

Company No. 295400-W

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

Domiciled in Malaysia
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50050 Kuala Lumpur

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014**

CONTENTS	PAGE
STATEMENTS OF FINANCIAL POSITION	3
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	4
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6 - 7
STATEMENT OF CHANGES IN EQUITY	8 - 9
STATEMENTS OF CASH FLOWS	10 - 11
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	12 - 40

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

	Note	Group		Bank	
		30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
ASSETS					
Cash and cash equivalents		10,026,196	8,926,484	9,555,116	9,102,977
Deposits and placements with banks and other financial institutions		1,881,762	1,849,809	2,960,255	2,716,940
Financial assets held-for-trading	13	1,042,383	354,973	1,042,383	354,973
Financial investments available-for-sale	14	12,090,049	11,659,590	9,456,867	9,679,761
Loans, advances and financing	15	60,891,882	55,698,871	52,216,309	48,935,917
Derivative financial assets	17	654,021	818,196	653,999	818,186
Other assets	18	209,404	326,848	416,787	523,579
Statutory deposits with Bank Negara Malaysia		2,121,392	1,867,892	1,765,092	1,597,092
Investments in subsidiary companies		-	-	496,617	376,617
Property, plant and equipment		229,736	252,529	223,431	244,480
Prepaid lease payments		865	892	865	892
Investment properties		8,553	12,082	8,553	12,082
Non-current assets held for sale		449	3,191	449	3,191
Deferred tax assets		13,154	29,050	11,768	26,041
Current tax assets		6,512	1,682	-	-
Total assets		89,176,358	81,802,089	78,808,491	74,392,728
LIABILITIES					
Deposits from customers	19	71,371,610	63,011,206	61,879,072	56,429,044
Deposits and placements of banks and other financial institutions	20	8,555,523	9,623,764	8,029,227	9,075,490
Bills and acceptances payable		181,142	243,459	165,847	229,780
Subordinated term loan/bonds	21	1,692,898	1,693,720	1,692,898	1,693,720
Derivative financial liabilities	17	593,429	728,533	593,493	728,531
Other liabilities	22	869,832	783,476	825,795	748,865
Current tax liabilities and zakat		73,828	55,584	73,797	55,532
Total liabilities		83,338,262	76,139,742	73,260,129	68,960,962
EQUITY					
Share capital		291,500	291,500	291,500	291,500
Reserves		5,546,596	5,370,847	5,256,862	5,140,266
Total equity		5,838,096	5,662,347	5,548,362	5,431,766
Total liabilities and equity		89,176,358	81,802,089	78,808,491	74,392,728
Commitments and contingencies	32	89,683,821	83,123,255	88,002,158	81,601,403

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 2013 and the accompanying explanatory notes on pages 12 to 40 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 SEPTEMBER 2014**

Group	Note	Quarter ended		Year to date ended	
		30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Interest income	23	856,338	731,458	2,423,542	2,110,259
Interest expense	23	(506,119)	(411,241)	(1,410,590)	(1,164,045)
Net interest income	23	350,219	320,217	1,012,952	946,214
Income from Islamic banking operations	24	125,065	100,437	340,524	272,244
Net fee and commission income	25	75,077	86,195	221,765	222,183
Net trading income	26	31,350	9,454	113,349	115,217
Other operating income	27	5,980	12,579	18,532	47,178
Operating income		587,691	528,882	1,707,122	1,603,036
Operating expenses	28	(247,961)	(223,116)	(696,047)	(642,548)
Operating profit before impairment allowance and provision		339,730	305,766	1,011,075	960,488
Impairment allowance on loans, advances and financing	29	(64,758)	(20,211)	(165,330)	(43,455)
Write back of impairment allowance on investment properties		-	-	427	-
Provision for commitments and contingencies		-	-	(1,717)	-
Profit before income tax expense and zakat		274,972	285,555	844,455	917,033
Income tax expense	30	(66,800)	(69,959)	(202,671)	(226,498)
Zakat		(8)	(8)	(26)	(23)
Profit for the period		208,164	215,588	641,758	690,512
Other comprehensive income/(loss), net of income tax expense					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		11,711	(16,093)	62,815	(66,834)
- Amount transferred to profit or loss		168	(1,625)	9,889	(32,881)
Income tax expense relating to components of other comprehensive income		(2,504)	4,293	(18,286)	22,678
Other comprehensive income/(loss) for the period, net of tax		9,375	(13,425)	54,418	(77,037)
Total comprehensive income for the period		217,539	202,163	696,176	613,475
Profit attributable to shareholder of the Bank		208,164	215,588	641,758	690,512
Total comprehensive income attributable to shareholder of the Bank		217,539	202,163	696,176	613,475
Basic earnings per ordinary share (sen)		69.2	71.8	216.9	233.9

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 2013 and the accompanying explanatory notes on pages 12 to 40 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 SEPTEMBER 2014

Bank	Note	Quarter ended		Year to date ended	
		30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Interest income	23	875,930	747,472	2,470,200	2,147,554
Interest expense	23	(512,750)	(413,882)	(1,426,717)	(1,172,053)
Net interest income	23	363,180	333,590	1,043,483	975,501
Net fee and commission income	25	75,077	86,195	221,765	222,183
Net trading income	26	31,350	9,454	113,349	115,217
Other operating income	27	33,765	28,972	96,852	97,283
Operating income		503,372	458,211	1,475,449	1,410,184
Operating expenses	28	(229,087)	(207,093)	(642,460)	(601,523)
Operating profit before impairment allowance and provision		274,285	251,118	832,989	808,661
Impairment allowance on loans, advances and financing	29	(22,269)	(5,107)	(53,794)	(5,561)
Write back of impairment allowance on investment properties		-	-	427	-
Provision for commitments and contingencies		-	-	(1,717)	-
Profit before income tax expense and zakat		252,016	246,011	777,905	803,100
Income tax expense	30	(63,420)	(61,511)	(190,574)	(202,794)
Profit for the period		188,596	184,500	587,331	600,306
Other comprehensive income/(loss), net of income tax expense					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve					
- Change in fair value		10,891	(15,719)	56,397	(59,086)
- Amount transferred to profit or loss		168	(1,624)	9,873	(26,787)
Income tax expense relating to components of other comprehensive income		(2,299)	4,199	(16,578)	19,217
Other comprehensive income/(loss) for the period, net of tax		8,760	(13,144)	49,692	(66,656)
Total comprehensive income for the period		197,356	171,356	637,023	533,650
Profit attributable to shareholder of the Bank		188,596	184,500	587,331	600,306
Total comprehensive income attributable to shareholder of the Bank		197,356	171,356	637,023	533,650
Basic earnings per ordinary share (sen)		62.4	61.0	198.0	202.5

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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 2014

<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	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	-	-	-	-	-	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)
Balance at 30 September 2014	291,500	858,500	429,390	130,000	56,619	84,028	3,988,059	5,838,096

The Group and the Bank have adopted early implementation of Bank Negara Malaysia's requirement to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.2% of gross loans, advances and financing, net of individual impairment allowance by 31 December 2015.

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 2013 and the accompanying explanatory notes on pages 12 to 40 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 2014 (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	Capital reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Balance at 1 January 2013	291,500	858,500	375,643	-	56,619	142,702	3,532,204	5,257,168
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	(66,834)	-	(66,834)
- Amount transferred to profit or loss	-	-	-	-	-	(32,881)	-	(32,881)
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	22,678	-	22,678
Total other comprehensive loss for the period	-	-	-	-	-	(77,037)	-	(77,037)
Profit for the period	-	-	-	-	-	-	690,512	690,512
Total comprehensive (loss)/income for the period	-	-	-	-	-	(77,037)	690,512	613,475
Transfer to regulatory reserve	-	-	-	-	-	-	-	-
<i>Contributions by and distributions to owners of the Bank</i>								
Dividends paid								
- Final 2012 ordinary	-	-	-	-	-	-	(345,000)	(345,000)
- Interim 2013 ordinary	-	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	-	(18,040)	(18,040)
Balance at 30 September 2013	291,500	858,500	375,643	-	56,619	65,665	3,794,989	5,442,916

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(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

	<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	-	-	-	-	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)
Balance at 30 September 2014	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>130,000</u>	<u>86,000</u>	<u>3,860,362</u>	<u>5,548,362</u>

The Group and the Bank have adopted early implementation of Bank Negara Malaysia's requirement to maintain, in aggregate, collective impairment allowance and regulatory reserve of no less than 1.2% of gross loans, advances and financing, net of individual impairment allowance by 31 December 2015.

