

**OCBC BANK (MALAYSIA) BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

Domiciled in Malaysia  
Registered office:  
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50050 Kuala Lumpur

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

<b>CONTENTS</b>	<b>PAGE</b>
STATEMENT 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
STATEMENT OF CASH FLOWS	10 - 11
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	12 - 49

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016**

	Note	Group		Bank	
		30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
<b>ASSETS</b>					
Cash and cash equivalents	9	9,789,103	5,443,390	8,249,953	4,862,227
Deposits and placements with banks and other financial institutions	10	2,532,531	-	3,283,491	1,076,407
Financial assets held-for-trading	11	1,272,890	1,545,745	1,272,890	1,545,745
Financial investments available-for-sale	12	12,397,248	13,687,018	8,761,399	10,629,759
Loans, advances and financing	13	68,050,224	68,468,175	58,516,968	58,580,383
Derivative financial assets	15	1,427,866	2,104,912	1,426,946	2,104,507
Other assets	16	273,714	317,835	481,345	495,733
Statutory deposits with Bank Negara Malaysia		2,152,172	2,386,312	1,793,772	1,980,212
Investments in subsidiaries		-	-	558,492	556,617
Property and equipment		202,006	213,085	186,325	198,859
Prepaid lease payments		802	820	802	820
Investment properties		-	2,428	-	2,428
Non-current assets held for sale		-	1,595	-	1,595
Deferred tax assets		-	14,492	-	12,156
Current tax assets		3,785	4,907	-	-
<b>Total assets</b>		<b>98,102,341</b>	<b>94,190,714</b>	<b>84,532,383</b>	<b>82,047,448</b>
<b>LIABILITIES</b>					
Deposits from customers	17	75,864,958	73,465,634	63,849,667	63,366,892
Deposits and placements of banks and other financial institutions	18	9,967,456	8,098,511	9,131,259	6,665,892
Bills and acceptances payable		163,206	146,894	145,507	128,224
Recourse obligation on loans sold to Cagamas Berhad		1,339,243	1,148,897	1,339,243	1,148,897
Subordinated bonds	19	2,165,856	2,225,370	2,165,856	2,225,370
Derivative financial liabilities	15	1,464,648	1,979,824	1,464,195	1,979,249
Other liabilities	20	1,000,982	1,033,595	836,166	883,707
Deferred tax liabilities		9,027	-	7,158	-
Current tax liabilities and zakat		4,645	21,600	5,157	21,560
<b>Total liabilities</b>		<b>91,980,021</b>	<b>88,120,325</b>	<b>78,944,208</b>	<b>76,419,791</b>
<b>EQUITY</b>					
Share capital		287,500	287,500	287,500	287,500
Reserves		5,834,040	5,782,889	5,300,675	5,340,157
Non-controlling interest		780	-	-	-
<b>Total equity attributable to owner of the Bank</b>		<b>6,122,320</b>	<b>6,070,389</b>	<b>5,588,175</b>	<b>5,627,657</b>
<b>Total liabilities and equity</b>		<b>98,102,341</b>	<b>94,190,714</b>	<b>84,532,383</b>	<b>82,047,448</b>
<b>Commitments and contingencies</b>	29	<b>104,287,911</b>	<b>109,531,585</b>	<b>100,837,272</b>	<b>106,100,743</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

OCBC BANK (MALAYSIA) BERHAD  
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

<b>Group</b>	Note	<b>Quarter ended</b>		<b>Year to date ended</b>	
		<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
Interest income	21	892,376	894,124	1,782,595	1,754,606
Interest expense	21	(557,963)	(546,515)	(1,116,968)	(1,078,455)
Net interest income	21	334,413	347,609	665,627	676,151
Income from Islamic banking operations	22	118,997	123,069	245,491	253,024
Net fee and commission income	23	60,645	92,551	127,159	170,127
Net trading income	24	46,394	43,742	107,063	91,444
Other operating income	25	37,310	8,797	47,705	18,750
<b>Operating income</b>		<b>597,759</b>	<b>615,768</b>	<b>1,193,045</b>	<b>1,209,496</b>
Operating expenses	26	(275,363)	(253,604)	(537,151)	(496,927)
<b>Operating profit before impairment allowance and provision</b>		<b>322,396</b>	<b>362,164</b>	<b>655,894</b>	<b>712,569</b>
Impairment allowance on loans, advances and financing	27	(29,342)	(80,407)	(68,262)	(123,978)
Write back of impairment allowance on other receivables		115	-	1,733	-
<b>Profit before income tax and zakat</b>		<b>293,169</b>	<b>281,757</b>	<b>589,365</b>	<b>588,591</b>
Income tax expense	28	(71,052)	(70,404)	(143,444)	(145,269)
Zakat		(11)	(10)	(22)	(20)
<b>Profit for the period</b>		<b>222,106</b>	<b>211,343</b>	<b>445,899</b>	<b>443,302</b>
<b>Other comprehensive income/(expense), net of income tax</b>					
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Fair value (available-for-sale) reserve					
- Change in fair value		38,590	(27,968)	92,724	33,523
- Amount transferred to profit or loss		(29,656)	(2,829)	(31,818)	(10,285)
Income tax (expense)/credit relating to components of other comprehensive income/(expense)		(2,911)	8,812	(17,978)	(5,151)
<b>Other comprehensive income/(expense) for the period, net of income tax</b>		<b>6,023</b>	<b>(21,985)</b>	<b>42,928</b>	<b>18,087</b>
<b>Total comprehensive income for the period</b>		<b>228,129</b>	<b>189,358</b>	<b>488,827</b>	<b>461,389</b>
<b>Profit attributable to :</b>					
Owner of the Bank		222,106	211,343	445,923	443,302
Non-controlling interest		-	-	(24)	-
		<b>222,106</b>	<b>211,343</b>	<b>445,899</b>	<b>443,302</b>
<b>Total comprehensive income attributable to</b>					
Owner of the Bank		342,179	189,358	342,179	461,389
Non-controlling interest		146,648	-	146,648	-
		<b>488,827</b>	<b>189,358</b>	<b>488,827</b>	<b>461,389</b>
<b>Basic earnings per ordinary share (sen)</b>		<b>77.3</b>	<b>73.5</b>	<b>155.1</b>	<b>151.1</b>

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OCBC BANK (MALAYSIA) BERHAD  
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

<b>Bank</b>	Note	<b>Quarter ended</b>		<b>Year to date ended</b>	
		<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
Interest income	21	906,063	906,969	1,814,510	1,783,035
Interest expense	21	(565,759)	(553,984)	(1,132,799)	(1,094,655)
Net interest income	21	340,304	352,985	681,711	688,380
Income from Islamic banking operations					
Net fee and commission income	23	60,645	92,551	127,159	170,127
Net trading income	24	46,394	43,742	107,063	91,444
Other operating income	25	66,026	35,297	104,222	70,524
<b>Operating income</b>		<b>513,369</b>	<b>524,575</b>	<b>1,020,155</b>	<b>1,020,475</b>
Operating expenses	26	(251,490)	(236,363)	(491,185)	(461,712)
<b>Operating profit before impairment allowance and provision</b>		<b>261,879</b>	<b>288,212</b>	<b>528,970</b>	<b>558,763</b>
Impairment allowance on loans, advances and financing	27	(11,077)	(52,591)	(33,184)	(66,815)
Write back of impairment allowance on other receivables		115	-	1,733	-
<b>Profit before income tax and zakat</b>		<b>250,917</b>	<b>235,621</b>	<b>497,519</b>	<b>491,948</b>
Income tax expense	28	(62,554)	(59,968)	(124,060)	(124,687)
<b>Profit for the period</b>		<b>188,363</b>	<b>175,653</b>	<b>373,459</b>	<b>367,261</b>
<b>Other comprehensive income/(expense), net of income tax</b>					
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Fair value (available-for-sale) reserve					
- Change in fair value		29,205	(24,891)	70,409	28,059
- Amount transferred to profit or loss		(30,693)	(2,817)	(33,467)	(6,927)
Income tax (expense)/credit relating to components of other comprehensive income/(expense)		(409)	8,042	(12,183)	(4,622)
<b>Other comprehensive (expense)/income for the period, net of income tax</b>		<b>(1,897)</b>	<b>(19,666)</b>	<b>24,759</b>	<b>16,510</b>
<b>Total comprehensive income for the period</b>		<b>186,466</b>	<b>155,987</b>	<b>398,218</b>	<b>383,771</b>
<b>Profit attributable to owner of the Bank</b>		<b>188,363</b>	<b>175,653</b>	<b>373,459</b>	<b>367,261</b>
<b>Total comprehensive income attributable to owner of the Bank</b>		<b>186,466</b>	<b>155,987</b>	<b>398,218</b>	<b>383,771</b>
<b>Basic earnings per ordinary share (sen)</b>		<b>65.5</b>	<b>61.1</b>	<b>129.9</b>	<b>124.6</b>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

