120	199,168	217,638
Prepaid lease payments		829	856	829	856
Investment properties		4,703	7,921	4,703	7,921
Non-current assets held for sale		3,108	-	3,108	-
Deferred tax assets		32,169	21,369	26,892	19,245
Current tax assets		141	16,691	-	6,872
Total assets		98,787,257	91,602,507	86,548,029	80,469,171
LIABILITIES					
Deposits from customers	14	74,738,339	71,588,131	63,995,616	61,649,806
Deposits and placements of banks and other financial institutions	15	11,625,907	10,291,077	10,680,807	9,476,126
Bills and acceptances payable		138,662	183,899	126,658	163,255
Recourse obligation on loans sold to Cagamas Berhad		651,831	-	651,831	-
Subordinated bonds	16	2,178,390	1,692,556	2,178,390	1,692,556
Derivative financial liabilities	12	2,578,614	1,006,835	2,578,468	1,006,830
Other liabilities	17	1,043,743	824,226	910,303	770,387
Current tax liabilities and zakat		44,694	35	40,447	-
Total liabilities		93,000,180	85,586,759	81,162,520	74,758,960
EQUITY					
Share capital		287,500	291,500	287,500	291,500
Reserves		5,499,577	5,724,248	5,098,009	5,418,711
Total equity		5,787,077	6,015,748	5,385,509	5,710,211
Total liabilities and equity		98,787,257	91,602,507	86,548,029	80,469,171
Commitments and contingencies		102,482,883	90,972,700	100,878,066	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 41 of these unaudited condensed interim financial statements.

OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

Group	Note	Quarter ended		Year to date ended	
		30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Interest income	18	910,527	856,338	2,665,133	2,423,542
Interest expense	18	(557,622)	(506,119)	(1,636,077)	(1,410,590)
Net interest income	18	352,905	350,219	1,029,056	1,012,952
Income from Islamic banking operations	19	131,253	125,065	384,277	340,524
Net fee and commission income	20	66,286	75,077	236,413	221,765
Net trading income	21	73,170	31,350	164,614	113,349
Other operating income	22	4,055	5,980	20,939	18,532
Operating income		627,669	587,691	1,835,299	1,707,122
Operating expenses	23	(259,206)	(247,961)	(754,267)	(696,047)
Operating profit before impairment allowance and provision		368,463	339,730	1,081,032	1,011,075
Impairment allowance on loans, advances and financing	24	(79,031)	(64,758)	(203,009)	(165,330)
Write back of impairment allowance on investment properties		-	-	-	427
Provision for commitments and contingencies		-	-	-	(1,717)
Profit before income tax and zakat		289,432	274,972	878,023	844,455
Income tax expense	25	(72,201)	(66,800)	(217,470)	(202,671)
Zakat		(9)	(8)	(29)	(26)
Profit for the period		217,222	208,164	660,524	641,758
Other comprehensive (expense)/income, 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		(68,150)	11,711	(34,627)	62,815
- Amount transferred to profit or loss		1,087	168	(9,198)	9,889
Income tax expense/(credit) relating to components of other comprehensive (expense)/income		15,489	(2,504)	10,338	(18,286)
Other comprehensive (expense)/income for the period, net of tax		(51,574)	9,375	(33,487)	54,418
Total comprehensive income for the period		165,648	217,539	627,037	696,176
Profit attributable to owners of the Bank		217,222	208,164	660,524	641,758
Total comprehensive income attributable to owners of the Bank		165,648	217,539	627,037	696,176
Basic earnings per ordinary share (sen)		72.4	69.2	223.5	216.9

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 41 of these unaudited condensed interim financial statements.

OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	Note	Quarter ended		Year to date ended	
		30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Bank					
Interest income	18	924,906	875,930	2,707,941	2,470,200
Interest expense	18	(566,740)	(512,750)	(1,661,395)	(1,426,717)
Net interest income	18	358,166	363,180	1,046,546	1,043,483
Net fee and commission income	20	66,286	75,077	236,413	221,765
Net trading income	21	73,170	31,350	164,614	113,349
Other operating income	22	32,217	33,765	100,875	96,852
Operating income		529,839	503,372	1,548,448	1,475,449
Operating expenses	23	(234,882)	(229,087)	(694,728)	(642,460)
Operating profit before impairment allowance and provision		294,957	274,285	853,720	832,989
Impairment allowance on loans, advances and financing	24	(42,575)	(22,269)	(109,390)	(53,794)
Write back of impairment allowance on investment properties		-	-	-	427
Provision for commitments and contingencies		-	-	-	(1,717)
Profit before income tax and zakat		252,382	252,016	744,330	777,905
Income tax expense	25	(64,482)	(63,420)	(189,169)	(190,574)
Profit for the period		187,900	188,596	555,161	587,331
Other comprehensive (expense)/income, 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		(53,611)	10,891	(25,552)	56,397
- Amount transferred to profit or loss		1,095	168	(5,832)	9,873
Income tax expense/(credit) relating to components of other comprehensive (expense)/income		11,851	(2,299)	7,229	(16,578)
Other comprehensive (expense)/income for the period, net of tax		(40,665)	8,760	(24,155)	49,692
Total comprehensive income for the period		147,235	197,356	531,006	637,023
Profit attributable to owners of the Bank		187,900	188,596	555,161	587,331
Total comprehensive income attributable to owners of the Bank		147,235	197,356	531,006	637,023
Basic earnings per ordinary share (sen)		62.2	62.4	186.8	198.0

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2014 and the accompanying explanatory notes on pages 12 to 41 of these unaudited condensed interim financial statements.

OCBC BANK (MALAYSIA) BERHAD
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

<u>Group</u>	<i>Non-distributable</i>					<i>Distributable</i>		Total equity RM'000	
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Capital reserve RM'000	Capital redemption reserve RM'000		Retained earnings RM'000
At 1 January 2015	291,500	858,500	464,653	130,000	69,059	56,619	-	4,145,417	6,015,748
Fair value (available-for-sale) reserve									
- Change in fair value	-	-	-	-	(34,627)	-	-	-	(34,627)
- Amount transferred to profit or loss	-	-	-	-	(9,198)	-	-	-	(9,198)
Income tax credit relating to components of other comprehensive income	-	-	-	-	10,338	-	-	-	10,338
Total other comprehensive income for the period	-	-	-	-	(33,487)	-	-	-	(33,487)
Profit for the period	-	-	-	-	-	-	-	660,524	660,524
Total comprehensive income for the period	-	-	-	-	(33,487)	-	-	660,524	627,037
Transfer to statutory reserve	-	-	42,347	-	-	-	-	(42,347)	-
Transfer to regulatory reserve	-	-	-	15,000	-	-	-	(15,000)	-
Redemption of preference shares	(4,000)	(396,000)	-	-	-	-	4,000	(4,000)	(400,000)
<i>Contributions by and distributions to owners of the Bank</i>									
Dividends paid									
- Final 2014 ordinary	-	-	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	-	-	(18,008)	(18,008)
At 30 September 2015	287,500	462,500	507,000	145,000	35,572	56,619	4,000	4,288,886	5,787,077

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 41 of these unaudited condensed interim financial statements.