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 2013 and the accompanying explanatory notes on pages 12 to 40 of these unaudited condensed interim financial statements.

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(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014 (continued)

<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		Retained earnings RM'000
Balance at 1 January 2013	291,500	858,500	322,000	-	137,027	3,512,908	5,121,935
Fair value (available-for-sale) reserve							
- Change in fair value	-	-	-	-	(59,086)	-	(59,086)
- Amount transferred to profit or loss	-	-	-	-	(26,787)	-	(26,787)
Income tax expense relating to components of other comprehensive income	-	-	-	-	19,217	-	19,217
Total other comprehensive loss for the period	-	-	-	-	(66,656)	-	(66,656)
Profit for the period	-	-	-	-	-	600,306	600,306
Total comprehensive (loss)/income for the period	-	-	-	-	(66,656)	600,306	533,650
Transfer to regulatory reserve	-	-	-	-	-	-	-
<i>Contributions by and distributions to owners of the Bank</i>							
Dividends paid							
- Final 2012 ordinary	-	-	-	-	-	(345,000)	(345,000)
- Interim 2013 ordinary	-	-	-	-	-	(64,687)	(64,687)
- Preference	-	-	-	-	-	(18,040)	(18,040)
Balance at 30 September 2013	<u>291,500</u>	<u>858,500</u>	<u>322,000</u>	<u>-</u>	<u>70,371</u>	<u>3,685,487</u>	<u>5,227,858</u>

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OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

	Group		Bank	
	Year to date ended		Year to date ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Cash flows from operating activities				
Profit before income tax expense and zakat	844,455	917,033	777,905	803,100
<i>Adjustments for:</i>				
Net loss/(gain) from disposal of:				
- Financial investments available-for-sale	9,889	(32,881)	9,873	(26,787)
- Investment properties	(15,933)	(8,385)	(15,933)	(8,385)
- Property, plant and equipment	121	286	121	286
Dividends on financial investments available-for-sale	(625)	(655)	(625)	(655)
Depreciation of property, plant and equipment	35,006	38,459	33,108	35,799
Depreciation of investment properties	136	129	136	129
Amortisation of prepaid lease payments	27	27	27	27
Write back of allowance on investment properties	(427)	-	(427)	-
Impairment allowance on loans, advances and financing	165,330	43,455	53,794	5,561
Share-based expenses	5,088	2,986	4,921	2,914
Unrealised (gain)/loss on:				
- Financial assets held-for-trading	(567)	582	(567)	582
- Trading derivatives	40,406	(140,564)	40,406	(140,564)
- Hedging derivatives	251	197	251	197
Operating profit before changes in working capital	1,083,157	820,669	902,990	672,204
<i>(Increase)/Decrease in operating assets and Increase/(Decrease) in operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(31,953)	(1,201,688)	(243,315)	(1,621,157)
Financial assets held-for-trading	(686,843)	(725,638)	(686,843)	(725,638)
Loans, advances and financing	(5,358,341)	(6,120,847)	(3,334,186)	(4,538,856)
Other assets	88,778	35,454	78,126	17,523
Statutory deposits with Bank Negara Malaysia	(253,500)	(182,900)	(168,000)	(144,000)
Derivative financial assets and liabilities	(12,555)	45,573	(12,477)	45,566
Deposits from customers	8,360,404	5,617,276	5,450,028	3,904,988
Deposits and placements of banks and other financial institutions	(1,068,241)	(283,489)	(1,046,263)	(391,352)
Bills and acceptances payable	(62,317)	(139,355)	(63,933)	(137,966)
Recourse obligation on loans sold to Cagamas Berhad	-	(25,662)	-	(25,662)
Other liabilities	81,238	59,245	72,113	36,967
Cash generated from/(used in) operations	2,139,827	(2,101,362)	948,240	(2,907,383)
Income tax and zakat paid	(191,539)	(205,235)	(174,614)	(189,210)
Net cash generated from/(used in) operating activities	1,948,288	(2,306,597)	773,626	(3,096,593)

OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014 (CONTINUED)

	Group		Bank	
	Year to date ended		Year to date ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Cash flows from investing activities				
Proceeds from disposal of financial investments available-for-sale	11,564,679	8,930,759	9,712,536	6,601,652
Acquisition of financial investments available-for-sale	(11,932,280)	(9,742,131)	(9,433,202)	(7,608,624)
Acquisition of property, plant and equipment	(12,396)	(44,651)	(12,224)	(41,949)
Proceeds from disposal of investment properties	51,161	11,281	51,161	11,281
Proceeds from disposal of property, plant and equipment	62	962	44	1,342
Dividends received from financial investments available-for-sale	625	655	625	655
Increase in investment in subsidiary company	-	-	(120,000)	(30,000)
Net cash used in investing activities	(328,149)	(843,125)	198,940	(1,065,643)
Cash flows from financing activities				
Dividends paid to preference shareholders	(18,040)	(18,040)	(18,040)	(18,040)
Dividends paid to shareholder of the Bank	(502,387)	(409,687)	(502,387)	(409,687)
Net cash used in financing activities	(520,427)	(427,727)	(520,427)	(427,727)
Net increase/(decrease) in cash and cash equivalents	1,099,712	(3,577,449)	452,139	(4,589,963)
Cash and cash equivalents at 1 January	8,926,484	11,250,208	9,102,977	11,850,982
Cash and cash equivalents at 30 September	10,026,196	7,672,759	9,555,116	7,261,019

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 2013 and the accompanying explanatory notes on pages 12 to 40 of these unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014

1 GENERAL INFORMATION

The principal activities of the Group and of the Bank are banking and other related financial services which include Islamic Banking business. The subsidiaries of the Bank 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.

The unaudited condensed interim financial statements of the Bank as at and for the nine months ended 30 September 2014 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

2 REVIEW OF PERFORMANCE

The Bank and its subsidiary companies ("the Group") recorded a net profit of RM642 million for the first nine months of 2014, registering a decrease of RM49 million or 7% compared to the corresponding period for 2013. Whilst operating profit rose by RM51 million or 5% to RM1 billion, higher allowance on loans, advances and financing (+RM122 million) was recorded partly in tandem with loan growth and parameter refinement in the collective impairment model during the year and partly from lower bad debt recoveries (-RM32 million).

Compared to the corresponding period in 2013, operating income increased by RM104 million or 6% to RM1.7 billion which was mainly attributable to higher net interest income (+RM67 million or 7%) and income from Islamic banking (+RM68 million or 25%), partially offset by loss on disposal of financial investments available-for-sale (-RM37 million). Operating expenses increased by RM53 million or 8% to RM696 million as a result of continued investments in people and infrastructure to support business growth.

The Group's total assets grew by RM7.4 billion to RM89.2 billion mainly contributed by loans, advances and financing which grew by RM5.2 billion or 9% to RM60.9 billion. Loans growth continued to be from housing loans (+RM3.2 billion) and business financing in particular to SMEs (+RM1.7 billion) funded mainly from higher customer deposits of RM8.4 billion.