<u>Group</u>	<i>Non-distributable</i>					<i>Distributable</i>			Total equity RM'000	Non- controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve RM'000	Capital redemption reserve RM'000	Capital reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000			
At 1 January 2016	287,500	462,500	507,000	155,000	4,000	56,619	96,457	4,501,313	6,070,389	-	6,070,389
Fair value (available-for-sale) reserve											
- Change in fair value	-	-	-	-	-	-	92,724	-	92,724	-	92,724
- Amount transferred to profit or loss	-	-	-	-	-	-	(31,818)	-	(31,818)	-	(31,818)
Income tax expense relating to components of other comprehensive income	-	-	-	-	-	-	(17,978)	-	(17,978)	-	(17,978)
<b>Total other comprehensive income for the period</b>	-	-	-	-	-	-	42,928	-	42,928	-	42,928
Profit for the period	-	-	-	-	-	-	-	445,923	445,923	(24)	445,899
<b>Total comprehensive income for the period</b>	-	-	-	-	-	-	42,928	445,923	488,851	(24)	488,827
Acquisition by non-controlling interest										804	804
<i>Contributions by and distributions to owner of the Bank</i>											
Dividends paid											
- Final 2015 ordinary	-	-	-	-	-	-	-	(437,700)	(437,700)	-	(437,700)
At 30 June 2016	287,500	462,500	507,000	155,000	4,000	56,619	139,385	4,509,536	6,121,540	780	6,122,320

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

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

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

	<i>Non-distributable</i>					<i>Distributable</i>		<b>Total equity RM'000</b>
	<b>Share capital RM'000</b>	<b>Share premium RM'000</b>	<b>Statutory reserve RM'000</b>	<b>Regulatory reserve RM'000</b>	<b>Capital redemption reserve RM'000</b>	<b>Fair value reserve RM'000</b>	<b>Retained earnings RM'000</b>	
<b>Bank</b>								
At 1 January 2016	287,500	462,500	322,000	155,000	4,000	99,719	4,296,938	5,627,657
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	70,409	-	70,409
- Amount transferred to profit or loss	-	-	-	-	-	(33,467)	-	(33,467)
Income tax credit relating to components of other comprehensive income	-	-	-	-	-	(12,183)	-	(12,183)
<b>Total other comprehensive income for the year</b>	-	-	-	-	-	24,759	-	24,759
Profit for the year	-	-	-	-	-	-	373,459	373,459
<b>Total comprehensive income for the year</b>	-	-	-	-	-	24,759	373,459	398,218
<i>Contributions by and distributions to owners of the Bank</i>								
Dividends paid								
- Final 2015 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
At 30 June 2016	287,500	462,500	322,000	155,000	4,000	124,478	4,232,697	5,588,175

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF CHANGES IN EQUITY (CONTINUED)  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016**

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

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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 JUNE 2016**

	<b>Group</b>		<b>Bank</b>	
	<b>Year to date ended</b>		<b>Year to date ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>				
Profit before income tax and zakat	589,365	588,591	497,519	491,948
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	18	18	18	18
Depreciation of investment properties	-	87	-	87
Depreciation of property, plant and equipment	20,208	22,140	17,551	21,111
Dividends received from financial assets held-for-trading	(999)	(507)	(999)	(507)
Dividends received from financial investments available-for-sale	(450)	(450)	(450)	(450)
Impairment/(Write back of) allowance on:				
- Loans, advances and financing	68,262	123,978	33,184	66,815
- Other receivables	(1,733)	-	(1,733)	-
Net (gain)/loss on disposal of:				
- Financial investments available-for-sale	(31,818)	(10,285)	(33,467)	(6,927)
- Investment properties	(478)	-	(478)	-
- Property and equipment	(40)	3	(40)	3
Share-based expenses	2,835	2,728	2,747	2,603
Unrealised loss/(gain) on:				
- Financial assets held-for-trading	5,166	(3,299)	5,166	(3,299)
- Hedging derivatives	(595)	(539)	(595)	(539)
- Trading derivatives	58,162	(15,535)	58,162	(15,535)
- Subordinated bonds	(62,750)	-	(62,750)	-
Operating profit before changes in working capital	645,153	706,930	513,835	555,328
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(2,532,531)	(460,742)	(2,207,084)	(277,586)
Financial assets held-for-trading	268,688	(185,525)	268,688	(185,525)
Loans, advances and financing	349,689	(4,135,637)	30,231	(3,563,352)
Other assets	46,514	(803,148)	16,124	(733,617)
Statutory deposits with Bank Negara Malaysia	234,140	(109,290)	186,440	(87,790)
Derivative financial assets and liabilities	93,087	(52,911)	93,724	(53,114)
Deposits from customers	2,399,324	3,975,428	482,775	3,270,323
Deposits and placements of banks and other financial institutions	1,868,945	4,900,208	2,465,367	4,802,137
Bills and acceptances payable	16,312	8,902	17,283	10,033
Other liabilities	(35,605)	197,570	(50,250)	121,009
<b>Cash generated from operations</b>	<b>3,353,716</b>	<b>4,041,785</b>	<b>1,817,133</b>	<b>3,857,846</b>
Income tax and zakat paid	(153,070)	(117,097)	(133,332)	(106,249)
<b>Net cash generated from operating activities</b>	<b>3,200,646</b>	<b>3,924,688</b>	<b>1,683,801</b>	<b>3,751,597</b>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016 (CONTINUED)**

	<b>Group</b>		<b>Bank</b>	
	<b>Year to date ended</b>		<b>Year to date ended</b>	
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities</b>				
Acquisition of financial investments available-for-sale	(7,260,828)	(7,158,772)	(4,491,896)	(9,771,815)
Acquisition of property and equipment	(6,858)	(8,224)	(2,711)	(7,998)
Dividends received from financial investments available-for-sale	450	450	450	450
Increase in investment in subsidiary	-	-	-	(60,000)
Acquisition of a subsidiary, net of cash and cash equivalents acquired	(345)	-	(1,875)	-
Proceeds from disposal of financial investments available-for-sale	8,657,736	4,279,724	6,445,079	7,476,121
Proceeds from disposal of investment properties	2,073	-	2,073	-
Proceeds from disposal of property and equipment	193	38	159	37
<b>Net cash generated/(used) in investing activities</b>	<b>1,392,421</b>	<b>(2,886,784)</b>	<b>1,951,279</b>	<b>(2,363,205)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to owner of the Bank	(437,700)	(437,700)	(437,700)	(437,700)
Dividends paid to preference shareholders	-	(8,946)	-	(8,946)
Recourse obligation on loans sold to Cagamas Berhad	190,346	375,001	190,346	375,001
<b>Net cash used in financing activities</b>	<b>(247,354)</b>	<b>(71,645)</b>	<b>(247,354)</b>	<b>(71,645)</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,345,713</b>	<b>966,259</b>	<b>3,387,726</b>	<b>1,316,747</b>
<b>Cash and cash equivalents at 1 January</b>	<b>5,443,390</b>	<b>8,273,458</b>	<b>4,862,227</b>	<b>7,780,124</b>
<b>Cash and cash equivalents at 30 June</b>	<b>9,789,103</b>	<b>9,239,717</b>	<b>8,249,953</b>	<b>9,096,871</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016**

### **GENERAL INFORMATION**

The unaudited condensed consolidated interim financial statements of the Bank as at and for the financial period ended 30 June 2016 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

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

### **FINANCIAL PERFORMANCE**

Against the backdrop of moderate growth in the Malaysian economy, the Group recorded a profit after tax of RM446 million for the financial period ended 30 June 2016, representing an increase of RM3 million compared to the last corresponding period. The increase was largely due to lower impairment allowances of RM57 million or 46.3% moderated by a decrease in operating income of RM16 million or 1.4% due to lower net fee and commission income and higher operating expenses of RM40 million or 8.1%.