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

<u>Group</u>	<i>Non-distributable</i>					<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Capital reserve RM'000	Retained earnings RM'000	
At 1 January 2014	291,500	858,500	429,390	-	29,610	56,619	3,996,728	5,662,347
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	62,815	-	-	62,815
- Amount transferred to profit or loss	-	-	-	-	9,889	-	-	9,889
Income tax expense relating to components of other comprehensive income	-	-	-	-	(18,286)	-	-	(18,286)
Total other comprehensive income for the period	-	-	-	-	54,418	-	-	54,418
Profit for the period	-	-	-	-	-	-	641,758	641,758
Total comprehensive income for the period	-	-	-	-	54,418	-	641,758	696,176
Transfer to regulatory 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)
- Interim 2014 ordinary	-	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	-	(18,040)	(18,040)
At 30 September 2014	291,500	858,500	429,390	130,000	84,028	56,619	3,988,059	5,838,096

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

<u>Bank</u>	<i>Non-distributable</i>					<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve RM'000	Capital redemption reserve RM'000	Retained earnings RM'000	
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	-	-	-	-	(25,552)	-	-	(25,552)
- Amount transferred to profit or loss	-	-	-	-	(5,832)	-	-	(5,832)
Income tax credit relating to components of other comprehensive income	-	-	-	-	7,229	-	-	7,229
Total other comprehensive income for the period	-	-	-	-	(24,155)	-	-	(24,155)
Profit for the period	-	-	-	-	-	-	555,161	555,161
Total comprehensive income for the period	-	-	-	-	(24,155)	-	555,161	531,006
Transfer to regulatory reserve	-	-	-	15,000	-	-	(15,000)	-
Redemption of preference shares	(4,000)	(396,000)	-	-	-	4,000	(4,000)	(400,000)
<i>Contributions by and distributions to owners of the Bank</i>								
Dividends paid								
- Final 2014 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	-	(18,008)	(18,008)
At 30 September 2015	287,500	462,500	322,000	145,000	47,718	4,000	4,116,791	5,385,509

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 41 of these unaudited condensed interim financial statements.

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STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

Bank	<i>Non-distributable</i>				<i>Distributable</i>		Total equity
	Share capital	Share premium	Statutory reserve	Regulatory reserve	Fair value reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	-	-	-	-	56,397	-	56,397
- Amount transferred to profit or loss	-	-	-	-	9,873	-	9,873
Income tax expense relating to components of other comprehensive income	-	-	-	-	(16,578)	-	(16,578)
Total other comprehensive income for the period	-	-	-	-	49,692	-	49,692
Profit for the period	-	-	-	-	-	587,331	587,331
Total comprehensive income for the period	-	-	-	-	49,692	587,331	637,023
Transfer to regulatory 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)
- Interim 2014 ordinary	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	(18,040)	(18,040)
At 30 September 2014	291,500	858,500	322,000	130,000	86,000	3,860,362	5,548,362

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

	Group		Bank	
	Year to date ended		Year to date ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Cash flows from operating activities				
Profit before income tax and zakat	878,023	844,455	744,330	777,905
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	27	27	27	27
Depreciation of investment properties	110	136	110	136
Depreciation of property and equipment	32,837	35,006	31,306	33,108
Dividends received from financial assets held-for-trading	(711)	(532)	(711)	(532)
Dividends received from financial investments available-for-sale	(660)	(625)	(660)	(625)
Impairment/(Write back of) allowance on:				
- Loans, advances and financing	203,009	165,330	109,390	53,794
- Investment properties	-	(427)	-	(427)
Net (gain)/loss on disposal of:				
- Financial investments available-for-sale	(9,198)	9,889	(5,832)	9,873
- Investment properties	-	(15,933)	-	(15,933)
- Property and equipment	(197)	121	(197)	121
Share-based expenses	4,700	5,088	4,502	4,921
Unrealised (gain)/loss on:				
- Financial assets held-for-trading	(2,893)	(567)	(2,893)	(567)
- Hedging derivatives	(924)	251	(924)	251
- Trading derivatives	(260,687)	40,406	(260,687)	40,406
- Subordinated bonds	25,448	-	25,448	-
Operating profit before changes in working capital	868,884	1,082,625	643,209	902,458
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	732,320	(31,953)	689,661	(243,315)
Financial assets held-for-trading	(391,301)	(686,311)	(391,301)	(686,311)
Loans, advances and financing	(6,029,767)	(5,358,341)	(4,869,298)	(3,334,186)
Other assets	(33,189)	88,778	(179,571)	78,126
Statutory deposits with Bank Negara Malaysia	(170,630)	(253,500)	(173,330)	(168,000)
Derivative financial assets and liabilities	(65,509)	(12,555)	(65,720)	(12,477)
Deposits from customers	3,150,208	8,360,404	2,345,810	5,450,028
Deposits and placements of banks and other financial institutions	1,334,830	(1,068,241)	1,204,681	(1,046,263)
Bills and acceptances payable	(45,237)	(62,317)	(36,597)	(63,933)
Recourse obligation on loans sold to Cagamas Berhad	651,831	-	651,831	-
Other liabilities	214,921	81,238	135,518	72,113
Cash generated from operations	217,361	2,139,827	(45,107)	948,240
Income tax and zakat paid	(156,753)	(191,539)	(142,268)	(174,614)
Net cash generated from operating activities	60,608	1,948,288	(187,375)	773,626

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015 (CONTINUED)

	Group		Bank	
	Year to date ended		Year to date ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of financial investments available-for-sale	(16,739,830)	(11,932,280)	(12,243,681)	(9,433,202)
Acquisition of property and equipment	(16,444)	(12,396)	(13,093)	(12,224)
Dividends received from financial investments available-for-sale	660	625	660	625
Increase in investment in subsidiary	-	-	(60,000)	(120,000)
Proceeds from disposal of financial investments available-for-sale	16,738,954	11,564,679	12,479,998	9,712,536
Proceeds from disposal of investment properties	-	51,161	-	51,161
Proceeds from disposal of property and equipment	552	62	454	44
Net cash used in investing activities	(16,108)	(328,149)	164,338	198,940
Cash flows from financing activities				
Dividends paid to owners of the Bank	(437,700)	(502,387)	(437,700)	(502,387)
Dividends paid to preference shareholders	(18,008)	(18,040)	(18,008)	(18,040)
Proceeds from issuance of Additional Tier 1 Capital Securities	459,360	-	459,360	-
Redemption of preference shares	(400,000)	-	(400,000)	-
Net cash used in financing activities	(396,348)	(520,427)	(396,348)	(520,427)
Net increase in cash and cash equivalents	(351,848)	1,099,712	(419,385)	452,139
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 September	7,921,610	10,026,196	7,360,739	9,555,116

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 41 of these unaudited condensed interim financial statements.