The Group and Bank remained well capitalised with Common Equity Tier 1 (CET 1) capital ratios of 12.273% and 13.369%, Tier 1 Capital ratios of 13.843% and 15.207% and Total Capital ratios of 16.440% and 16.520% respectively.

3 ECONOMIC PERFORMANCE AND PROSPECTS

In the recent Budget 2015 announcement, the Government had projected that the Malaysian economy is expected to grow between 5 - 6% next year. This is supported by the stimulus package presented in the recent National Budget.

With the upcoming introduction of GST in April 2015, we foresee challenges to businesses as well as individuals in their quest to maintain the cost of doing business and the current levels of disposable income respectively. With this in view, the Bank will focus its lending to selected sectors and SMEs while generating more wealth for its existing and potential Premier Banking customers. The Bank will also introduce more innovative and suitable financial products and services to its retail customers in order to meet their constantly changing needs and demands.

The Bank will continue to preserve its asset quality while strengthening its capital and liquidity requirements to cater to future regulatory compliance needs.

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

4 BASIS OF PREPARATION

The unaudited condensed interim financial statements of the Group and the Bank for the period ended 30 September 2014 have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, *Interim Financial Reporting* issued by the Malaysian Accounting Standards Board ("MASB"), and the International Accounting Standards ("IAS") 34, *Interim Financial Reporting* issued by the International Accounting Standards Board ("IASB").

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 2013. The explanatory notes attached in the unaudited condensed 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 2013.

The accounting policies applied by the Group and the Bank in these unaudited condensed interim financial statements are consistent with those applied by the Group and the Bank in its annual financial statements for the year ended 31 December 2013, except for the adoption of the following Amendments to MFRS that have been adopted during the current financial period:

Amendments to MFRS 10, Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12, Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 119, Employee Benefits - Defined Benefit Plans: Employee Contributions
Amendments to MFRS 127, Separate Financial Statements (2011): Investment Entities
Amendments to MFRS 132, Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136, Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
Amendments to MFRS 139, Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting
Amendments to MFRS 2, MFRS 3, MFRS 8, MFRS 13, MFRS 116, MFRS 124 and MFRS 138 contained in the documents entitled "Annual Improvements 2010 - 2012 Cycle"
Amendments to MFRS 1, MFRS 3, MFRS 13 and MFRS 140 contained in the documents entitled "Annual Improvements 2011 - 2013 Cycle"

IC Interpretation 21 Levies is not applicable to the Group and the Bank as it is not relevant to the business of the Group and of the Bank.

The initial application of the above Amendments to MFRS and IC Interpretations do not have any impact on the financial statements upon their first time adoption, as they mainly provide clarification on the requirements of or provide further explanations to existing MFRS.

The Group and the Bank have not applied the following MFRS, Amendments to MFRS and IC Interpretations that have been issued by the MASB as they are not yet effective:

Effective for annual periods commencing on or after 1 January 2016

MFRS 14, Regulatory Deferral Accounts
Amendments to MFRS 11, Accounting for acquisitions of interests in joint operations
Amendments to MFRS 116 and MFRS 138, Clarification of acceptable methods of depreciation and amortisation
Amendments to MFRS 116 and MFRS 141, Agriculture: Bearer Plants

Effective for annual periods commencing on or after 1 January 2017

MFRS 15, Revenue from contracts with customers

Effective for annual periods commencing on a date to be confirmed

MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)
MFRS 9, Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139
Amendments to MFRS 7, Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

4 BASIS OF PREPARATION (continued)

The initial application of the above MFRS and Amendments to MFRS is not expected to have any material impact to the financial statements upon their first time adoption, except for those discussed 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 and financial liabilities, and on hedge accounting.

The Group and Bank are currently assessing the financial impact that may arise from the adoption of MFRS 9.

5 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

6 SEASONAL OR CYCLICAL FACTORS

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

7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 30 September 2014.

8 CHANGES IN ACCOUNTING ESTIMATES

There were no material changes in estimates of amounts reported in prior financial years that have a material effect on the financial results and position of the Group and the Bank for the financial period ended 30 September 2014.

9 DEBT AND EQUITY SECURITIES

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 30 September 2014.

The Bank subscribed for 40 million ordinary shares of RM1 each at RM3 per ordinary share amounting to RM120 million issued by its subsidiary, OCBC Al-Amin Bank Berhad on 13 June 2014.

10 DIVIDEND

A net cash dividend of 4.51% (on issue price) amounting to RM8.9 million was paid to preference shareholders on 20 March 2014. The final dividend in respect of the financial year ended 31 December 2013 amounting to RM437.7 million was paid on 15 April 2014.

A net cash dividend of 4.51% (on the issue price) amounting to RM9.1 million was paid to the preference shareholders on 20 September 2014 and a single tier interim dividend of 22.5 sen per ordinary share in respect of the current financial period amounting to RM 64.69 million on the fully issued and paid up ordinary shares of the Bank was paid on 29 September 2014.

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

11 SUBSEQUENT EVENTS

There were no material events subsequent to the date of the statement of financial position that require disclosure or adjustments to the unaudited condensed interim financial statements.

12 CHANGES IN THE COMPOSITION OF THE GROUP

There were no significant changes in the composition of the Group during the financial period ended 30 September 2014.

13 FINANCIAL ASSETS HELD-FOR-TRADING

	<u>Group and Bank</u>	
	<u>30 September 2014 RM'000</u>	<u>31 December 2013 RM'000</u>
At fair value		
Malaysian Government Treasury Bills	5,517	19,462
Malaysian Government Securities	498,363	236,637
Bank Negara Malaysia Monetary Notes	388,274	68,827
Private Debt Securities	103,445	17,832
Quoted shares in Malaysia	46,784	12,215
	<u>1,042,383</u>	<u>354,973</u>

14 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	<u>Group</u>		<u>Bank</u>	
	<u>30 September 2014 RM'000</u>	<u>31 December 2013 RM'000</u>	<u>30 September 2014 RM'000</u>	<u>31 December 2013 RM'000</u>
At fair value				
Malaysian Government Treasury Bills	118,846	42,118	118,846	42,118
Malaysian Government Securities	3,137,149	3,607,741	3,137,149	3,607,741
Malaysian Government Investment Issues	1,862,829	1,836,604	658,511	586,366
Malaysian Government Debt Securities	274,861	212,856	80,319	97,037
Bank Negara Malaysia Monetary Notes	1,064,189	361,255	638,417	361,255
Private Debt Securities	2,839,646	3,324,684	2,461,073	2,852,601
Negotiable Instruments of Deposit	2,177,892	1,768,104	1,860,964	1,676,053
Foreign Government Debt Securities	505,913	397,504	392,864	347,866
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
Debentures	190	190	190	190
	<u>12,090,061</u>	<u>11,659,602</u>	<u>9,456,879</u>	<u>9,679,773</u>
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	<u>12,090,049</u>	<u>11,659,590</u>	<u>9,456,867</u>	<u>9,679,761</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.