Total assets grew by RM4 billion or 4% to RM98 billion, mainly as a result of higher cash as well as placements with banks and other financial institutions which increased from RM7 billion to RM12 billion. However, we experienced lower holdings of financial investments available-for-sale (-RM1 billion), derivative financial assets (-RM0.7 billion) and loans, advances and financing (-RM0.4 billion). Customer deposits grew by RM2.4 billion or 3.3%, mainly from demand and saving accounts which increased by 10.4% or RM2 billion.

The Group and the Bank remained well capitalized with Common Equity Tier 1 (CET 1) capital ratios of 12.331% and 12.461%, Tier 1 capital ratios of 14.101% and 14.555% and total capital ratios of 17.318% and 17.265%, respectively.

### **ECONOMIC PERFORMANCE AND PROSPECTS**

The global economy continues to record moderate growth, across major advanced and emerging market economies. Global growth prospects have also become more susceptible to increased downside risks in light of possible repercussions arising from the European Union ("EU") referendum in the United Kingdom. In Asia, persistent weakness in the external sector has weighed on Gross Domestic Product ("GDP") growth, although domestic demand remains supportive. In Malaysia, domestic demand continues to be the main driver of growth. While investment in the oil and gas sector is moderating, overall investment is expected to be supported by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors.

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

### **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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)**

**1 BASIS OF PREPARATION (continued)**

**(a) Statement of compliance**

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

Effective for annual periods commencing on or after 1 January 2017

- Amendments to MFRS 107, *Disclosure Initiative*
- Amendments to MFRS 112, *Recognition of Deferred Tax Assets for Unrealised Losses*

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarification to MFRS 15, *Revenue from Contracts with Customers*

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16, *Leases*

Effective date to be announced by MASB

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

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

**MFRS 9, *Financial Instruments***

In November 2015, MASB issued MFRS 9, *Financial Instruments* effective for annual periods beginning or after 1 January 2018, which replaces MFRS 139, *Financial Instruments: Recognition and Measurement*. Retrospective application is required but comparative information is not compulsory.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)

### 1 BASIS OF PREPARATION (continued)

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

##### **MFRS 9, *Financial Instruments* (continued)**

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

MFRS 9 requires an expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

##### **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*. Under MFRS 15, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good and service.

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.

##### **MFRS 16, *Leases***

On 15 April 2016, MASB issued MFRS 16 effective for annual periods beginning on or after 1 January 2019. MFRS 16 requires recognition of operating lease commitments on balance sheet together with a right of use asset. Given the timing of the release of the standard, the Group and Bank have not yet assessed the potential impact.

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

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2015.

### 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 2015.

### 3 SEASONALITY OF OPERATIONS

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

### 4 SHARE CAPITAL

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****5 CHANGES IN COMPOSITION OF THE GROUP**

The Group acquired 350,000 ordinary shares of RM1.00 each, representing 70% of the issued and paid up ordinary share capital in OCBC Advisers Sdn Bhd for a total consideration of RM1,875,225 from Oversea-Chinese Banking Corporation Limited on 31 May 2016.

Except for the above acquisition, there were no other changes in the composition of the Group during the period.

**6 DIVIDENDS**

Since the end of the previous financial year, the Bank paid a final dividend of 152.2 sen per ordinary share totalling RM437.70 million in respect of the previous financial year on 20 April 2016.

**7 SUBSEQUENT EVENTS**

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

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

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 30 June 2016.

**9 CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Cash and balances with banks and other financial institutions	411,922	646,043	376,914	613,032
Money at call and deposit placements with financial institutions maturing within one month	2,592,617	457,746	2,803,039	1,007,595
Deposit placements with Bank Negara Malaysia	6,784,564	4,339,601	5,070,000	3,241,600
	<b>9,789,103</b>	<b>5,443,390</b>	<b>8,249,953</b>	<b>4,862,227</b>
a) By geographical distribution				
Malaysia	8,773,115	4,996,169	7,242,845	4,420,930
Singapore	673,100	241,756	670,843	241,043
Other ASEAN	3,802	18,863	3,422	18,508
Rest of the world	339,086	186,602	332,843	181,746
	<b>9,789,103</b>	<b>5,443,390</b>	<b>8,249,953</b>	<b>4,862,227</b>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****10 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Licensed banks	2,532,531	-	3,283,491	1,076,407
a) By geographical distribution				
Malaysia	2,371,378	-	3,122,338	1,076,407
Singapore	40,288	-	40,288	-
Rest of the world	120,865	-	120,865	-
	<u>2,532,531</u>	<u>-</u>	<u>3,283,491</u>	<u>1,076,407</u>

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

## b) By residual contractual maturity

Maturity within one year	2,532,531	-	2,966,871	639,772
One year to five years	-	-	296,747	399,022
Over five years	-	-	19,873	37,613
	<u>2,532,531</u>	<u>-</u>	<u>3,283,491</u>	<u>1,076,407</u>

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

As at 30 June 2016, the RPSIA placements amounted to RM0.9 billion (31 December 2015: RM1.05 billion).

**11 FINANCIAL ASSETS HELD-FOR-TRADING**

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>At fair value</b>		
Malaysian Government Investment Issues	153,718	79,782
Malaysian Government Securities	20,280	141,171
Corporate Bonds and Sukuk	1,054,617	1,213,649
Quoted shares in Malaysia	44,275	111,143
	<u>1,272,890</u>	<u>1,545,745</u>



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****12 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>At fair value</b>				
Bank Negara Malaysia Monetary Notes	-	129,637	-	29,877
Foreign Government Debt Securities	521,374	726,654	297,050	507,182
Malaysian Government Investment Issues	5,240,542	4,313,713	2,941,718	2,448,108
Malaysian Government Securities	2,044,164	3,228,090	2,044,164	3,228,090
Malaysian Treasury Bills and Islamic Treasury Bills	277,869	319,518	129,485	89,513
Malaysian Government Debt Securities and Sukuk	208,985	193,610	80,857	63,586
Negotiable Instruments of Deposit and Islamic Negotiable Instruments	798,816	1,599,781	367,674	1,516,059
Corporate Bonds, Sukuk, and Sanadat Mudharabah Cagamas	3,196,478	3,066,995	2,791,431	2,638,324
Quoted shares in Malaysia	296	296	296	296
Debentures	190	190	190	190
	<b>12,288,714</b>	<b>13,578,484</b>	<b>8,652,865</b>	<b>10,521,225</b>
<b>At cost</b>				
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
	<b>12,397,260</b>	<b>13,687,030</b>	<b>8,761,411</b>	<b>10,629,771</b>
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	<b>12,397,248</b>	<b>13,687,018</b>	<b>8,761,399</b>	<b>10,629,759</b>