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

GENERAL INFORMATION

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

The Bank is principally engaged in banking and other related financial services, whilst the subsidiaries are principally engaged in the businesses of Islamic Banking and the provision of nominee services. There were no significant changes in the nature of these activities during the financial period.

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.

FINANCIAL PERFORMANCE

The Group recorded a net profit of RM661 million for the first nine months of 2015, registering an increase of RM19 million or 3% compared to the corresponding period for 2014. Whilst operating profit rose by RM70 million or 7% to RM1,081 million, allowances on loans, advances and financing also increased (+RM38 million) mainly from higher individual impairment allowance (+RM85 million), partly mitigated by lower collective impairment allowance (-RM53 million).

Compared to the corresponding period in 2014, operating income increased by RM128 million or 8% to RM1.8 billion resulted from higher net interest income (+RM16 million), income from Islamic banking (+RM44 million), higher trading income (+RM51 million) and realised gain on disposal of financial investments available-for-sale (+RM16 million). Operating expenses increased by RM58 million or 8% to RM754 million in tandem with revenue growth.

The Group's total assets grew by RM7.2 billion to RM98.8 billion mainly contributed by loans, advances and financing which grew by RM5.8 billion or 9% to RM68.5 billion. Loans growth continued to be from housing loans (+RM2.4 billion) and domestic business enterprises financing (+RM2.2 billion), mainly funded by higher fixed/investment deposits (+RM3.8 billion).

The Group and Bank remain well capitalised with Common Equity Tier 1 (CET 1) capital ratios of 11.234% and 11.803%, Tier 1 Capital ratios of 13.097% and 14.004% and Total Capital ratios of 15.251% and 15.263% respectively.

ECONOMIC PERFORMANCE AND PROSPECTS

The global economic landscape is expected to continue to be challenging alongside the increase in downside risks to growth. These risks arise from the moderating growth momentum in the major emerging market economies, uncertainty in commodity prices and the heightened volatility in financial markets. On the local front, the ringgit exchange rate has been affected by several domestic and global factors that are also hurting other emerging and commodity-producing economies. These factors include the weaker commodity prices, the strength of the U.S. dollar, and the uncertainty in the global financial markets. Headline inflation is also pressured into an upward trend into 2016, reflecting higher domestic fuel prices and the impact of the Goods and Services Tax ("GST").

Recent indicators suggest continued expansion in economic activity in the third quarter despite ongoing adjustments to external and domestic developments. Private consumption is expected to moderate as households continue to adjust to the implementation of GST and the uncertain economic environment. Household spending will, however, be supported by wage growth and stable labour market conditions, while investment activities are expected to be spearheaded by capital spending in the manufacturing and services sectors along with existing and new infrastructure projects. However, the continued expansion in domestic demand is expected to be countered by the weak performance of the external sector.

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(continued)**

ECONOMIC PERFORMANCE AND PROSPECTS (continued)

With the country entering this challenging period, the Bank remains cautious in its lending approach to selective sectors while continuing its prudent stance. The Bank will continue to grow its business and consumer segments by extending its wide range of financial products to meet its customers' demands. The Bank has plans to open more branches in the next few months and will continue to invest in infrastructure with a view to service a greater number of customers more effectively. We will continue to preserve and improve our assets and capital quality as well as monitor our liquidity closely.

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 Kulaijaya. In August 2015, OCBC Bank's branch in Taman Molek become the first in Johor to provide full-service seven-days-a-week banking services.

1 BASIS OF PREPARATION

The accounting policies set out below have been applied consistently to the periods presented in these unaudited condensed interim financial statements and have been applied consistently by Group entities, unless otherwise stated.

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

(a) Statement of compliance

The unaudited condensed interim financial statements of the Group and the Bank have been prepared under the historical cost convention (except as disclosed in the notes to the unaudited condensed interim financial statements), in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, International Financial Reporting Standards 34 and the requirements of the Companies Act, 1965 in Malaysia and Shariah requirements (operations of Islamic Banking).

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

The following accounting standards and amendments have been 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*

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(continued)**

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Effective for annual periods commencing on or after 1 January 2016 (continued)

- 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.

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- 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 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.

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

2 SIGNIFICANT ACCOUNTING POLICIES

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

3 SEASONALITY OF OPERATIONS

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

4 SHARE CAPITAL AND DEBENTURES

During the financial period, the Bank redeemed 4,000,000 non-cumulative, non-convertible perpetual preference shares of RM1 each.

There were no other changes in the authorised, issued and paid up share capital of the Bank during the financial period.

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.

5 CHANGES IN COMPOSITION OF THE GROUP

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

6 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.
- iii) A net cash dividend of 4.51% (on the issue price) amounting to RM9.06 million to the preference shareholders on 21 September 2015.

7 SUBSEQUENT EVENTS

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

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(continued)

8 FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	30 September 2015	31 December 2014
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	30,161	274,981
Malaysian Government Securities	141,411	308,502
Private Debt Securities	1,195,877	452,027
Quoted shares in Malaysia	74,351	11,385
	<u>1,441,800</u>	<u>1,046,895</u>

9 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
At fair value				
Bank Negara Malaysia Monetary Notes	478,101	2,339,009	229,338	1,566,568
Foreign Government Debt Securities	1,123,359	227,824	896,045	102,817
Malaysian Government Investment Issues	2,813,834	2,028,635	1,247,292	927,663
Malaysian Government Securities	3,848,599	3,794,818	3,848,599	3,794,818
Malaysian Treasury Bills	636,541	198,010	397,627	189,137
Malaysian Government Debt Securities	184,645	288,270	63,251	115,130
Negotiable Instruments of Deposit	449,671	899,464	265,208	663,163
Private Debt Securities	3,191,257	2,981,257	2,769,874	2,617,337
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
Debentures	190	190	190	190
	<u>12,834,743</u>	<u>12,866,023</u>	<u>9,825,970</u>	<u>10,085,369</u>
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	<u>12,834,731</u>	<u>12,866,011</u>	<u>9,825,958</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.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2015
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10 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
At amortised cost				
Overdrafts	3,114,694	2,944,663	3,114,694	2,944,663
Term loans/financing:				
- Housing loans/financing	26,590,335	24,174,058	24,817,503	22,797,626
- Syndicated term loans/financing	2,463,944	1,646,412	1,941,771	1,480,703
- Hire purchase receivables	915,124	903,585	10	54
- Other term loans/financing	26,481,339	25,563,510	21,514,548	20,538,578
Credit cards	533,918	585,185	533,918	585,185
Bills receivable	313,558	369,136	296,557	356,129
Trust receipts	32,954	43,021	32,884	42,774
Claims on customers under acceptance credits	2,362,092	1,884,678	2,012,203	1,656,531
Revolving credit	5,355,230	4,484,271	3,453,272	2,833,649
Staff loans/financing	78,437	83,511	78,437	83,511
Other loans/financing	1,315,253	962,869	1,272,689	941,274
Gross loans, advances and financing	69,556,878	63,644,899	59,068,486	54,260,677
Allowance for loans, advances and financing				
- Individual impairment	(354,714)	(323,671)	(278,188)	(261,273)
- Collective impairment	(737,266)	(683,088)	(560,264)	(529,278)
Net loans, advances and financing	68,464,898	62,638,140	58,230,034	53,470,126
a) By type of customer				
Domestic banking institutions	11,897	-	11,897	-
Domestic non-bank financial institutions				
- Stockbroking companies	3,503	-	3,503	-
- Others	969,696	243,896	911,878	201,646
Domestic business enterprises				
- Small medium enterprises	14,459,324	14,269,616	11,513,496	11,348,854
- Others	19,084,314	17,122,094	15,728,858	14,175,788
Individuals	31,618,101	29,333,087	28,866,397	27,007,838
Foreign entities	3,410,043	2,676,206	2,032,457	1,526,551
	69,556,878	63,644,899	59,068,486	54,260,677
b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	293,816	249,508	269,910	224,688
- Hire purchase receivables	622,366	690,438	10	54
- Other fixed rate loans/financing	6,919,228	6,436,443	4,002,598	3,471,866
Variable rate				
- BLR/BFR plus	43,790,439	41,703,429	41,441,564	39,839,536
- Cost plus	16,589,895	13,894,671	12,079,332	10,054,123
- Other variable rates	1,341,134	670,410	1,275,072	670,410
	69,556,878	63,644,899	59,068,486	54,260,677