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

15 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
At amortised cost				
Overdrafts	3,156,881	3,045,594	3,003,590	3,045,594
Term loans/financing:				
- Housing loans/financing	23,056,945	19,869,714	21,883,582	19,210,090
- Syndicated term loans/financing	2,037,884	2,139,506	1,881,483	1,989,469
- Hire purchase receivables	895,069	763,753	54	73
- Other term loans/financing	24,974,740	22,556,374	20,293,772	19,159,267
Credit card receivable/charge card	540,349	522,861	540,349	522,861
Bills receivable	402,890	797,385	392,698	755,053
Trust receipts	28,970	35,911	28,671	25,354
Claims on customers under acceptance credits	1,860,568	1,913,405	1,654,537	1,722,195
Revolving credit	4,038,346	4,199,311	2,477,995	2,569,642
Staff loans/financing	85,802	94,085	85,802	94,085
Other loans/financing	702,057	548,621	684,628	524,886
Gross loans, advances and financing	<u>61,780,501</u>	<u>56,486,520</u>	<u>52,927,161</u>	<u>49,618,569</u>
Allowance for loans, advances and financing				
- Individual impairment	(248,651)	(254,480)	(194,067)	(209,634)
- Collective impairment	(639,968)	(533,169)	(516,785)	(473,018)
Net loans, advances and financing	<u>60,891,882</u>	<u>55,698,871</u>	<u>52,216,309</u>	<u>48,935,917</u>
i) <u>By type of customer</u>				
Domestic banking institutions	52,669	30,589	-	-
Domestic non-bank financial institutions				
- Stockbroking companies	2,293	1,046	2,293	1,046
- Others	181,019	391,232	181,019	261,024
Domestic business enterprises				
- Small medium enterprises	14,071,718	12,351,356	11,227,327	10,089,620
- Others	16,898,329	16,465,434	14,089,794	14,337,629
Individuals	28,124,701	24,807,729	26,065,500	23,455,451
Other domestic entities	1	-	1	-
Foreign entities	2,449,771	2,439,134	1,361,227	1,473,799
	<u>61,780,501</u>	<u>56,486,520</u>	<u>52,927,161</u>	<u>49,618,569</u>
ii) <u>By interest/profit rate sensitivity</u>				
Fixed rate				
- Housing loans/financing	209,468	299,301	179,692	264,658
- Hire purchase receivables	696,450	632,476	54	73
- Other fixed rate loans/financing	6,151,537	5,982,050	3,237,823	3,702,697
Variable rate				
- BLR/BFR plus	40,423,516	35,952,582	38,859,400	35,050,732
- Cost plus	13,608,007	12,882,306	9,958,669	9,862,604
- Other variable rates	691,523	737,805	691,523	737,805
	<u>61,780,501</u>	<u>56,486,520</u>	<u>52,927,161</u>	<u>49,618,569</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****15 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
iii) <u>By sector</u>				
Agriculture, hunting, forestry and fishing	2,905,760	3,072,686	2,660,024	2,855,765
Mining and quarrying	512,686	849,687	439,409	670,815
Manufacturing	7,631,744	6,833,798	5,972,079	5,524,200
Electricity, gas and water	569,951	384,030	310,988	312,490
Construction	1,179,537	957,138	874,703	742,074
Real estate	6,492,962	6,276,489	5,880,573	5,618,142
Wholesale & retail trade and restaurants & hotels	7,306,165	6,613,232	5,804,737	5,562,355
Transport, storage and communication	1,801,896	1,729,924	1,470,568	1,494,994
Finance, insurance and business services	1,517,628	1,863,703	1,137,258	1,464,464
Community, social and personal services	1,450,210	1,316,031	1,114,386	1,053,661
Household				
- Purchase of residential properties	24,222,353	21,075,756	23,019,801	20,423,903
- Purchase of non-residential properties	1,443,577	1,419,972	1,412,052	1,394,843
- Others	3,240,691	2,856,423	2,361,341	2,140,926
Others	1,505,341	1,237,651	469,242	359,937
	61,780,501	56,486,520	52,927,161	49,618,569
iv) <u>By geographical distribution</u>				
Malaysia	59,207,070	54,189,884	51,565,279	48,144,415
Singapore	308,608	185,746	298,127	180,409
Other ASEAN	399,653	81,184	399,653	81,184
Rest of the world	1,865,170	2,029,706	664,102	1,212,561
	61,780,501	56,486,520	52,927,161	49,618,569
The analysis by geography is determined based on where the credit risk resides.				
v) <u>By residual contractual maturity</u>				
Within one year	12,227,832	12,777,072	10,254,361	10,699,686
One year to five years	9,276,244	9,104,383	6,097,390	6,447,431
Over five years	40,276,425	34,605,065	36,575,410	32,471,452
	61,780,501	56,486,520	52,927,161	49,618,569

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****16 IMPAIRED LOANS, ADVANCES AND FINANCING**

a) Movements in impaired loans, advances and financing

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Balance at 1 January	1,307,531	952,805	1,200,172	897,867
Impaired during the period/year	864,123	1,158,157	623,078	987,346
Reclassified as unimpaired	(175,323)	(204,424)	(157,975)	(186,102)
Amount recovered	(502,148)	(487,309)	(406,203)	(420,638)
Amount written off	(88,901)	(114,171)	(42,757)	(80,774)
Effect of foreign exchange difference	(292)	2,473	(292)	2,473
Balance at 30 September/31 December	1,404,990	1,307,531	1,216,023	1,200,172
Individual impairment allowance	(248,651)	(254,480)	(194,067)	(209,634)
Collective impairment allowance	(11,896)	(10,034)	(10,015)	(9,483)
Net impaired loans, advances and financing	1,144,443	1,043,017	1,011,941	981,055

i) By sector

Agriculture, hunting, forestry and fishing	16,346	20,880	15,932	20,356
Manufacturing	575,007	597,083	517,370	542,151
Construction	50,585	57,612	49,235	55,663
Real estate	168,973	68,491	97,558	67,151
Wholesale & retail trade and restaurants & hotels	137,805	144,806	123,774	130,332
Transport, storage and communication	80,268	74,352	73,987	72,083
Finance, insurance and business services	15,018	14,144	11,627	11,330
Community, social and personal services	11,723	10,085	9,767	8,735
Household				
- Purchase of residential properties	249,336	221,893	245,234	219,604
- Purchase of non-residential properties	21,223	22,320	21,031	22,246
- Others	74,711	68,815	47,184	44,121
Others	3,995	7,050	3,324	6,400
	1,404,990	1,307,531	1,216,023	1,200,172

ii) By geographical distribution

Malaysia	1,401,821	1,303,989	1,212,854	1,196,630
Singapore	-	416	-	416
Rest of the world	3,169	3,126	3,169	3,126
	1,404,990	1,307,531	1,216,023	1,200,172

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****16 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

b) Movements in impairment allowance for loans, advances and financing

	Group		Bank	
	30 September	31 December	30 September	31 December
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
<u>Individual impairment allowance</u>				
Balance at 1 January	254,480	264,575	209,634	232,242
Made during the period/year	168,461	205,850	86,521	131,178
Amount written back	(83,212)	(100,676)	(57,231)	(72,026)
Amount written off	(88,899)	(113,724)	(42,756)	(80,353)
Discount unwind	(2,179)	(2,044)	(2,101)	(1,906)
Effect of foreign exchange difference	-	499	-	499
Balance at 30 September/31 December	<u>248,651</u>	<u>254,480</u>	<u>194,067</u>	<u>209,634</u>
<u>Collective impairment allowance</u>				
Balance at 1 January	533,169	508,247	473,018	467,056
Made during the period/year	106,799	24,922	43,767	5,962
Balance at 30 September/31 December	<u>639,968</u>	<u>533,169</u>	<u>516,785</u>	<u>473,018</u>

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group	30 September 2014			31 December 2013		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forward	7,152,460	45,491	37,289	4,589,792	52,912	25,732
- Swaps	17,495,620	308,896	271,322	21,354,263	444,615	385,818
- Options	2,426,409	19,884	7,377	1,873,332	20,477	12,385
- Others	548,053	3,993	3,995	1,061,451	28,023	27,998
Interest rate derivatives						
- Swaps	36,374,046	199,517	189,961	30,220,841	224,902	224,107
- Options	1,157,163	-	1,377	1,763,793	-	5,141
- Futures	2,196,980	1,647	394	84,457	1,692	-
- Swaptions	200,000	-	751	300,000	-	1,755
- Others	20,420	498	-	42,885	727	-
Equity and other derivatives						
- Swaps	1,372,780	50,147	50,147	725,780	7,058	7,058
- Exchange traded futures	46,019	-	120	922	-	11
- Options	750	5	-	1,000	12	-
- Commodity futures	12,624	845	788	73,260	1,561	1,642
- Bond forward	850,000	7,180	-	1,090,000	10,303	-
- Credit linked notes	2,014,600	15,585	15,585	2,598,100	23,190	21,434
	<u>71,867,924</u>	<u>653,688</u>	<u>579,106</u>	<u>65,779,876</u>	<u>815,472</u>	<u>713,081</u>
Hedging						
Interest rate derivatives						
- Swaps	1,575,322	333	14,323	1,493,141	2,724	15,452
	<u>73,443,246</u>	<u>654,021</u>	<u>593,429</u>	<u>67,273,017</u>	<u>818,196</u>	<u>728,533</u>