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

**13 LOANS, ADVANCES AND FINANCING**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>At amortised cost</b>				
Overdrafts	3,115,652	3,199,251	3,115,652	3,199,251
Term loans/financing:				
- Housing loans/financing	27,835,865	27,206,933	25,848,855	25,329,117
- Syndicated term loans/financing	2,357,382	2,323,101	1,931,896	1,928,790
- Hire purchase receivables	709,157	838,167	10	10
- Other term loans/financing	25,313,000	25,999,014	20,719,770	21,121,492
Credit card	532,147	557,136	532,147	557,136
Bills receivable	294,026	432,115	235,601	417,771
Trust receipts	47,620	41,230	47,392	41,020
Claims on customers under acceptance credits	2,572,053	2,511,663	2,201,667	2,123,224
Revolving credit	4,868,876	5,015,232	3,402,433	3,351,192
Staff loans/financing	72,836	77,431	72,836	77,431
Other loans/financing	1,318,974	1,426,495	1,127,437	1,320,630
Gross loans, advances and financing	<b>69,037,588</b>	<b>69,627,768</b>	<b>59,235,696</b>	<b>59,467,064</b>
Allowance for loans, advances and financing				
- Individual impairment	(238,321)	(408,850)	(158,464)	(326,417)
- Collective impairment	(749,043)	(750,743)	(560,264)	(560,264)
Net loans, advances and financing	<b>68,050,224</b>	<b>68,468,175</b>	<b>58,516,968</b>	<b>58,580,383</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****13 LOANS, ADVANCES AND FINANCING (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
a) By type of customer				
Domestic banking institutions	12,108	367	12,108	367
Domestic non-bank financial institutions	1,009,189	1,104,668	964,270	936,542
Domestic business enterprises				
- Small and medium enterprises	13,765,320	14,369,297	11,069,296	11,471,632
- Others	18,724,461	19,301,951	15,037,317	15,622,232
Government and statutory bodies	500,007	-	500,007	-
Individuals	32,471,142	32,133,898	29,619,162	29,297,065
Other domestic entities	1	-	1	-
Foreign entities	2,555,360	2,717,587	2,033,535	2,139,226
	<b>69,037,588</b>	<b>69,627,768</b>	<b>59,235,696</b>	<b>59,467,064</b>
b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	116,881	159,086	92,974	133,468
- Hire purchase receivables	464,921	566,497	10	10
- Other fixed rate loans/financing	6,835,457	7,299,658	4,088,456	4,419,825
Variable rate				
- BLR/BFR plus	43,017,167	43,973,596	40,571,509	41,567,431
- Cost plus	15,767,999	15,857,607	11,847,871	11,686,520
- Other variable rates	2,835,163	1,771,324	2,634,876	1,659,810
	<b>69,037,588</b>	<b>69,627,768</b>	<b>59,235,696</b>	<b>59,467,064</b>
c) By sector				
Agriculture, hunting, forestry and fishing	2,688,447	2,922,444	2,010,611	2,166,205
Mining and quarrying	467,540	425,016	195,060	207,087
Manufacturing	8,172,837	8,776,131	6,287,886	6,703,245
Electricity, gas and water	332,328	332,857	270,069	257,884
Construction	2,005,181	1,925,997	1,570,385	1,583,937
Real estate	7,125,992	6,620,357	6,526,782	6,179,078
Wholesale & retail trade and restaurants & hotels	7,721,027	8,061,935	6,372,135	6,570,903
Transport, storage and communication	1,613,126	1,920,674	1,339,216	1,600,571
Finance, insurance and business services	2,000,403	2,316,106	1,641,009	1,797,626
Community, social and personal services	1,883,432	1,625,147	1,370,392	1,116,041
Household				
- Purchase of residential properties	28,986,407	28,400,582	26,956,378	26,479,554
- Purchase of non-residential properties	1,298,461	1,365,832	1,262,740	1,321,319
- Others	3,509,098	3,585,867	2,624,856	2,622,939
Others	1,233,309	1,348,823	808,177	860,675
	<b>69,037,588</b>	<b>69,627,768</b>	<b>59,235,696</b>	<b>59,467,064</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****13 LOANS, ADVANCES AND FINANCING (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
d) By geographical distribution				
Malaysia	66,801,965	67,260,994	57,199,367	57,328,049
Singapore	669,376	585,668	653,224	570,541
Other ASEAN	393,887	331,549	393,887	331,549
Rest of the world	1,172,360	1,449,557	989,218	1,236,925
	<b>69,037,588</b>	<b>69,627,768</b>	<b>59,235,696</b>	<b>59,467,064</b>

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

## e) By residual contractual maturity

Within one year	14,581,963	15,381,828	12,115,233	12,869,653
One year to five years	9,508,008	8,850,320	7,167,863	6,105,534
Over five years	44,947,617	45,395,620	39,952,600	40,491,877
	<b>69,037,588</b>	<b>69,627,768</b>	<b>59,235,696</b>	<b>59,467,064</b>

**14 IMPAIRED LOANS, ADVANCES AND FINANCING**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
At 1 January	1,434,370	1,277,026	1,148,946	1,080,344
Impaired during the period/year	535,191	1,271,177	381,456	840,253
Reclassified as unimpaired	(180,210)	(456,585)	(150,862)	(409,918)
Amount recovered	(224,795)	(542,631)	(150,810)	(315,198)
Amount written off	(254,601)	(165,646)	(207,085)	(80,064)
Effect of foreign exchange difference	(17,300)	51,029	(11,727)	33,529
At 30 June	<b>1,292,655</b>	<b>1,434,370</b>	<b>1,009,918</b>	<b>1,148,946</b>
Individual impairment allowance	(238,321)	(408,850)	(158,464)	(326,417)
Collective impairment allowance	(12,014)	(11,629)	(8,075)	(7,792)
Net impaired loans, advances and financing	<b>1,042,320</b>	<b>1,013,891</b>	<b>843,379</b>	<b>814,737</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****14 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
a) By sector				
Agriculture, hunting, forestry and fishing	7,921	7,785	6,802	6,163
Mining and quarrying	171,011	194,701	88,225	102,039
Manufacturing	232,875	384,221	196,067	338,746
Electricity, gas and water	-	61	-	-
Construction	36,107	18,049	33,429	13,493
Real estate	68,973	71,567	45,331	48,370
Wholesale & retail trade and restaurants & hotels	197,899	207,361	164,378	173,387
Transport, storage and communication	28,983	88,944	21,968	80,702
Finance, insurance and business services	13,618	16,060	5,980	8,488
Community, social and personal services	13,633	12,162	10,950	9,155
Household				
- Purchase of residential properties	393,322	306,949	347,435	281,601
- Purchase of non-residential properties	29,220	31,732	28,969	31,302
- Others	97,894	93,577	59,833	54,956
Others	1,199	1,201	551	544
	<b>1,292,655</b>	<b>1,434,370</b>	<b>1,009,918</b>	<b>1,148,946</b>
b) By geographical distribution				
Malaysia	1,285,684	1,427,255	1,002,947	1,141,831
Singapore	4,492	5,391	4,492	5,391
Rest of the world	2,479	1,724	2,479	1,724
	<b>1,292,655</b>	<b>1,434,370</b>	<b>1,009,918</b>	<b>1,148,946</b>
The analysis by geography is determined based on where the credit risk resides.				
c) By period overdue				
Less than 3 months	520,736	528,887	349,951	330,699
3 months to less than 6 months	223,357	202,526	161,217	158,523
6 months to less than 9 months	102,573	82,663	78,404	68,204
Over 9 months	445,989	620,294	420,346	591,520
	<b>1,292,655</b>	<b>1,434,370</b>	<b>1,009,918</b>	<b>1,148,946</b>
d) By collateral type				
Property	811,145	845,072	722,951	775,332
Fixed deposits	355	540	355	540
Stock and shares	32	32	32	32
Machinery	179	3,312	-	-
Secured - others	229,383	305,881	125,050	195,991
Unsecured - corporate and other guarantees	825	879	824	871
Unsecured - clean	250,736	278,654	160,706	176,180
	<b>1,292,655</b>	<b>1,434,370</b>	<b>1,009,918</b>	<b>1,148,946</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****14 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Individual impairment allowance</b>				
At 1 January	408,850	323,671	326,417	261,273
Made during the period/year	155,378	379,040	79,079	223,818
Amount written back	(67,017)	(125,887)	(36,037)	(76,688)
Amount written off	(254,601)	(165,646)	(207,085)	(80,064)
Discount unwind	(2,753)	(4,068)	(2,374)	(3,662)
Effect of foreign exchange difference	(1,536)	1,740	(1,536)	1,740
At 30 June/31 December	<b>238,321</b>	<b>408,850</b>	<b>158,464</b>	<b>326,417</b>
<b>Collective impairment allowance</b>				
At 1 January	750,743	683,088	560,264	529,278
Made during the period/year	-	67,655	-	30,986
Amount written back	(1,700)	-	-	-
At 30 June/31 December	<b>749,043</b>	<b>750,743</b>	<b>560,264</b>	<b>560,264</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****14 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

## a) By sector

<u>Group</u>	Individual impairment allowance		Individual impairment allowance charged to profit or loss		Individual impairment allowance written off		Collective impairment allowance	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	138	447	60	778	294	404	32,227	34,805
Mining and quarrying	218	211	235	230	-	57	7,137	6,077
Manufacturing	28,998	172,241	6,468	77,215	146,145	27,104	95,914	100,983
Electricity, gas and water	-	62	-	136	-	-	3,770	3,859
Construction	4,030	4,080	2,468	6,186	1,952	8,389	23,286	21,422
Real estate	10,774	9,500	1,705	8,435	19	53	73,374	66,735
Wholesale & retail trade and restaurants & hotels	45,424	63,355	29,705	71,581	38,978	39,136	86,055	89,689
Transport, storage and communication	6,145	24,422	2,744	16,798	17,765	7,148	17,935	20,949
Finance, insurance and business services	4,909	5,742	4,724	7,017	4,453	5,265	22,454	26,740
Community, social and personal services	2,856	4,130	1,890	4,693	2,497	2,768	22,920	20,135
Household								
- Purchase of residential properties	76,696	64,960	32,843	47,322	2,036	6,749	294,234	286,487
- Purchase of non-residential properties	2,102	3,606	688	3,741	1,889	2,887	12,649	13,324
- Others	55,964	55,500	71,840	134,683	38,573	63,946	41,174	42,166
Others	67	594	8	225	-	1,740	15,914	17,372
	<b>238,321</b>	<b>408,850</b>	<b>155,378</b>	<b>379,040</b>	<b>254,601</b>	<b>165,646</b>	<b>749,043</b>	<b>750,743</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****14 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