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10 LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	30 September	31 December	30 September	31 December
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
c) By sector				
Agriculture, hunting, forestry and fishing	2,746,708	2,998,396	2,154,668	2,747,656
Mining and quarrying	447,676	321,684	225,163	228,840
Manufacturing	8,557,784	7,866,699	6,631,648	6,067,579
Electricity, gas and water	368,496	513,091	254,882	272,455
Construction	1,935,272	1,229,607	1,567,170	906,369
Real estate	6,917,369	6,527,298	6,393,819	5,915,318
Wholesale & retail trade and restaurants & hotels	7,920,242	7,600,787	6,395,835	6,085,394
Transport, storage and communication	1,966,122	1,959,932	1,649,213	1,606,014
Finance, insurance and business services	2,158,428	1,484,017	1,733,104	1,105,471
Community, social and personal services	1,588,411	1,296,069	1,243,365	954,891
Household				
- Purchase of residential properties	27,941,264	25,394,117	26,125,741	23,985,093
- Purchase of non-residential properties	1,234,167	1,444,630	1,189,592	1,400,551
- Others	3,553,253	3,385,072	2,577,582	2,447,684
Others	2,221,686	1,623,500	926,704	537,362
	69,556,878	63,644,899	59,068,486	54,260,677
d) By geographical distribution				
Malaysia	66,508,632	61,287,836	57,040,850	52,737,004
Singapore	508,345	362,839	494,443	350,964
Other ASEAN	443,954	337,696	443,954	337,696
Rest of the world	2,095,947	1,656,528	1,089,239	835,013
	69,556,878	63,644,899	59,068,486	54,260,677

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

e) By residual contractual maturity

Within one year	15,775,566	13,102,759	12,778,358	10,966,450
One year to five years	8,964,832	8,714,780	6,055,812	5,444,961
Over five years	44,816,480	41,827,360	40,234,316	37,849,266
	69,556,878	63,644,899	59,068,486	54,260,677

11 IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	30 September	31 December	30 September	31 December
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,277,026	1,307,531	1,080,344	1,200,172
Impaired during the period/year	1,020,928	1,071,652	674,117	769,186
Reclassified as unimpaired	(344,171)	(378,921)	(311,611)	(352,889)
Amount recovered	(447,680)	(615,724)	(259,643)	(488,624)
Amount written off	(138,629)	(110,632)	(72,282)	(50,621)
Effect of foreign exchange difference	58,502	3,120	38,344	3,120
At 30 September/31 December	1,425,976	1,277,026	1,149,269	1,080,344
Individual impairment allowance	(354,714)	(323,671)	(278,188)	(261,273)
Collective impairment allowance	(11,704)	(10,244)	(8,301)	(8,028)
Net impaired loans, advances and financing	1,059,558	943,111	862,780	811,043

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11 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
a) By sector				
Agriculture, hunting, forestry and fishing	2,277	15,656	810	15,001
Mining and quarrying	212,944	87	113,126	-
Manufacturing	386,357	453,074	338,953	399,841
Electricity, gas and water	113	-	-	-
Construction	14,607	20,830	11,977	19,463
Real estate	86,146	160,228	62,681	88,958
Wholesale & retail trade and restaurants & hotels	184,096	139,255	159,456	121,250
Transport, storage and communication	90,440	83,254	82,465	76,378
Finance, insurance and business services	18,536	17,986	11,519	11,731
Community, social and personal services	10,867	9,963	8,168	7,845
Household				
- Purchase of residential properties	301,029	270,399	281,177	261,927
- Purchase of non-residential properties	26,637	23,968	26,386	23,776
- Others	90,724	78,483	52,007	50,994
Others	1,203	3,843	544	3,180
	1,425,976	1,277,026	1,149,269	1,080,344
b) By geographical distribution				
Malaysia	1,419,556	1,272,863	1,142,849	1,076,181
Singapore	3,902	655	3,902	655
Rest of the world	2,518	3,508	2,518	3,508
	1,425,976	1,277,026	1,149,269	1,080,344

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

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

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 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	263,633	300,097	149,776	185,090
Amount written back	(93,009)	(117,281)	(59,903)	(79,950)
Amount written off	(138,629)	(110,631)	(72,282)	(50,620)
Discount unwind	(2,864)	(2,994)	(2,588)	(2,881)
Effect of foreign exchange difference	1,912	-	1,912	-
At 30 September/31 December	354,714	323,671	278,188	261,273
Collective impairment allowance				
At 1 January	683,088	533,169	529,278	473,018
Made during the period/year	54,178	149,919	30,986	56,260
At 30 September/31 December	737,266	683,088	560,264	529,278

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2015
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12 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group	30 SEPTEMBER 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	5,655,683	354,989	120,791	3,709,288	126,862	46,049
- Swaps	20,980,930	2,304,642	2,065,288	18,058,253	766,695	618,677
- Options	1,745,797	124,588	4,754	1,518,249	51,070	8,919
- Others	61,640	202	202	488,793	3,466	3,466
Interest rate derivatives						
- Swaps	44,123,370	281,352	295,163	40,235,444	185,526	204,158
- Options	470,533	314	3,644	974,953	-	3,940
- Futures	570,919	418	-	40,000	-	42
- Swaptions	800,000	-	3,343	200,000	-	677
- Others	5,000	45	-	16,520	441	-
Equity and other derivatives						
- Swaps	346,100	48,115	48,115	1,288,980	91,314	91,314
- Exchange traded futures	5,163	-	97	1,133	5	-
- Options	59,920	4,124	1,059	-	-	-
- Commodity futures	34,644	4,104	3,764	27,214	2,861	2,803
- Bond forwards	-	-	-	75,000	1,186	-
- Credit linked notes	1,012,834	14,722	14,722	2,022,200	10,828	10,828
	<u>75,872,533</u>	<u>3,137,615</u>	<u>2,560,942</u>	<u>68,656,027</u>	<u>1,240,254</u>	<u>990,873</u>
Hedging						
Interest rate derivatives						
- Swaps	1,499,391	74	17,672	1,589,612	84	15,962
	<u>77,371,924</u>	<u>3,137,689</u>	<u>2,578,614</u>	<u>70,245,639</u>	<u>1,240,338</u>	<u>1,006,835</u>