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

Bank	30 September 2014			31 December 2013		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forward	7,176,834	45,469	37,286	4,587,987	52,902	25,702
- Swaps	17,495,620	308,896	271,389	21,355,077	444,615	385,846
- Options	2,426,409	19,884	7,377	1,873,332	20,477	12,385
- Others	548,053	3,993	3,995	1,061,451	28,023	27,998
Interest rate derivatives						
- Swaps	36,374,046	199,517	189,961	30,220,841	224,902	224,107
- Options	1,157,163	-	1,377	1,763,793	-	5,141
- Futures	2,196,980	1,647	394	84,457	1,692	-
- Swaptions	200,000	-	751	300,000	-	1,755
- Others	20,420	498	-	42,885	727	-
Equity and other derivatives						
- Swaps	1,372,780	50,147	50,147	725,780	7,058	7,058
- Exchange traded futures	46,019	-	120	922	-	11
- Options	750	5	-	1,000	12	-
- Commodity futures	12,624	845	788	73,260	1,561	1,642
- Bond forward	850,000	7,180	-	1,090,000	10,303	-
- Credit linked notes	2,014,600	15,585	15,585	2,598,100	23,190	21,434
	71,892,298	653,666	579,170	65,778,885	815,462	713,079
Hedging						
Interest rate derivatives						
- Swaps	1,575,322	333	14,323	1,493,141	2,724	15,452
	73,467,620	653,999	593,493	67,272,026	818,186	728,531

18 OTHER ASSETS

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Interest/Profit receivable	96,333	110,905	95,456	103,387
Amount due from subsidiary	-	-	9,462	5,409
Unquoted Islamic subordinated bond of subsidiary	-	-	200,000	200,000
Other receivables, deposits and prepayments	113,071	215,943	111,869	214,783
	209,404	326,848	416,787	523,579

The unquoted Islamic Subordinated Bond, issued by the Bank's Islamic subsidiary, OCBC Al-Amin, was subscribed by the Bank in connection with the transfer and vesting of its Islamic Banking business to OCBC Al-Amin.

The amount due from subsidiary is unsecured, interest/profit free and payable on demand.

Included in other receivables, deposits and prepayments are receivables arising from disposal of investment properties of NIL (31 December 2013: RM28.7 million).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****19 DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
i) <u>By type of deposit</u>				
Demand deposits	12,698,410	10,878,995	10,147,183	8,650,041
Saving deposits	5,458,944	5,676,866	5,138,784	5,362,734
Fixed/Investment deposits	45,676,969	38,366,908	39,813,074	35,041,048
Negotiable instruments of deposit	118,588	8,724	10,509	12,484
Short-term money market deposits	3,147,841	3,687,903	2,498,664	2,970,927
Structured investments	4,270,858	4,391,810	4,270,858	4,391,810
	<u>71,371,610</u>	<u>63,011,206</u>	<u>61,879,072</u>	<u>56,429,044</u>
ii) <u>By type of customer</u>				
Government and statutory bodies	464,318	11,635	151,966	1,993
Business enterprises	27,396,081	23,889,485	22,897,459	20,498,641
Individuals	29,664,787	27,502,927	27,008,968	26,420,986
Foreign entities	2,807,831	2,066,521	2,757,496	2,032,529
Others	11,038,593	9,540,638	9,063,183	7,474,895
	<u>71,371,610</u>	<u>63,011,206</u>	<u>61,879,072</u>	<u>56,429,044</u>
iii) <u>By maturity structure</u>				
Within six months	59,030,387	51,852,481	50,679,820	46,076,438
Six months to one year	7,275,612	8,063,607	6,158,283	7,259,368
One year to three years	2,923,451	871,375	2,918,757	869,499
Three years to five years	1,287,214	1,373,743	1,287,214	1,373,739
Over five years	854,946	850,000	834,998	850,000
	<u>71,371,610</u>	<u>63,011,206</u>	<u>61,879,072</u>	<u>56,429,044</u>

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Licensed banks	8,401,793	9,470,945	7,875,497	8,922,671
Other financial institutions	153,730	152,819	153,730	152,819
	<u>8,555,523</u>	<u>9,623,764</u>	<u>8,029,227</u>	<u>9,075,490</u>

21 SUBORDINATED TERM LOAN/BONDS

	Group and Bank	
	30 September 2014 RM'000	31 December 2013 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	500,188	502,377
RM600 million Redeemable Subordinated Bonds 2012/2022	592,710	591,343
	<u>1,692,898</u>	<u>1,693,720</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****22 OTHER LIABILITIES**

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Equity compensation benefits	10,748	9,569	10,748	9,569
Provision for commitments and contingencies	6,526	4,809	6,526	4,809
Interest/Profit payable	466,272	378,718	409,742	352,670
Other accruals and charges	386,286	390,380	339,368	346,678
Amount due to subsidiary companies	-	-	59,411	35,139
	869,832	783,476	825,795	748,865

23 NET INTEREST INCOME

Group	Quarter ended		Year to date ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	646,579	568,890	1,841,933	1,647,728
- Recoveries from impaired loans, advances and financing	16,702	15,474	45,283	50,986
- Discount unwind from impaired loans, advances and financing	756	524	2,101	1,368
Money at call and deposit placements with banks and other financial institutions	87,628	59,572	221,596	178,374
Financial assets held-for-trading	7,100	8,493	19,982	20,249
Financial investments available-for-sale	89,036	73,737	278,404	200,629
Others	8,537	4,768	14,243	10,925
	856,338	731,458	2,423,542	2,110,259
Interest expense				
Deposits from customers	438,610	365,996	1,222,760	1,036,428
Deposits and placements of banks and other financial institutions	34,690	14,757	104,401	48,599
Recourse obligation on loans sold to Cagamas Berhad	-	89	-	609
Subordinated term loan/bonds	20,645	19,888	60,358	59,048
Others	12,174	10,511	23,071	19,361
	506,119	411,241	1,410,590	1,164,045
Net interest income	350,219	320,217	1,012,952	946,214

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

23 NET INTEREST INCOME (continued)

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Bank	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	646,579	568,748	1,841,933	1,647,728
- Recoveries from impaired loans, advances and financing	16,702	15,474	45,283	50,986
- Discount unwind from impaired loans, advances and financing	756	524	2,101	1,368
Money at call and deposit placements with banks and other financial institutions	103,805	72,179	257,982	205,370
Financial assets held-for-trading	7,100	8,493	19,982	20,249
Financial investments available-for-sale	89,703	74,538	280,523	202,775
Unquoted Islamic subordinated bond of subsidiary	2,748	2,748	8,153	8,153
Others	8,537	4,768	14,243	10,925
	<u>875,930</u>	<u>747,472</u>	<u>2,470,200</u>	<u>2,147,554</u>
Interest expense				
Deposits from customers	438,610	365,996	1,222,760	1,036,428
Deposits and placements of banks and other financial institutions	41,321	17,398	120,528	56,607
Recourse obligation on loans sold to Cagamas Berhad	-	89	-	609
Subordinated term loan/bonds	20,645	19,888	60,358	59,048
Others	12,174	10,511	23,071	19,361
	<u>512,750</u>	<u>413,882</u>	<u>1,426,717</u>	<u>1,172,053</u>
Net interest income	<u>363,180</u>	<u>333,590</u>	<u>1,043,483</u>	<u>975,501</u>