## a) By sector (continued)

	Individual impairment allowance		Individual impairment allowance charged to profit or loss		Individual impairment allowance written off		Collective impairment allowance	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Bank</b>								
Agriculture, hunting, forestry and fishing	-	-	16	46	16	11	19,068	20,521
Mining and quarrying	-	5	-	7	-	-	1,850	1,962
Manufacturing	24,603	165,292	4,217	69,712	143,485	14,715	59,398	61,937
Electricity, gas and water	-	-	-	-	-	-	2,561	2,443
Construction	2,900	3,044	1,626	3,838	1,249	6,602	14,865	14,977
Real estate	5,032	3,999	1,429	3,170	19	53	61,850	58,499
Wholesale & retail trade and restaurants & hotels	31,632	48,504	18,178	46,204	28,945	21,847	60,131	61,789
Transport, storage and communication	3,556	20,901	1,684	12,313	16,385	3,729	12,667	14,966
Finance, insurance and business services	753	2,131	534	2,276	1,615	1,495	15,556	17,009
Community, social and personal services	1,698	1,929	1,167	1,457	1,112	605	12,980	10,554
Household								
- Purchase of residential properties	66,611	58,828	26,971	39,320	2,036	6,749	255,011	250,295
- Purchase of non-residential properties	2,086	3,591	687	3,717	1,889	2,887	11,956	12,483
- Others	19,590	17,827	22,569	41,753	10,334	19,631	24,707	24,679
Others	3	366	1	5	-	1,740	7,664	8,150
	<b>158,464</b>	<b>326,417</b>	<b>79,079</b>	<b>223,818</b>	<b>207,085</b>	<b>80,064</b>	<b>560,264</b>	<b>560,264</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****14 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

b) By geographical distribution

	Group				Bank			
	Individual impairment allowance		Collective impairment allowance		Individual impairment allowance		Collective impairment allowance	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Malaysia	237,196	407,700	725,872	726,185	157,339	325,267	540,963	540,011
Singapore	841	906	6,501	5,682	841	906	6,187	5,396
Other ASEAN	-	-	3,735	3,141	-	-	3,735	3,141
Rest of the world	284	244	12,935	15,735	284	244	9,379	11,716
	<b>238,321</b>	<b>408,850</b>	<b>749,043</b>	<b>750,743</b>	<b>158,464</b>	<b>326,417</b>	<b>560,264</b>	<b>560,264</b>



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****15 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

<b>Group</b>	<b>30 JUNE 2016</b>			<b>31 DECEMBER 2015</b>		
	<b>Contract or underlying principal amount RM'000</b>	<b>Fair value</b>		<b>Contract or underlying principal amount RM'000</b>	<b>Fair value</b>	
		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>		<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	5,222,146	43,258	82,387	3,839,872	72,832	31,671
- Swaps	18,104,958	1,179,533	1,118,711	21,225,065	1,759,213	1,683,902
- Options	1,652,618	24,041	6,986	1,274,707	68,742	3,543
- Others	-	-	-	11,220	51	51
Interest rate derivatives						
- Swaps	41,725,854	161,117	210,096	45,447,385	152,079	177,770
- Options	170,000	77	2,807	270,333	195	2,673
- Futures	66,879	590	-	107,257	84	-
- Swaptions	800,000	-	3,102	800,000	-	2,440
Equity and other derivatives						
- Swaps	199,360	5,447	5,448	236,660	37,204	37,204
- Exchange traded futures	11,713	169	61	9,425	21	-
- Options	749	17	-	2,999	35	-
- Commodity futures	12,393	-	395	14,186	495	-
- Warrants	50,657	-	355	52,805	-	16,546
- Credit linked notes	1,180,300	13,617	13,617	1,042,100	13,716	13,716
	<b>69,197,627</b>	<b>1,427,866</b>	<b>1,443,965</b>	<b>74,334,014</b>	<b>2,104,667</b>	<b>1,969,516</b>
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	935,720	-	20,683	951,098	245	10,308
	<b>70,133,347</b>	<b>1,427,866</b>	<b>1,464,648</b>	<b>75,285,112</b>	<b>2,104,912</b>	<b>1,979,824</b>
<b>Bank</b>						
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	5,218,717	42,338	81,934	3,837,329	72,426	30,907
- Swaps	18,104,958	1,179,533	1,118,711	21,230,818	1,759,214	1,684,091
- Options	1,652,618	24,041	6,986	1,274,707	68,742	3,543
- Others	-	-	-	11,220	51	51
Interest rate derivatives						
- Swaps	41,725,854	161,117	210,096	45,447,385	152,079	177,770
- Options	170,000	77	2,807	270,333	195	2,673
- Futures	66,879	590	-	107,257	84	-
- Swaptions	800,000	-	3,102	800,000	-	2,440
Equity and other derivatives						
- Swaps	199,360	5,447	5,448	236,660	37,204	37,204
- Exchange traded futures	11,713	169	61	9,425	21	-
- Options	749	17	-	2,999	35	-
- Commodity futures	12,393	-	395	14,186	495	-
- Warrants	50,657	-	355	52,805	-	16,546
- Credit linked notes	1,180,300	13,617	13,617	1,042,100	13,716	13,716
	<b>69,194,198</b>	<b>1,426,946</b>	<b>1,443,512</b>	<b>74,337,224</b>	<b>2,104,262</b>	<b>1,968,941</b>
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	935,720	-	20,683	951,098	245	10,308
	<b>70,129,918</b>	<b>1,426,946</b>	<b>1,464,195</b>	<b>75,288,322</b>	<b>2,104,507</b>	<b>1,979,249</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****16 OTHER ASSETS**

	Note	Group		Bank	
		30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
Amount due from subsidiary	(a)	-	-	43,751	9,345
Interest/Profit receivable		117,366	120,498	91,724	100,032
Unquoted Islamic subordinated bond of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		156,804	200,199	146,326	189,218
Impairment provision for other assets	(c)	(456)	(2,862)	(456)	(2,862)
		<u>273,714</u>	<u>317,835</u>	<u>481,345</u>	<u>495,733</u>

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

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

(c) Impairment allowance on other receivables

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
At 1 January	2,862	-	2,862	-
Allowance made during the period/year	26	2,862	26	2,862
Write back of allowance during the period/year	(1,759)	-	(1,759)	-
Allowance written-off during the period/year	(673)	-	(673)	-
At 30 June/31 December	<u>456</u>	<u>2,862</u>	<u>456</u>	<u>2,862</u>

**17 DEPOSITS FROM CUSTOMERS**

	Group		Bank	
	30 June 2016 RM'000	31 December 2015 RM'000	30 June 2016 RM'000	31 December 2015 RM'000
a) By type of deposit				
Demand deposits	14,878,328	13,953,132	11,622,532	10,968,527
Fixed/Investment deposits	48,649,983	48,859,202	40,882,684	42,570,178
Saving deposits	6,333,027	5,261,811	5,973,422	4,994,193
Negotiable instruments of deposit	1,478,184	99,703	1,280,000	-
Short-term money market deposits	2,528,779	2,374,513	2,094,372	1,916,721
Structured investments	1,996,657	2,917,273	1,996,657	2,917,273
	<u>75,864,958</u>	<u>73,465,634</u>	<u>63,849,667</u>	<u>63,366,892</u>
b) By type of customer				
Government and statutory bodies	1,930,698	1,216,369	153,642	57,726
Non-bank financial institutions	5,443,744	5,075,306	4,411,882	4,005,061
Business enterprises	29,711,139	29,363,199	23,125,866	24,086,990
Individuals	34,170,415	34,491,204	31,880,058	32,115,043
Foreign entities	2,306,159	2,379,064	2,220,627	2,306,380
Others	2,302,803	940,492	2,057,592	795,692
	<u>75,864,958</u>	<u>73,465,634</u>	<u>63,849,667</u>	<u>63,366,892</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****17 DEPOSITS FROM CUSTOMERS (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
c) By maturity structure				
Within six months	62,745,195	57,844,394	52,690,619	48,977,567
Six months to one year	11,032,165	12,990,950	9,137,494	11,766,224
One year to three years	1,175,127	966,905	1,109,482	960,117
Three years to five years	912,471	1,663,385	912,072	1,662,984
	<b>75,864,958</b>	<b>73,465,634</b>	<b>63,849,667</b>	<b>63,366,892</b>