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12 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

Bank	30 SEPTEMBER 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						
- Forward	5,680,999	355,088	120,645	3,749,960	126,893	46,043
- Swaps	20,980,930	2,304,642	2,065,288	17,950,349	766,693	618,678
- Options	1,745,797	124,588	4,754	1,518,249	51,070	8,919
- Others	61,640	202	202	488,793	3,466	3,466
Interest rate derivatives						
- Swaps	44,123,370	281,352	295,163	40,235,444	185,526	204,158
- Options	470,533	314	3,644	974,953	-	3,940
- Futures	570,919	418	-	40,000	-	42
- Swaptions	800,000	-	3,343	200,000	-	677
- Others	5,000	45	-	16,520	441	-
Equity and other derivatives						
- Swaps	346,100	48,115	48,115	1,288,980	91,314	91,314
- Exchange traded futures	5,163	-	97	1,133	5	-
- Options	59,920	4,124	1,059	-	-	-
- Commodity futures	34,644	4,104	3,764	27,214	2,861	2,803
- Bond forwards	-	-	-	75,000	1,186	-
- Credit linked notes	1,012,834	14,722	14,722	2,022,200	10,828	10,828
	<u>75,897,849</u>	<u>3,137,714</u>	<u>2,560,796</u>	<u>68,588,795</u>	<u>1,240,283</u>	<u>990,868</u>
Hedging						
Interest rate derivatives						
- Swaps	1,499,391	74	17,672	1,589,612	84	15,962
	<u>77,397,240</u>	<u>3,137,788</u>	<u>2,578,468</u>	<u>70,178,407</u>	<u>1,240,367</u>	<u>1,006,830</u>

13 OTHER ASSETS

	Note	Group		Bank	
		30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
Interest/Profit receivable		115,966	123,215	105,910	113,694
Amount due from subsidiary	(a)	-	-	152,159	-
Unquoted Islamic subordinated bond of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		146,490	106,052	139,671	104,475
		<u>262,456</u>	<u>229,267</u>	<u>597,740</u>	<u>418,169</u>

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

(b) On 1 December 2008, the Bank subscribed for RM200 million non-tradeable, non-transferable, redeemable Islamic subordinated bond due in 2021 and non-callable until 2016 under the principle of Mudharabah (profit sharing contract) 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.

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14 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
a) By type of deposit				
Demand deposits	13,491,186	13,116,661	10,609,506	10,348,592
Saving deposits	5,542,406	5,053,745	5,258,465	4,748,366
Fixed/ Investment deposits	49,655,582	45,833,799	42,494,789	40,151,206
Negotiable instruments of deposit	-	7,564	-	2,215
Short-term money market deposits	2,960,280	3,579,455	2,543,971	2,402,520
Structured investments	3,088,885	3,996,907	3,088,885	3,996,907
	74,738,339	71,588,131	63,995,616	61,649,806
b) By type of customer				
Government and statutory bodies	1,410,181	256,455	72,139	6,979
Non-bank financial institutions	6,831,646	8,196,076	5,197,408	8,163,534
Business enterprises	30,920,495	27,478,229	25,587,110	22,481,216
Individuals	32,425,496	29,838,777	30,111,797	27,519,571
Foreign entities	2,208,901	2,788,528	2,137,139	2,686,317
Others	941,620	3,030,066	890,023	792,189
	74,738,339	71,588,131	63,995,616	61,649,806
c) By maturity structure				
Within six months	61,035,844	59,005,107	51,745,432	50,282,959
Six months to one year	10,329,798	9,416,456	8,955,866	8,203,191
One year to three years	1,691,680	1,281,244	1,613,701	1,278,432
Three years to five years	1,681,017	1,145,324	1,680,617	1,145,224
Over five years	-	740,000	-	740,000
	74,738,339	71,588,131	63,995,616	61,649,806

15 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
Licensed banks	11,515,821	10,155,028	10,570,721	9,340,077
Other financial institutions	110,086	136,049	110,086	136,049
	11,625,907	10,291,077	10,680,807	9,476,126

16 SUBORDINATED BONDS

	Note	Group and Bank	
		30 September 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		500,134	499,768
RM600 million Redeemable Subordinated Bonds 2012/2022		593,447	592,788
USD110 million Additional Tier 1 Capital Securities	(a)	484,809	-
		2,178,390	1,692,556

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16 SUBORDINATED BONDS (continued)

(a) On 18 September 2015, the Bank issued Basel III-compliant USD110 million Additional Tier 1 ("AT1") Capital Securities with permanent tenor but redeemable at the Bank's option (subject to prior approval of Bank Negara Malaysia and Monetary Authority of Singapore), on the first coupon payment date after 5 years from the issue date or upon occurrence of tax or regulatory events. The AT1 Capital Securities bear a fixed coupon rate of 5.00% per annum, payable semi-annually.

The AT1 Capital Securities qualify as Additional Tier 1 capital for the purpose of determining the capital adequacy ratio of the Bank.

17 OTHER LIABILITIES

	Note	Group		Bank	
		30 September 2015	31 December 2014	30 September 2015	31 December 2014
		RM'000	RM'000	RM'000	RM'000
Amount due to subsidiary	(a)	10	-	581	55,921
Equity compensation benefits		10,938	9,103	10,938	9,103
Interest/Profit payable		685,801	442,055	608,979	381,755
Other payables and accruals		340,468	366,542	283,279	317,082
Provision for commitments and contingencies		6,526	6,526	6,526	6,526
		1,043,743	824,226	910,303	770,387

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

18 NET INTEREST INCOME

<u>Group</u>	Quarter ended		Year to date ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	722,387	646,579	2,076,249	1,841,933
- Recoveries from impaired loans, advances and financing	16,563	16,702	45,941	45,283
- Discount unwind from impaired loans, advances and financing	976	756	2,588	2,101
Money at call and deposit placements with banks and other financial institutions	46,768	87,628	158,943	221,596
Financial assets held-for-trading	13,667	7,100	31,545	19,982
Financial investments available-for-sale	94,907	89,036	301,026	278,404
Others	15,259	8,537	48,841	14,243
	910,527	856,338	2,665,133	2,423,542
Interest expense				
Deposits from customers	(484,892)	(438,610)	(1,418,301)	(1,222,760)
Deposits and placements of banks and other financial institutions	(16,134)	(34,690)	(49,365)	(104,401)
Recourse obligation on loans sold to Cagamas Berhad	(5,547)	-	(5,842)	-
Subordinated bonds	(21,765)	(20,645)	(62,894)	(60,358)
Others	(29,284)	(12,174)	(99,675)	(23,071)
	(557,622)	(506,119)	(1,636,077)	(1,410,590)
Net interest income	352,905	350,219	1,029,056	1,012,952