24 INCOME FROM ISLAMIC BANKING OPERATIONS

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Group	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	170,240	121,605	452,789	329,379
Income derived from investment of shareholder's funds	25,027	18,711	63,951	52,519
Income attributable to depositors	(70,202)	(39,879)	(176,216)	(109,654)
	<u>125,065</u>	<u>100,437</u>	<u>340,524</u>	<u>272,244</u>

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

25 NET FEE AND COMMISSION INCOME

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Commission	34,883	26,232	91,719	76,634
Service charges and fees	28,289	47,101	96,044	112,731
Guarantee fees	7,236	10,356	24,220	25,011
Other fee income	4,669	2,506	9,782	7,807
	<u>75,077</u>	<u>86,195</u>	<u>221,765</u>	<u>222,183</u>

26 NET TRADING INCOME

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
<u>Group and Bank</u>	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss)	6,747	(23,398)	18,212	(57,176)
Realised gain on financial assets held-for-trading	12,111	4,541	26,028	23,647
Realised gain/(loss) on trading derivatives	4,264	(15,169)	108,948	8,764
Unrealised (loss)/gain on financial assets held-for-trading	(2,089)	(1,326)	567	(582)
Unrealised gain/(loss) on trading derivatives	10,317	44,806	(40,406)	140,564
	<u>31,350</u>	<u>9,454</u>	<u>113,349</u>	<u>115,217</u>

27 OTHER OPERATING INCOME

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) from disposal of:				
- Investment properties	1,762	7,127	15,933	8,385
- Property, plant and equipment	(7)	(11)	(121)	(286)
Gross dividends from financial investments available-for-sale				
- Malaysia	175	245	625	582
- Outside Malaysia	-	-	-	73
Gross dividends from financial assets held-for-trading				
- Malaysia	300	21	532	144
Realised (loss)/gain on disposal of financial investments available-for-sale	(168)	1,624	(9,873)	26,787
Rental of premises	1,605	1,786	4,919	5,240
Rental of safe deposit box	1,275	995	4,127	3,397
Unrealised gain/(loss) on hedging derivatives	130	(17)	(251)	(197)
Others	908	809	2,641	3,053
	<u>5,980</u>	<u>12,579</u>	<u>18,532</u>	<u>47,178</u>

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

27 OTHER OPERATING INCOME (continued)

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Bank	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) from disposal of:				
- Investment properties	1,762	7,127	15,933	8,385
- Property, plant and equipment	(7)	(11)	(121)	(286)
Gross dividends from financial investments available-for-sale				
- Malaysia	175	245	625	582
- Outside Malaysia	-	-	-	73
Gross dividends from financial assets held-for-trading				
- Malaysia	300	21	532	144
Realised (loss)/gain on disposal of financial investments available-for-sale	(168)	1,624	(9,873)	26,787
Rental of premises	1,625	1,793	4,971	5,269
Rental of safe deposit box	1,275	995	4,127	3,397
Shared services income received from subsidiary	27,765	16,385	78,186	50,076
Unrealised gain/(loss) on hedging derivatives	130	(17)	(251)	(197)
Others	908	810	2,723	3,053
	33,765	28,972	96,852	97,283

28 OPERATING EXPENSES

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Group	RM'000	RM'000	RM'000	RM'000
Personnel expenses	125,446	105,965	338,669	316,798
Establishment expenses	23,961	25,461	69,712	73,799
Marketing expenses	10,686	11,198	30,656	25,651
General administrative expenses	87,868	80,492	257,010	226,300
	247,961	223,116	696,047	642,548
Bank				
Personnel expenses	116,022	99,152	312,555	300,035
Establishment expenses	22,239	23,319	64,100	67,405
Marketing expenses	9,538	10,266	27,757	24,241
General administrative expenses	81,288	74,356	238,048	209,842
	229,087	207,093	642,460	601,523

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**28 OPERATING EXPENSES (continued)**

Group	Quarter ended		Year to date ended	
	30 September 2014 RM'000	30 September 2013 RM'000	30 September 2014 RM'000	30 September 2013 RM'000
<u>Personnel expenses</u>				
Wages, salaries and bonus	98,161	82,478	265,964	253,859
Employees Provident Fund Contributions	15,472	12,952	42,076	39,121
Share-based expenses	1,442	1,205	5,088	2,986
Others	10,371	9,330	25,541	20,832
	<u>125,446</u>	<u>105,965</u>	<u>338,669</u>	<u>316,798</u>
<u>Establishment expenses</u>				
Depreciation of property, plant and equipment	11,518	12,608	35,006	38,459
Rental of premises	4,339	4,121	12,474	12,303
Repair and maintenance	1,711	2,030	5,351	5,358
Information technology costs	882	916	2,818	2,032
Hire of equipment	200	311	672	959
Depreciation of investment properties	45	43	136	129
Amortisation of prepaid lease payments	9	9	27	27
Others	5,257	5,423	13,228	14,532
	<u>23,961</u>	<u>25,461</u>	<u>69,712</u>	<u>73,799</u>
<u>Marketing expenses</u>				
Advertisement and business promotion	8,779	9,092	24,579	19,992
Transport and travelling	1,350	1,512	4,242	4,281
Others	557	594	1,835	1,378
	<u>10,686</u>	<u>11,198</u>	<u>30,656</u>	<u>25,651</u>
<u>General administrative expenses</u>				
Intercompany expenses	65,585	58,771	200,019	169,783
Others	22,283	21,721	56,991	56,517
	<u>87,868</u>	<u>80,492</u>	<u>257,010</u>	<u>226,300</u>
Bank				
<u>Personnel expenses</u>				
Wages, salaries and bonus	90,736	77,097	245,257	240,477
Employees Provident Fund Contributions	14,340	12,094	38,780	37,056
Share-based expenses	1,387	1,175	4,921	2,914
Others	9,559	8,786	23,597	19,588
	<u>116,022</u>	<u>99,152</u>	<u>312,555</u>	<u>300,035</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**28 OPERATING EXPENSES (continued)**

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Bank	RM'000	RM'000	RM'000	RM'000
<u>Establishment expenses</u>				
Depreciation of property, plant and equipment	10,926	11,751	33,108	35,799
Rental of premises	3,799	3,439	10,783	10,237
Repair and maintenance	1,640	1,934	5,030	5,058
Information technology costs	867	908	2,755	2,035
Hire of equipment	200	311	672	959
Depreciation of investment properties	45	43	136	129
Amortisation of prepaid lease payments	9	9	27	27
Others	4,753	4,924	11,589	13,161
	<u>22,239</u>	<u>23,319</u>	<u>64,100</u>	<u>67,405</u>
<u>Marketing expenses</u>				
Advertisement and business promotion	7,982	8,309	22,499	19,071
Transport and travelling	1,111	1,403	3,571	3,870
Others	445	554	1,687	1,300
	<u>9,538</u>	<u>10,266</u>	<u>27,757</u>	<u>24,241</u>
<u>General administrative expenses</u>				
Intercompany expenses	60,008	53,396	183,164	155,502
Others	21,280	20,960	54,884	54,340
	<u>81,288</u>	<u>74,356</u>	<u>238,048</u>	<u>209,842</u>

29 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Group	RM'000	RM'000	RM'000	RM'000
Impairment allowance on loan, advances and financing				
Individual impairment allowance				
- Made during the period	58,971	46,850	168,461	134,539
- Written back	(27,772)	(20,670)	(83,212)	(67,041)
Collective impairment allowance				
- Made during the period	40,659	5,069	106,799	34,801
Impaired loans, advances and financing				
- Recovered during the period	(7,121)	(11,048)	(26,760)	(58,949)
Others	21	10	42	105
	<u>64,758</u>	<u>20,211</u>	<u>165,330</u>	<u>43,455</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****29 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING (continued)**