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Licensed banks	9,870,129	8,003,629	9,036,821	6,571,010
Other financial institutions	97,327	94,882	94,438	94,882
	<b>9,967,456</b>	<b>8,098,511</b>	<b>9,131,259</b>	<b>6,665,892</b>

**19 SUBORDINATED BONDS**

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
RM200 million Redeemable Islamic Subordinated Bond 2006/2021	200,000	200,000
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
RM600 million Redeemable Subordinated Bonds 2012/2022	598,935	595,700
USD110 million Additional Tier 1 Capital Securities	443,172	471,932
USD130 million Redeemable Subordinated Bonds 2015/2025	523,749	557,738
	<b>2,165,856</b>	<b>2,225,370</b>

**20 OTHER LIABILITIES**

	Note	<b>Group</b>		<b>Bank</b>	
		<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Amount due to subsidiary	(a)	-	-	2,418	4,550
Equity compensation benefits		10,012	10,809	10,012	10,809
Interest/Profit payable		668,085	635,917	585,274	552,867
Other payables and accruals		316,359	380,343	231,936	308,955
Provision for credit commitments and contingencies	(b)	6,526	6,526	6,526	6,526
		<b>1,000,982</b>	<b>1,033,595</b>	<b>836,166</b>	<b>883,707</b>

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

(b) The provision was made for the Group's and Bank's commitments and contingencies incurred in the normal course of business.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****21 NET INTEREST INCOME**

	Quarter ended		Year to date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>Group</b>				
<b>Interest income</b>				
Loans, advances and financing				
- Interest income other than recoveries	725,485	690,689	1,453,160	1,353,862
- Recoveries from impaired loans, advances and financing	18,687	15,317	32,210	29,378
- Discount unwind from impaired loans, advances and financing	1,263	817	2,374	1,612
Money at call and deposit placements with banks and other financial institutions	35,557	52,736	59,404	112,175
Financial assets held-for-trading	12,205	11,776	25,492	17,878
Financial investments available-for-sale	87,928	106,330	184,832	206,119
Others	11,251	16,459	25,123	33,582
	<u>892,376</u>	<u>894,124</u>	<u>1,782,595</u>	<u>1,754,606</u>
<b>Interest expense</b>				
Deposits from customers	(478,788)	(467,215)	(953,871)	(933,409)
Deposits and placements of banks and other financial institutions	(14,266)	(22,492)	(22,918)	(33,231)
Recourse obligation on loans sold to Cagamas Berhad	(13,676)	(295)	(25,729)	(295)
Subordinated bonds	(25,698)	(20,713)	(51,689)	(41,129)
Others	(25,535)	(35,800)	(62,761)	(70,391)
	<u>(557,963)</u>	<u>(546,515)</u>	<u>(1,116,968)</u>	<u>(1,078,455)</u>
<b>Net interest income</b>	<u>334,413</u>	<u>347,609</u>	<u>665,627</u>	<u>676,151</u>
<b>Bank</b>				
<b>Interest income</b>				
Loans, advances and financing				
- Interest income other than recoveries	725,485	690,689	1,453,160	1,353,862
- Recoveries from impaired loans, advances and financing	18,687	15,317	32,210	29,378
- Discount unwind from impaired loans, advances and financing	1,263	817	2,374	1,612
Money at call and deposit placements with banks and other financial institutions	45,816	62,182	84,499	133,851
Financial assets held-for-trading	12,205	11,776	25,492	17,878
Financial investments available-for-sale	88,639	107,012	186,247	207,467
Unquoted Islamic subordinated bond of subsidiary	2,717	2,717	5,405	5,405
Others	11,251	16,459	25,123	33,582
	<u>906,063</u>	<u>906,969</u>	<u>1,814,510</u>	<u>1,783,035</u>
<b>Interest expense</b>				
Deposits from customers	(478,788)	(467,215)	(953,871)	(933,409)
Deposits and placements of banks and other financial institutions	(22,062)	(29,961)	(38,749)	(49,431)
Recourse obligation on loans sold to Cagamas Berhad	(13,676)	(295)	(25,729)	(295)
Subordinated bonds	(25,698)	(20,713)	(51,689)	(41,129)
Others	(25,535)	(35,800)	(62,761)	(70,391)
	<u>(565,759)</u>	<u>(553,984)</u>	<u>(1,132,799)</u>	<u>(1,094,655)</u>
<b>Net interest income</b>	<u>340,304</u>	<u>352,985</u>	<u>681,711</u>	<u>688,380</u>

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)**

**22 INCOME FROM ISLAMIC BANKING OPERATIONS**

	Quarter ended		Year to date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	183,318	180,237	364,863	364,614
Income derived from investment of specific investment account funds	11,095	10,219	22,573	21,326
Income derived from investment of shareholder's funds	23,982	25,455	47,160	47,817
Income attributable to depositors	(91,602)	(85,373)	(173,274)	(164,533)
Income attributable to investment account holder	(7,796)	(7,469)	(15,831)	(16,200)
	<u>118,997</u>	<u>123,069</u>	<u>245,491</u>	<u>253,024</u>

**23 NET FEE AND COMMISSION INCOME**

	Quarter ended		Year to date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>Group and Bank</b>				
Commission	26,492	29,182	53,020	62,187
Service charges and fees	22,506	52,185	51,679	85,088
Guarantee fees	8,879	8,725	16,799	16,479
Other fee income	2,768	2,459	5,661	6,373
	<u>60,645</u>	<u>92,551</u>	<u>127,159</u>	<u>170,127</u>

**24 NET TRADING INCOME**

	Quarter ended		Year to date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>Group and Bank</b>				
Foreign exchange (loss)/gain	(41,990)	(81,449)	290,357	(128,467)
Realised gain on financial assets held-for-trading	1,568	11,179	14,299	12,186
Realised (loss)/gain on trading derivatives	(141,467)	162,919	(134,265)	188,891
Unrealised gain/(loss) on financial assets held-for-trading	1,992	(2,464)	(5,166)	3,299
Unrealised gain/(loss) on trading derivatives	226,291	(46,443)	(58,162)	15,535
	<u>46,394</u>	<u>43,742</u>	<u>107,063</u>	<u>91,444</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****25 OTHER OPERATING INCOME**

<b>Group</b>	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
Gain/(loss) on disposal:				
- Financial investments available-for-sale	30,693	2,817	33,467	6,927
- Investment properties	(13)	-	478	-
- Property and equipment	40	(7)	40	(3)
Gross dividends from financial investments available-for-sale				
- Malaysia	450	324	450	450
Gross dividends from financial assets held-for-trading				
- Malaysia	388	507	999	507
Rental of premises	1,076	1,075	2,144	2,281
Rental of safe deposit boxes	1,594	1,576	3,274	3,188
Shared services income received from related company	3,080	2,600	6,016	4,412
Unrealised (loss)/gain on hedging derivatives	(134)	319	595	539
Others	136	(414)	242	449
	<b>37,310</b>	<b>8,797</b>	<b>47,705</b>	<b>18,750</b>

**Bank**

Gain on disposal:				
- Financial investments available-for-sale	30,693	2,817	33,467	6,927
- Investment properties	(13)	-	478	-
- Property and equipment	40	(7)	40	(3)
Gross dividends from financial investments available-for-sale				
- Malaysia	450	324	450	450
Gross dividends from financial assets held-for-trading				
- Malaysia	388	507	999	507
Rental of premises	1,097	1,092	2,183	2,317
Rental of safe deposit boxes	1,594	1,576	3,274	3,188
Shared services income received from subsidiary	28,893	26,481	56,862	51,736
Shared services income received from related company	2,882	2,602	5,632	4,414
Unrealised (loss)/gain on hedging derivatives	(134)	319	595	539
Others	136	(414)	242	449
	<b>66,026</b>	<b>35,297</b>	<b>104,222</b>	<b>70,524</b>