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18 NET INTEREST INCOME (continued)

Bank	Quarter ended		Year to date ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	722,387	646,579	2,076,249	1,841,933
- Recoveries from impaired loans, advances and financing	16,563	16,702	45,941	45,283
- Discount unwind from impaired loans, advances and financing	976	756	2,588	2,101
Money at call and deposit placements with banks and other financial institutions	57,703	103,805	191,554	257,982
Financial assets held-for-trading	13,667	7,100	31,545	19,982
Financial investments available-for-sale	95,603	89,703	303,070	280,523
Unquoted Islamic Subordinated Bonds of subsidiary	2,748	2,748	8,153	8,153
Others	15,259	8,537	48,841	14,243
	924,906	875,930	2,707,941	2,470,200
Interest expense				
Deposits from other customers	(484,892)	(438,610)	(1,418,301)	(1,222,760)
Deposits and placements of banks and other financial institutions	(25,252)	(41,321)	(74,683)	(120,528)
Recourse obligation on loans sold to Cagamas Berhad	(5,547)	-	(5,842)	-
Subordinated bonds	(21,765)	(20,645)	(62,894)	(60,358)
Others	(29,284)	(12,174)	(99,675)	(23,071)
	(566,740)	(512,750)	(1,661,395)	(1,426,717)
Net interest income	358,166	363,180	1,046,546	1,043,483

19 INCOME FROM ISLAMIC BANKING OPERATIONS

Group	Quarter ended		Year to date ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Income derived from investment of depositors' funds and others	198,540	170,240	584,480	452,789
Income derived from investment of shareholder's funds	25,117	25,027	72,934	63,951
Income attributable to depositors	(92,404)	(70,202)	(273,137)	(176,216)
	131,253	125,065	384,277	340,524

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20 NET FEE AND COMMISSION INCOME

<u>Group and Bank</u>	Quarter ended		Year to date ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Commission	26,997	34,883	89,184	91,719
Service charges and fees	27,854	28,289	112,942	96,044
Guarantee fees	8,640	7,236	25,119	24,220
Other fee income	2,795	4,669	9,168	9,782
	66,286	75,077	236,413	221,765

21 NET TRADING INCOME

<u>Group and Bank</u>	Quarter ended		Year to date ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Foreign exchange (loss)/gain	(338,031)	6,747	(466,498)	18,212
Realised gain on financial assets held-for-trading	2,493	12,111	14,679	26,028
Realised gain on trading derivatives	163,962	4,264	352,853	108,948
Unrealised (loss)/gain on financial assets held-for-trading	(406)	(2,089)	2,893	567
Unrealised gain/(loss) on trading derivatives	245,152	10,317	260,687	(40,406)
	73,170	31,350	164,614	113,349

22 OTHER OPERATING INCOME

<u>Group</u>	Quarter ended		Year to date ended	
	30 September	30 September	30 September	30 September
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
(Loss)/Gain on disposal:				
- Financial investments available-for-sale	(1,095)	(168)	5,832	(9,873)
- Investment properties	-	1,762	-	15,933
- Property and equipment	200	(7)	197	(121)
Gross dividends from financial investments available-for-sale				
- Malaysia	210	175	660	625
Gross dividends from financial assets held-for-trading				
- Malaysia	204	300	711	532
Rental of premises	1,072	1,605	3,353	4,919
Rental of safe deposit boxes	1,345	1,275	4,533	4,127
Unrealised gain/(loss) on hedging derivatives	385	130	924	(251)
Others	1,734	908	4,729	2,641
	4,055	5,980	20,939	18,532

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22 OTHER OPERATING INCOME (continued)

	Quarter ended		Year to date ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Bank	RM'000	RM'000	RM'000	RM'000
(Loss)/Gain on disposal:				
- Financial investments available-for-sale	(1,095)	(168)	5,832	(9,873)
- Investment properties	-	1,762	-	15,933
- Property and equipment	200	(7)	197	(121)
Gross dividends from financial investments available-for-sale				
- Malaysia	210	175	660	625
Gross dividends from financial assets held-for-trading				
- Malaysia	204	300	711	532
Rental of premises	1,094	1,625	3,411	4,971
Rental of safe deposit boxes	1,345	1,275	4,533	4,127
Shared services income received from subsidiary	28,546	27,765	80,282	78,186
Unrealised gain/(loss) on hedging derivatives	385	130	924	(251)
Others	1,328	908	4,325	2,723
	32,217	33,765	100,875	96,852

23 OPERATING EXPENSES

	Quarter ended		Year to date ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Group	RM'000	RM'000	RM'000	RM'000
Personnel expenses	132,374	125,446	375,211	338,669
Establishment expenses	24,696	23,961	72,469	69,712
Marketing expenses	9,536	10,686	27,370	30,656
General administrative expenses	92,600	87,868	279,217	257,010
	259,206	247,961	754,267	696,047
Bank				
Personnel expenses	123,949	116,022	350,637	312,555
Establishment expenses	22,738	22,239	66,994	64,100
Marketing expenses	8,662	9,538	24,791	27,757
General administrative expenses	79,533	81,288	252,306	238,048
	234,882	229,087	694,728	642,460

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23 OPERATING EXPENSES (continued)

Group	Quarter ended		Year to date ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Personnel expenses				
Salaries, allowances and bonus	105,268	98,161	297,178	265,964
Employees Provident Fund contributions	15,829	15,472	44,781	42,076
Share-based expenses	1,972	1,442	4,700	5,088
Others	9,305	10,371	28,552	25,541
	132,374	125,446	375,211	338,669
Establishment expenses				
Depreciation of property and equipment	10,697	11,518	32,837	35,006
Rental of premises	4,581	4,339	13,587	12,474
Repair and maintenance	3,013	1,711	7,986	5,351
Information technology costs	1,565	882	4,057	2,818
Hire of equipment	222	200	605	672
Depreciation of investment properties	23	45	110	136
Amortisation of prepaid lease payments	9	9	27	27
Others	4,586	5,257	13,260	13,228
	24,696	23,961	72,469	69,712
Marketing expenses				
Advertisement and business promotion	7,489	8,779	22,458	24,579
Transport and travelling	1,184	1,350	3,341	4,242
Others	863	557	1,571	1,835
	9,536	10,686	27,370	30,656
General administrative expenses				
Intercompany expenses	68,485	65,585	213,503	200,019
Others	24,115	22,283	65,714	56,991
	92,600	87,868	279,217	257,010
Bank				
Personnel expenses				
Salaries, allowances and bonus	98,692	90,736	277,807	245,257
Employees Provident Fund contributions	14,849	14,340	41,829	38,780
Share-based expenses	1,899	1,387	4,502	4,921
Others	8,509	9,559	26,499	23,597
	123,949	116,022	350,637	312,555