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Bank	RM'000	RM'000	RM'000	RM'000
Impairment allowance on loan, advances and financing				
Individual impairment allowance				
- Made during the period	30,522	27,096	86,521	81,502
- Written back	(19,053)	(13,210)	(57,231)	(46,073)
Collective impairment allowance				
- Made during the period	15,502	-	43,767	22,362
Impaired loans, advances and financing				
- Recovered during the period	(4,723)	(8,789)	(19,305)	(52,335)
Others	21	10	42	105
	<u>22,269</u>	<u>5,107</u>	<u>53,794</u>	<u>5,561</u>

30 INCOME TAX EXPENSE

	Quarter ended		Year to date ended	
	30 September 2014	30 September 2013	30 September 2014	30 September 2013
Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current period	78,075	63,123	206,989	216,883
- Prior years	-	(12,227)	(2,062)	(12,227)
Deferred tax				
- Origination and reversal of temporary differences	(11,275)	5,733	(2,256)	8,512
- Prior years	-	13,330	-	13,330
	<u>66,800</u>	<u>69,959</u>	<u>202,671</u>	<u>226,498</u>
Bank				
Malaysian income tax				
- Current period	74,014	55,402	194,941	193,913
- Prior years	-	(8,816)	(2,062)	(8,816)
Deferred tax				
- Origination and reversal of temporary differences	(10,594)	4,099	(2,305)	6,871
- Prior years	-	10,826	-	10,826
	<u>63,420</u>	<u>61,511</u>	<u>190,574</u>	<u>202,794</u>

31 CAPITAL COMMITMENTS

	Group		Bank	
	30 September 2014	31 December 2013	30 September 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Capital expenditure in respect of property, plant and equipment				
- Authorised and contracted for	4,490	20,486	4,469	19,778
- Authorised but not contracted for	35,712	48,087	35,712	39,097
	<u>40,202</u>	<u>68,573</u>	<u>40,181</u>	<u>58,875</u>

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

32 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 unaudited condensed interim financial statements, no material losses are anticipated as a result of these transactions.

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

<u>Group</u>	30 September 2014			31 December 2013		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	623,091	623,091	487,190	982,350	982,350	761,856
Transaction-related contingent items	2,232,562	1,116,281	816,474	1,882,814	941,407	670,805
Short-term self-liquidating trade-related contingencies	515,614	103,123	51,833	582,864	116,573	59,588
Commitments with certain drawdowns	106,351	106,351	14,308	-	-	-
Foreign exchange related contracts						
- Less than one year	18,994,067	323,675	51,089	19,668,042	463,469	126,183
- One year to less than five years	5,614,260	786,148	315,817	5,996,485	867,425	387,360
- Five years and above	1,639,900	360,322	231,322	1,546,402	361,752	248,990
Interest rate contracts						
- Less than one year	8,963,658	19,280	2,255	7,587,913	15,273	3,411
- One year to less than five years	23,868,396	604,887	165,937	19,062,504	530,479	246,260
- Five years and above	2,198,196	161,995	73,251	2,431,310	206,115	154,141
Credit derivative contracts	1,007,300	84,067	18,475	1,044,050	98,292	67,499
Equity and commodity related contracts	692,453	72,949	7,347	398,551	41,254	6,455
Formal standby facilities and credit lines						
- Maturity not exceeding one year	21,180	21,180	7,712	19,499	19,499	6,161
- Maturity exceeding one year	6,141,469	5,608,046	970,538	5,230,602	4,870,726	812,658
Other unconditionally cancellable commitments	17,065,324	2,035,903	476,108	16,689,869	1,974,074	473,255
Total	89,683,821	12,027,298	3,689,656	83,123,255	11,488,688	4,024,622

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

32 COMMITMENTS AND CONTINGENCIES (continued)

<u>Bank</u>	30 September 2014			31 December 2013		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	592,444	592,444	465,104	937,864	937,864	714,073
Transaction-related contingent items	2,016,778	1,008,389	721,965	1,692,148	846,074	593,809
Short-term self-liquidating trade-related contingencies	488,100	97,620	49,232	529,412	105,882	53,466
Commitments with certain drawdowns	106,351	106,351	14,308	-	-	-
Foreign exchange related contracts						
- Less than one year	18,968,746	323,579	51,082	19,661,953	463,413	126,173
- One year to less than five years	5,614,260	786,148	315,817	5,996,485	867,425	387,360
- Five years and above	1,639,900	360,322	231,322	1,546,402	361,752	248,990
Interest rate contracts						
- Less than one year	8,963,658	19,280	2,255	7,587,913	15,273	3,411
- One year to less than five years	23,868,396	604,887	165,937	19,062,504	530,479	246,260
- Five years and above	2,198,196	161,995	73,251	2,431,310	206,115	154,141
Credit derivative contracts	1,007,300	84,067	18,475	1,044,050	98,292	67,499
Equity and commodity related contracts	692,453	72,950	7,347	398,552	41,255	6,454
Formal standby facilities and credit lines						
- Maturity not exceeding one year	19,797	19,797	6,567	17,579	17,579	5,125
- Maturity exceeding one year	5,597,136	5,142,540	848,651	4,847,169	4,544,116	724,281
Other unconditionally cancellable commitments	16,228,643	2,033,070	474,959	15,848,062	1,971,165	471,630
Total	88,002,158	11,413,439	3,446,272	81,601,403	11,006,684	3,802,672

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

33 FAIR VALUES OF FINANCIAL INSTRUMENTS

Fair values

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction.

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 financing 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, plant and equipment, investment properties, prepaid lease payments and investments in subsidiary companies.

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/to banks and other financial institutions with maturity of one year or more

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 period to maturity.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

33 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

A) Fair value measurement (continues)

i) Financial assets and financial liabilities (continued)

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.

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 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) Subordinated term loan / bonds

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

ii) Off-statement 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-statement of financial position financial instruments are disclosed in Note 17.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****33 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****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.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Group				
30 September 2014				
Financial assets at fair value				
Held-for-trading	1,042,383	-	-	1,042,383
Available-for-sale	8,785,987	3,195,516	108,546	12,090,049
Derivative assets	4,852	630,897	18,272	654,021
	<u>9,833,222</u>	<u>3,826,413</u>	<u>126,818</u>	<u>13,786,453</u>
Financial liabilities at fair value				
Derivative liabilities	<u>4,289</u>	<u>568,745</u>	<u>20,395</u>	<u>593,429</u>
31 December 2013				
Financial assets at fair value				
Held-for-trading	337,218	17,755	-	354,973
Available-for-sale	7,683,970	3,867,074	108,546	11,659,590
Derivative assets	2,831	774,133	41,232	818,196
	<u>8,024,019</u>	<u>4,658,962</u>	<u>149,778</u>	<u>12,832,759</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,632</u>	<u>679,542</u>	<u>46,359</u>	<u>728,533</u>
Bank				
30 September 2014				
Financial assets at fair value				
Held-for-trading	1,042,383	-	-	1,042,383
Available-for-sale	6,806,819	2,541,502	108,546	9,456,867
Derivative assets	4,865	630,862	18,272	653,999
	<u>7,854,067</u>	<u>3,172,364</u>	<u>126,818</u>	<u>11,153,249</u>
Financial liabilities at fair value				
Derivative liabilities	<u>4,289</u>	<u>568,809</u>	<u>20,395</u>	<u>593,493</u>
31 December 2013				
Financial assets at fair value				
Held-for-trading	337,218	17,755	-	354,973
Available-for-sale	6,137,360	3,433,855	108,546	9,679,761
Derivative assets	2,833	774,121	41,232	818,186
	<u>6,477,411</u>	<u>4,225,731</u>	<u>149,778</u>	<u>10,852,920</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,632</u>	<u>679,540</u>	<u>46,359</u>	<u>728,531</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****33 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy of financial assets and liabilities (continued)**