**26 OPERATING EXPENSES**

<b>Group</b>	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
Personnel expenses	135,549	124,264	260,464	242,837
Establishment expenses	25,501	24,174	50,345	47,773
Marketing expenses	7,502	8,760	15,717	17,834
General administrative expenses	106,811	96,406	210,625	188,483
	<b>275,363</b>	<b>253,604</b>	<b>537,151</b>	<b>496,927</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****26 OPERATING EXPENSES (continued)**

	Quarter ended		Year to date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b><u>Bank</u></b>				
Personnel expenses	127,076	116,504	243,485	226,688
Establishment expenses	21,939	22,433	44,040	44,256
Marketing expenses	7,161	7,938	14,894	16,129
General administrative expenses	95,314	89,488	188,766	174,639
	<b>251,490</b>	<b>236,363</b>	<b>491,185</b>	<b>461,712</b>
<b><u>Group</u></b>				
(a) Personnel expenses				
Wages, salaries and bonus	105,606	97,137	205,038	191,910
Employees Provident Fund contributions	16,325	14,465	31,510	28,952
Share-based expenses	1,281	1,159	2,835	2,728
Others	12,337	11,503	21,081	19,247
	<b>135,549</b>	<b>124,264</b>	<b>260,464</b>	<b>242,837</b>
(b) Establishment expenses				
Depreciation of property and equipment	10,317	11,051	20,208	22,140
Rental of premises	4,778	4,672	9,508	9,006
Repair and maintenance	3,227	2,749	6,490	4,973
Information technology costs	1,978	1,747	4,513	2,492
Hire of equipment	357	214	380	383
Depreciation of investment properties	-	43	-	87
Amortisation of prepaid lease payments	9	9	18	18
Others	4,835	3,689	9,228	8,674
	<b>25,501</b>	<b>24,174</b>	<b>50,345</b>	<b>47,773</b>
(c) Marketing expenses				
Advertisement and business promotion	5,662	8,120	11,331	14,969
Transport and travelling	1,268	507	2,374	2,157
Others	572	133	2,012	708
	<b>7,502</b>	<b>8,760</b>	<b>15,717</b>	<b>17,834</b>
(d) General administrative expenses				
Transaction processing fees	78,022	73,990	157,433	145,018
Others	28,789	22,416	53,192	43,465
	<b>106,811</b>	<b>96,406</b>	<b>210,625</b>	<b>188,483</b>
<b><u>Bank</u></b>				
(a) Personnel expenses				
Wages, salaries and bonus	98,948	91,086	191,747	179,115
Employees Provident Fund contributions	15,236	13,521	29,397	26,980
Share-based expenses	1,272	1,088	2,747	2,603
Others	11,620	10,809	19,594	17,990
	<b>127,076</b>	<b>116,504</b>	<b>243,485</b>	<b>226,688</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****26 OPERATING EXPENSES (continued)**

	Quarter ended		Year to date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>Bank</b>				
(b) Establishment expenses				
Depreciation of property and equipment	8,648	10,573	17,551	21,111
Rental of premises	4,022	4,000	8,026	7,751
Repair and maintenance	3,032	2,641	6,126	4,717
Information technology costs	1,838	1,676	4,173	2,394
Hire of equipment	322	214	338	383
Depreciation of investment properties	-	43	-	87
Amortisation of prepaid lease payments	9	9	18	18
Others	4,068	3,277	7,808	7,795
	<u>21,939</u>	<u>22,433</u>	<u>44,040</u>	<u>44,256</u>
(c) Marketing expenses				
Advertisement and business promotion	5,544	6,976	10,870	13,648
Transport and travelling	1,120	846	2,061	1,809
Others	497	116	1,963	672
	<u>7,161</u>	<u>7,938</u>	<u>14,894</u>	<u>16,129</u>
(d) General administrative expenses				
Transaction processing fees	71,715	67,961	144,682	133,104
Others	23,599	21,527	44,084	41,535
	<u>95,314</u>	<u>89,488</u>	<u>188,766</u>	<u>174,639</u>

**27 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING**

	Quarter ended		Year to date ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
<b>Group</b>				
Individual impairment allowance				
- Made during the period	74,638	105,688	155,378	167,828
- Written back	(34,341)	(30,194)	(67,017)	(61,499)
Collective impairment allowance				
- Made during the period	-	12,646	-	31,604
- Written back	(1,700)	-	(1,700)	-
Impaired loans, advances and financing recovered	(9,255)	(7,733)	(18,399)	(13,955)
	<u>29,342</u>	<u>80,407</u>	<u>68,262</u>	<u>123,978</u>
<b>Bank</b>				
Individual impairment allowance				
- Made during the period	33,605	63,864	79,079	91,622
- Written back	(17,909)	(18,076)	(36,037)	(40,219)
Collective impairment allowance				
- Made during the period	-	10,940	-	22,961
Impaired loans, advances and financing recovered	(4,619)	(4,137)	(9,858)	(7,549)
	<u>11,077</u>	<u>52,591</u>	<u>33,184</u>	<u>66,815</u>



OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)**

**28 INCOME TAX EXPENSE**

	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>30 June 2015 RM'000</b>
<b><u>Group</u></b>				
Malaysian income tax				
- Current period	74,023	76,200	131,204	139,787
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(2,971)	(5,796)	12,240	5,482
	<b>71,052</b>	<b>70,404</b>	<b>143,444</b>	<b>145,269</b>
<b><u>Bank</u></b>				
Malaysian income tax				
- Current period	64,962	65,562	111,842	119,599
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(2,408)	(5,594)	12,218	5,088
	<b>62,554</b>	<b>59,968</b>	<b>124,060</b>	<b>124,687</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****29 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for commitments and contingencies already made in the condensed interim financial statements, no material losses are anticipated as a result of these transactions. The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in BNM's Capital Adequacy Framework (Basel II) - Internal Ratings Approach.

<b>Group</b>	<b>Principal amount</b>	<b>Positive fair value of derivative contracts</b>	<b>Negative fair value of derivative contracts</b>	<b>Credit equivalent amount</b>	<b>Risk weighted amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30 June 2016</b>					
Direct credit substitutes	661,329			661,329	372,524
Transaction-related contingent items	2,873,161			1,468,694	788,030
Short-term self-liquidating trade-related contingencies	480,518			101,587	38,035
Foreign exchange related contracts					
- Less than one year	14,941,642	325,298	428,504	497,691	109,045
- One year to less than five years	7,930,171	621,952	605,966	1,384,864	390,740
- Five years and above	2,107,909	299,582	173,614	710,698	482,989
Interest rate contracts					
- Less than one year	10,469,039	5,683	8,991	20,602	2,822
- One year to less than five years	30,156,249	133,889	157,086	748,016	192,649
- Five years and above	3,073,165	22,212	70,611	198,824	83,942
Equity and commodity related contracts	274,872	5,633	6,259	19,937	13,858
Credit derivative contracts	1,180,300	13,617	13,617	43,178	9,128
Formal standby facilities and credit lines					
- Maturity not exceeding one year	2,174			545	297
- Maturity exceeding one year	5,894,129			5,267,651	1,398,542
Other unconditionally cancellable commitments	24,243,253			2,020,731	422,558
<b>Total</b>	<b>104,287,911</b>	<b>1,427,866</b>	<b>1,464,648</b>	<b>13,144,347</b>	<b>4,305,159</b>
<b>31 December 2015</b>					
Direct credit substitutes	674,349			674,349	446,610
Transaction-related contingent items	2,498,575			1,285,260	914,632
Short-term self-liquidating trade-related contingencies	542,082			119,977	58,010
Foreign exchange related contracts					
- Less than one year	16,094,111	653,097	528,778	914,440	182,770
- One year to less than five years	7,745,321	871,035	834,845	1,598,255	434,058
- Five years and above	2,511,432	376,706	355,544	852,896	534,614
Interest rate contracts					
- Less than one year	12,186,522	4,762	9,194	22,334	2,741
- One year to less than five years	32,297,885	133,384	140,294	680,732	164,780
- Five years and above	3,091,666	14,457	43,703	201,122	59,624
Equity and commodity related contracts	316,075	37,755	53,750	17,819	10,811
Credit derivative contracts	1,042,100	13,716	13,716	31,360	5,138
Formal standby facilities and credit lines					
- Maturity not exceeding one year	1,959			415	226
- Maturity exceeding one year	7,073,049			6,224,036	1,650,449
Other unconditionally cancellable commitments	23,456,459			2,034,560	437,269
<b>Total</b>	<b>109,531,585</b>	<b>2,104,912</b>	<b>1,979,824</b>	<b>14,657,555</b>	<b>4,901,732</b>