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23 OPERATING EXPENSES (continued)

	Quarter ended		Year to date ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
<u>Bank</u>				
Establishment expenses				
Depreciation of property and equipment	10,195	10,926	31,306	33,108
Rental of premises	3,921	3,799	11,672	10,783
Repair and maintenance	2,884	1,640	7,601	5,030
Information technology costs	1,479	867	3,873	2,755
Hire of equipment	222	200	605	672
Depreciation of investment properties	23	45	110	136
Amortisation of prepaid lease payments	9	9	27	27
Others	4,005	4,753	11,800	11,589
	22,738	22,239	66,994	64,100
Marketing expenses				
Advertisement and business promotion	6,829	7,982	20,477	22,499
Transport and travelling	992	1,111	2,801	3,571
Others	841	445	1,513	1,687
	8,662	9,538	24,791	27,757
General administrative expenses				
Intercompany expenses	63,401	60,008	196,505	183,164
Others	16,132	21,280	55,801	54,884
	79,533	81,288	252,306	238,048

24 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	Quarter ended		Year to date ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
<u>Group</u>				
Individual impairment allowance				
- Made during the period	95,805	58,971	263,633	168,461
- Written back	(31,510)	(27,772)	(93,009)	(83,212)
Collective impairment allowance				
- Made during the period	22,574	40,659	54,178	106,799
Impaired loans, advances and financing recovered	(7,992)	(7,121)	(21,983)	(26,760)
Others	154	21	190	42
	79,031	64,758	203,009	165,330

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24 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING (continued)

	Quarter ended		Year to date ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Bank	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
- Made during the period	58,154	30,522	149,776	86,521
- Written back	(19,684)	(19,053)	(59,903)	(57,231)
Collective impairment allowance				
- Made during the period	8,025	15,502	30,986	43,767
Impaired loans, advances and financing recovered	(4,074)	(4,723)	(11,659)	(19,305)
Others	154	21	190	42
	42,575	22,269	109,390	53,794

25 INCOME TAX EXPENSE

	Quarter ended		Year to date ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current year	78,146	78,075	217,933	206,989
- Prior years	-	-	-	(2,062)
	78,146	78,075	217,933	204,927
Deferred tax				
- Origination and reversal of temporary differences	(5,945)	(11,275)	(463)	(2,256)
	72,201	66,800	217,470	202,671
Bank				
Malaysian income tax				
- Current year	69,989	74,014	189,588	194,941
- Prior years	-	-	-	(2,062)
	69,989	74,014	189,588	192,879
Deferred tax				
- Origination and reversal of temporary differences	(5,507)	(10,594)	(419)	(2,305)
	64,482	63,420	189,169	190,574

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26 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 17), 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 Bank Negara Malaysia's Capital Adequacy Framework (Basel II) - Internal Ratings Approach.

Group	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
30 September 2015				
Direct credit substitutes	599,604		599,604	385,353
Transaction-related contingent items	2,571,403		1,321,793	935,472
Short-term self-liquidating trade-related contingencies	538,966		115,907	58,842
Forward asset purchases, forward deposits, partly paid shares and securities	37,298		37,298	20,938
Foreign exchange related contracts				
- Less than one year	16,136,441	1,238,583	1,494,280	271,207
- One year to less than five years	8,660,119	1,084,182	1,931,626	502,000
- Five years and above	2,662,358	411,470	913,108	559,969
Interest rate contracts				
- Less than one year	10,975,942	11,208	27,879	6,478
- One year to less than five years	28,890,913	118,340	767,492	185,883
- Five years and above	2,902,599	21,020	221,841	60,726
Equity and commodity related contracts	208,992	4,537	16,770	3,244
Credit derivative contracts	515,234	1,639	30,653	5,869
Formal standby facilities and credit lines				
- Maturity not exceeding one year	1,811		536	365
- Maturity exceeding one year	5,459,365		5,071,012	669,413
Other unconditionally cancellable commitments	22,321,838		2,069,641	431,689
Total	102,482,883	2,890,979	14,619,440	4,097,448
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

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26 COMMITMENTS AND CONTINGENCIES (continued)

<u>Bank</u>	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
30 September 2015				
Direct credit substitutes	559,045		559,045	354,062
Transaction-related contingent items	2,319,510		1,191,408	818,703
Short-term self-liquidating trade-related contingencies	509,452		107,775	56,261
Forward asset purchases, forward deposits, partly paid shares and securities	4,578		4,578	4,578
Foreign exchange related contracts				
- Less than one year	16,114,446	1,238,623	1,494,049	270,978
- One year to less than five years	8,660,119	1,084,182	1,931,626	502,000
- Five years and above	2,662,358	411,470	913,108	559,969
Interest rate contracts				
- Less than one year	10,975,942	11,208	27,879	6,478
- One year to less than five years	28,890,913	118,340	767,492	185,883
- Five years and above	2,902,599	21,020	221,841	60,726
Equity and commodity related contracts	208,992	4,537	16,770	3,244
Credit derivative contracts	515,234	1,639	30,653	5,869
Formal standby facilities and credit lines				
- Maturity not exceeding one year	-		-	-
- Maturity exceeding one year	5,093,834		4,723,799	589,077
Other unconditionally cancellable commitments	21,461,044		2,034,474	420,674
Total	100,878,066	2,891,019	14,024,497	3,838,502
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

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27 CAPITAL COMMITMENTS

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
Capital expenditure commitments in respect of property and equipment				
- Authorised but not contracted for	22,703	43,185	15,364	39,767
- Contracted but not provided for	632	7,064	632	7,064
	23,335	50,249	15,996	46,831

28 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.

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.

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28 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(A) Fair value measurement (continued)

(i) Financial assets and financial liabilities (continued)

(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 loans, advances and financing with maturity of one year or more, the fair values are estimated based on discounted cash flows using market rates of loans, advances and financing of similar credit risks and maturity.

(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.

(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 12.

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28 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy

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.

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2015				
Financial assets at fair value				
Held-for-trading	1,391,696	50,104	-	1,441,800
Available-for-sale	10,981,540	1,744,645	108,546	12,834,731
Derivative financial assets	8,585	3,105,997	23,107	3,137,689
	12,381,821	4,900,746	131,653	17,414,220
Financial liabilities at fair value				
Derivative financial liabilities	6,678	2,545,222	26,714	2,578,614
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 financial assets	1,036	1,223,004	16,298	1,240,338
	11,729,421	3,298,979	124,844	15,153,244
Financial liabilities at fair value				
Derivative financial liabilities	1,134	984,787	20,914	1,006,835
Bank				
30 September 2015				
Financial assets at fair value				
Held-for-trading	1,391,696	50,104	-	1,441,800
Available-for-sale	9,079,198	638,214	108,546	9,825,958
Derivative financial assets	8,934	3,105,747	23,107	3,137,788
	10,479,828	3,794,065	131,653	14,405,546
Financial liabilities at fair value				
Derivative financial liabilities	6,739	2,545,015	26,714	2,578,468
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 financial assets	1,089	1,222,980	16,298	1,240,367
	9,463,779	2,783,996	124,844	12,372,619
Financial liabilities at fair value				
Derivative financial liabilities	1,145	984,771	20,914	1,006,830