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

	Group and Bank		
	Held for Trading RM'000	Available for-sale RM'000	Total RM'000
30 September 2014			
Financial assets at fair value			
At 1 January	41,232	108,546	149,778
Purchases	9	-	9
Settlements/disposals	(12)	-	(12)
Recognised in profit or loss			
- Realised loss	(16,595)	-	(16,595)
- Unrealised loss	(6,362)	-	(6,362)
At 30 September	<u>18,272</u>	<u>108,546</u>	<u>126,818</u>
Financial liabilities at fair value			
At 1 January	46,359	-	46,359
Issues	1,175	-	1,175
Reclassified to other liabilities	(3,595)	-	(3,595)
Recognised in profit or loss			
- Realised loss	(13,478)	-	(13,478)
- Unrealised loss	(10,066)	-	(10,066)
At 30 September	<u>20,395</u>	<u>-</u>	<u>20,395</u>
31 December 2013			
Financial assets at fair value			
At 1 January	103,177	108,546	211,723
Purchases	12	-	12
Settlements/disposals	(51,515)	-	(51,515)
Recognised in profit or loss			
- Realised loss	(14,295)	-	(14,295)
- Unrealised gain	3,853	-	3,853
At 31 December	<u>41,232</u>	<u>108,546</u>	<u>149,778</u>
Financial liabilities at fair value			
At 1 January	86,182	-	86,182
Issues	1,675	-	1,675
Reclassified to other liabilities	(55,115)	-	(55,115)
Recognised in profit or loss			
- Realised gain	12,106	-	12,106
- Unrealised gain	1,511	-	1,511
At 31 December	<u>46,359</u>	<u>-</u>	<u>46,359</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****33 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 period, financial investments available-for-sale for the Group with a carrying amount of RM2,323,876,000 (31 December 2013: RM44,368,000) respectively were transferred from Level 2 to Level 1 because active market price is available.

During the financial period, financial investments available-for-sale for the Bank with a carrying amount of RM212,552,200 (31 December 2013: RM44,368,000) respectively were transferred from Level 2 to Level 1 because active market price is available.

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

Group and Bank	30 September 2014 Fair value RM'000	31 December 2013 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Derivative assets	18,272	41,232	Hedge for trading	Option pricing model	Standard deviation
Liabilities					
Derivative liabilities	20,395	46,359	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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****33 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy of financial assets and liabilities (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 functions. 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. The table does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

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 September 2014				
Financial assets				
Loans, advances and financing	<u>60,891,882</u>	<u>60,916,675</u>	<u>52,216,309</u>	<u>52,222,910</u>
31 December 2013				
Financial assets				
Loans, advances and financing	<u>55,698,871</u>	<u>55,783,734</u>	<u>48,935,917</u>	<u>48,936,533</u>

The following is the method and assumption used to estimate the fair value of the above category of financial instruments:

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 on expected future discounted cash flows using market rates loan, advances and financing of similar credit risk and maturity. For impaired loans, advances and financing, the fair values are carried at amortised costs net of individual and collective impairment allowances.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

34 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:

(i) Business Banking

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

(ii) 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.

(iii) 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.

(iv) 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 profit. Transactions between operating segments are based on mutually agreed allocation bases. Funds 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 a non-profit basis.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)****34 SEGMENT INFORMATION (continued)****Major Customers**

Revenues from no single customer amounted to greater than 10% of the Group's revenues for the current financial year (2013: Nil).

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 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 expense 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
Gross loans, advances and financing	35,218,976	26,475,660	-	85,865	61,780,501
Deposits from customers	38,861,152	28,059,159	4,451,299	-	71,371,610
Gross impaired loans, advances and financing	1,100,612	304,378	-	-	1,404,990
30 September 2013					
Net interest/finance income	649,680	354,558	109,106	68,966	1,182,310
Non Interest/finance income	104,426	90,152	178,467	47,681	420,726
Operating income	754,106	444,710	287,573	116,647	1,603,036
Operating expenses	(243,437)	(323,754)	(55,681)	(19,676)	(642,548)
Operating profit before impairment allowance and provision	510,669	120,956	231,892	96,971	960,488
Write back/(Impairment) of allowances and provision for commitments and contingencies	8,222	(51,611)	-	(66)	(43,455)
Profit before income tax expense and zakat	518,891	69,345	231,892	96,905	917,033
Income tax expense and zakat	(129,675)	(17,343)	(57,975)	(21,528)	(226,521)
Profit for the period	389,216	52,002	173,917	75,377	690,512
31 December 2013					
Gross loans, advances and financing	33,421,500	22,970,757	-	94,263	56,486,520
Deposits from customers	32,626,969	26,400,416	3,983,821	-	63,011,206
Gross impaired loans, advances and financing	1,033,383	274,148	-	-	1,307,531

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

35 CAPITAL ADEQUACY

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

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 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	3,779,754	3,996,728	3,671,766	3,923,458
Other reserves	700,037	515,619	538,000	358,308
CET 1 capital	5,229,791	5,262,347	4,959,766	5,031,766
Regulatory adjustment for CET 1	(228,048)	(316,452)	(304,429)	(270,760)
Eligible CET 1 capital	5,001,743	4,945,895	4,655,337	4,761,006
Additional Tier 1 Capital				
Paid-up non-cumulative, non-convertible perpetual preference shares	3,200	3,600	3,200	3,600
Preference share premium	316,800	356,400	316,800	356,400
Innovative Tier 1 capital	320,000	360,000	320,000	360,000
Eligible Tier 1 capital	5,641,743	5,665,895	5,295,337	5,481,006
Tier 2 capital				
Collective impairment allowance and regulatory reserves under the Standardised Approach*	18,408	19,124	7,975	10,519
Surplus eligible provisions over expected losse	-	-	6,632	-
Subordinated term loan/bonds	1,040,000	1,170,000	1,040,000	1,170,000
	1,058,408	1,189,124	1,054,607	1,180,519
Regulatory adjustment for Tier 2 capital	-	-	(597,294)	(576,617)
Eligible Tier 2 capital	1,058,408	1,189,124	457,313	603,902
Capital base	6,700,151	6,855,019	5,752,650	6,084,908

* Excluding the collective impairment allowance on impaired loans, advances and financing

Before deducting proposed dividend**

CET 1 capital ratio	12.273%	12.773%	13.369%	14.158%
Tier 1 capital ratio	13.843%	14.632%	15.207%	16.299%
Total Capital ratio	16.440%	17.703%	16.520%	18.095%

After deducting proposed dividend**

CET 1 capital ratio	12.273%	11.619%	13.369%	12.830%
Tier 1 capital ratio	13.843%	13.478%	15.207%	14.971%
Total Capital ratio	16.440%	16.549%	16.520%	16.767%

** Proposed dividend refers to the proposed final dividend for financial year ended 31 December 2013.

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2014
(continued)**

35 CAPITAL ADEQUACY (continued)

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

	Group		Bank	
	30 September 2014 RM'000	31 December 2013 RM'000	30 September 2014 RM'000	31 December 2013 RM'000
Credit risk RWA	35,258,991	34,148,404	29,842,139	29,473,684
Market risk RWA	1,476,840	737,026	1,486,236	737,031
Operational risk RWA	4,018,769	3,837,567	3,493,371	3,416,725
	40,754,600	38,722,997	34,821,746	33,627,440

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

	30 September 2014 RM'000	31 December 2013 RM'000
CET 1 capital ratio	11.639%	10.549%
Tier 1 capital ratio	11.639%	10.549%
Total capital ratio	14.402%	14.125%

The capital adequacy ratios of OCBC Al-Amin Bank Berhad are computed in accordance with Bank Negara Malaysia'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.