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28 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy (continued)

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

	Group and Bank		
	Trading RM'000	Available for-sale RM'000	Total RM'000
30 September 2015			
Financial assets at fair value			
At 1 January 2015	16,298	108,546	124,844
Purchased	4,040	-	4,040
Recognised in profit or loss			
- Realised loss	(5,624)	-	(5,624)
- Unrealised gain	8,393	-	8,393
At 30 September 2015	<u>23,107</u>	<u>108,546</u>	<u>131,653</u>
Financial liabilities at fair value			
At 1 January 2015	20,914	-	20,914
Issued	9,005	-	9,005
Settled/disposed	(12,742)	-	(12,742)
Recognised in profit or loss			
- Realised loss	3,049	-	3,049
- Unrealised loss	6,488	-	6,488
At 30 September 2015	<u>26,714</u>	<u>-</u>	<u>26,714</u>
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>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2015
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28 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

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

Policy on transfer between levels

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

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

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

Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.

Transfer between Level 1 and 2 fair values

During the financial year, financial investments available-for-sale with a carrying amount of RM735,035,552 (31 December 2014: RM754,983,359) were transferred from Level 2 to Level 1 because active market price is available, and financial investments available-for-sale with a carrying amount of RM621,915,370 (31 December 2014: RM713,734,997) were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities became no longer regularly available.

Valuation techniques and unobservable parameters for Level 3 financial assets and liabilities

Group and Bank	30 September 2015 Fair value RM'000	31 December 2014 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Derivative financial assets	23,107	16,298	Hedge for trading	Option pricing model	Standard deviation
Liabilities					
Derivative financial liabilities	26,714	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.

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28 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy (continued)

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.

(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 RM'000	Fair value (Level 3) RM'000	Carrying amount RM'000	Fair value (Level 3) RM'000
30 September 2015				
Financial assets				
Loans, advances and financing	68,464,898	68,689,160	58,230,034	58,238,420
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 loans, 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.

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29 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.

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 and preceding financial period.

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29 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 September 2015					
Net interest/finance income	773,237	389,241	138,637	76,195	1,377,310
Non-interest/finance income	109,126	97,015	189,528	62,320	457,989
Operating income	882,363	486,256	328,165	138,515	1,835,299
Operating expenses	(289,456)	(369,013)	(70,119)	(25,679)	(754,267)
Operating profit before impairment allowance and provision	592,907	117,243	258,046	112,836	1,081,032
Impairment allowances and provision for commitments and contingencies	(130,789)	(72,196)	-	(24)	(203,009)
Profit before income tax and zakat	462,118	45,047	258,046	112,812	878,023
Income tax expense and zakat	(115,529)	(11,262)	(64,511)	(26,197)	(217,499)
Profit for the period	346,589	33,785	193,535	86,615	660,524
Gross loans, advances and financing	39,052,167	30,426,262	-	78,449	69,556,878
Gross impaired loans, advances and financing	1,051,372	373,971	-	633	1,425,976
Deposits from customers	40,010,284	31,574,600	3,153,455	-	74,738,339
30 September 2014					
Net interest/finance income	712,149	361,759	132,331	111,313	1,317,552
Non-interest/finance income	98,819	90,170	153,725	46,856	389,570
Operating income	810,968	451,929	286,056	158,169	1,707,122
Operating expenses	(265,357)	(360,344)	(60,363)	(9,983)	(696,047)
Operating profit before impairment allowance and provision	545,611	91,585	225,693	148,186	1,011,075
(Impairment)/write back of allowances and provision for commitments and contingencies	(85,685)	(81,363)	-	428	(166,620)
Profit before income tax and zakat	459,926	10,222	225,693	148,614	844,455
Income tax expense and zakat	(114,924)	(2,556)	(56,423)	(28,794)	(202,697)
Profit for the period	345,002	7,666	169,270	119,820	641,758
31 December 2014					
Gross loans, advances and financing	35,761,996	27,799,313	-	83,590	63,644,899
Gross impaired loans, advances and financing	947,464	329,562	-	-	1,277,026
Deposits from customers	39,029,835	28,491,300	4,066,996	-	71,588,131

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30 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 September 2015 RM'000	31 December 2014 RM'000	30 September 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	4,071,664	4,145,417	3,928,891	4,036,338
Other reserves	748,191	720,331	518,718	523,873
CET 1 capital	5,569,855	5,615,748	5,197,609	5,310,211
Regulatory adjustment for CET 1 capital	(234,542)	(215,058)	(451,195)	(310,250)
Eligible CET 1 capital	5,335,313	5,400,690	4,746,414	4,999,961
Additional Tier 1 capital				
Paid-up non-cumulative, non-convertible perpetual preference shares	-	3,200	-	3,200
Preference share premium	-	316,800	-	316,800
Innovative Tier 1 capital	400,000	320,000	400,000	320,000
Additional Tier 1 capital	484,809	-	484,809	-
Eligible Tier 1 capital	6,220,122	6,040,690	5,631,223	5,639,961
Tier 2 capital				
Collective impairment allowance under the Standardised Approach*	20,965	19,242	8,984	7,763
Surplus eligible provisions over expected losses	92,395	141,335	121,416	132,734
Subordinated bonds	910,000	1,040,000	910,000	1,040,000
	1,023,360	1,200,577	1,040,400	1,180,497
Regulatory adjustment for Tier 2 capital	-	-	(533,970)	(597,294)
Eligible Tier 2 capital	1,023,360	1,200,577	506,430	583,203
Capital base	7,243,482	7,241,267	6,137,653	6,223,164
* Excludes collective impairment allowance on impaired loans, advances and financing				
Before deducting proposed dividend				
CET 1 capital ratio	11.234%	13.086%	11.803%	14.201%
Tier 1 capital ratio	13.097%	14.636%	14.004%	16.019%
Total capital ratio	15.251%	17.545%	15.263%	17.675%
After deducting proposed dividend				
CET 1 capital ratio	11.234%	12.003%	11.803%	12.933%
Tier 1 capital ratio	13.097%	13.554%	14.004%	14.750%
Total capital ratio	15.251%	16.463%	15.263%	16.407%

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30 CAPITAL ADEQUACY (continued)

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

	Group		Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
Total RWA for credit risk	41,754,908	35,941,269	35,145,373	30,448,795
Total RWA for market risk	1,449,556	1,284,802	1,450,589	1,277,216
Total RWA for operational risk	4,213,430	4,046,159	3,540,346	3,482,210
Total RWA for large exposure risk	76,492	-	76,492	-
	47,494,386	41,272,230	40,212,800	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 September 2015, the credit risk relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM951 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 September 2015	31 December 2014
CET 1 capital ratio	11.921%	12.609%
Tier 1 capital ratio	11.921%	12.609%
Total capital ratio	13.970%	15.458%