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)**

**29 COMMITMENTS AND CONTINGENCIES (continued)**

<u>Bank</u>	<u>Principal amount</u> RM'000	<u>Positive fair value of derivative contracts</u> RM'000	<u>Negative fair value of derivative contracts</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
<b>30 June 2016</b>					
Direct credit substitutes	579,402			579,402	329,447
Transaction-related contingent items	2,581,854			1,319,768	682,921
Short-term self-liquidating trade-related contingencies	422,783			89,807	32,279
Foreign exchange related contracts					
- Less than one year	14,938,213	324,378	428,051	496,341	108,096
- One year to less than five years	7,930,171	621,952	605,966	1,384,864	390,740
- Five years and above	2,107,909	299,582	173,614	710,698	482,989
Interest rate contracts					
- Less than one year	10,469,039	5,683	8,991	20,602	2,822
- One year to less than five years	30,156,249	133,889	157,086	748,016	192,649
- Five years and above	3,073,165	22,212	70,611	198,824	83,942
Equity and commodity related contracts	274,872	5,633	6,259	19,555	13,751
Credit derivative contracts	1,180,300	13,617	13,617	43,178	9,128
Formal standby facilities and credit lines					
- Maturity not exceeding one year	-			-	-
- Maturity exceeding one year	5,486,769			4,907,220	1,248,430
Other unconditionally cancellable commitments	21,636,546			1,978,354	409,872
<b>Total</b>	<b>100,837,272</b>	<b>1,426,946</b>	<b>1,464,195</b>	<b>12,496,629</b>	<b>3,987,066</b>
<b>31 December 2015</b>					
Direct credit substitutes	604,776			604,776	395,413
Transaction-related contingent items	2,234,189			1,149,495	798,026
Short-term self-liquidating trade-related contingencies	501,670			110,638	54,023
Foreign exchange related contracts					
- Less than one year	16,097,321	652,692	528,203	913,642	182,367
- One year to less than five years	7,745,321	871,035	834,845	1,598,255	434,058
- Five years and above	2,511,432	376,706	355,544	852,896	534,614
Interest rate contracts					
- Less than one year	12,186,522	4,762	9,194	22,334	2,741
- One year to less than five years	32,297,885	133,384	140,294	680,732	164,780
- Five years and above	3,091,666	14,457	43,703	201,122	59,624
Equity and commodity related contracts	316,075	37,755	53,750	17,819	10,811
Credit derivative contracts	1,042,100	13,716	13,716	31,360	5,138
Formal standby facilities and credit lines					
- Maturity not exceeding one year	79			39	1
- Maturity exceeding one year	6,597,047			5,803,122	1,467,434
Other unconditionally cancellable commitments	20,874,660			1,995,220	425,627
<b>Total</b>	<b>106,100,743</b>	<b>2,104,507</b>	<b>1,979,249</b>	<b>13,981,450</b>	<b>4,534,657</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****30 CAPITAL COMMITMENTS**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Capital expenditure commitments in respect of property and equipment				
- Authorised but not contracted for	4,991	5,115	4,391	1,189
- Contracted but not provided for	16,393	12,940	16,393	12,940
	<b>21,384</b>	<b>18,055</b>	<b>20,784</b>	<b>14,129</b>

**31 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Aggregate value of outstanding credit exposure to connected parties:</b>				
Credit facility and leasing (except guarantee)	645,720	668,445	1,044,551	1,078,635
Commitments and contingencies	379,494	288,040	379,196	287,736
	<b>1,025,214</b>	<b>956,485</b>	<b>1,423,747</b>	<b>1,366,371</b>
<b>Percentage of outstanding credit exposures to connected parties:</b>				
As a proportion of total credit exposures	<b>1.18%</b>	<b>1.07%</b>	<b>1.88%</b>	<b>1.76%</b>

**32 CREDIT RISKS**

Credit risk is the risk of a financial loss to the Group and the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's and the Bank's maximum credit exposure on the financial assets without taking into account any collateral held or other credit enhancements of the Group and the Bank equal their carrying amount as reported in the statements of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Note	<b>Group</b>		<b>Bank</b>	
		<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Cash and cash equivalents		9,789,103	5,443,390	8,249,953	4,862,227
Deposits and placements with banks and other financial institutions		2,532,531	-	3,283,491	1,076,407
Financial assets held-for-trading	(a)	1,272,890	1,545,745	1,272,890	1,545,745
Financial investments available-for-sale	(b)	12,397,260	13,687,030	8,761,411	10,629,771
Loans, advances and financing	(c)	69,037,588	69,627,768	59,235,696	59,467,064
Derivative financial assets	(d)	1,427,866	2,104,912	1,426,946	2,104,507
Other assets		273,714	317,835	481,345	495,733
Contingent liabilities and commitments	(e)	34,154,564	34,246,473	30,707,354	30,812,421
		<b>130,885,516</b>	<b>126,973,153</b>	<b>113,419,086</b>	<b>110,993,875</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****32 CREDIT RISKS (continued)****(a) Credit quality of financial assets held-for-trading**

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

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
(i) By issuer		
Government and Central Bank	173,998	220,953
Banks	150,315	174,378
Non-bank financial institutions	764,374	826,800
Business enterprises	184,203	323,614
	<u>1,272,890</u>	<u>1,545,745</u>
(ii) By geography		
Malaysia	1,264,205	1,385,570
Singapore	-	30
Rest of the world	8,685	160,145
	<u>1,272,890</u>	<u>1,545,745</u>
(iii) By credit rating		
Government and Central Bank (unrated)	70,715	59,582
Government (AAA to BBB)	103,283	161,371
Investment grade (AAA to BBB)	760,720	1,068,722
Unrated	338,172	256,070
	<u>1,272,890</u>	<u>1,545,745</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	25,006	22,952
Mining and quarrying	-	508
Manufacturing	3,457	77,180
Electricity, gas and water	-	114
Construction	13,892	15,844
Real estate	10,000	321
Wholesale & retail trade and restaurants & hotels	-	5,155
Transport, storage and communication	-	77,816
Finance, insurance and business services	1,040,275	1,120,247
Others	180,260	225,608
	<u>1,272,890</u>	<u>1,545,745</u>
(v) By residual contractual maturity		
Within one year	1,010,402	1,344,877
One to five years	98,257	141,581
Over five years	164,231	59,287
	<u>1,272,890</u>	<u>1,545,745</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****32 CREDIT RISKS (continued)****(b) Credit quality of financial investments available-for-sale**

In view of the following sound credit of rating of counterparties, the Group and the Bank do not expect any counterparty to fail to meet its obligation except for the impairment allowance recognised in respect of financial investments available-for-sale as disclosed in Note 12.

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
(i) By issuer				
Government and Central Bank	7,771,560	8,184,568	5,196,224	5,859,174
Foreign government	521,374	726,654	297,050	507,182
Public sector	130,768	129,774	70,230	69,811
Banking institutions	1,650,413	2,349,842	1,219,271	2,266,120
Non-bank financial institutions	804,127	667,904	728,914	618,186
Business Enterprises	1,518,828	1,628,098	1,249,532	1,309,108
Others	190	190	190	190
	<b>12,397,260</b>	<b>13,687,030</b>	<b>8,761,411</b>	<b>10,629,771</b>
(ii) By geography				
Malaysia	10,993,370	12,116,392	7,581,845	9,278,605
Other ASEAN	239,918	284,396	115,775	195,185
Rest of the world	1,163,972	1,286,242	1,063,791	1,155,981
	<b>12,397,260</b>	<b>13,687,030</b>	<b>8,761,411</b>	<b>10,629,771</b>
(iii) By credit rating				
Government and Central Bank (unrated)	2,380,496	1,488,366	1,241,140	841,367
Government (A to AAA)	5,391,064	6,696,202	3,955,084	5,017,807
Foreign government (unrated)	22,807	34,704	-	8,263
Foreign government (AAA to BBB)	498,567	691,950	297,050	498,919
Investment grade (AAA to BBB)	2,604,032	2,598,173	2,371,845	2,319,769
Unrated	1,500,294	2,177,635	896,292	1,943,646
	<b>12,397,260</b>	<b>13,687,030</b>	<b>8,761,411</b>	<b>10,629,771</b>
(iv) By sector				
Agriculture, hunting, forestry and fishing	44,223	43,860	24,454	24,341
Mining and quarrying	95,549	210,599	95,549	210,599
Manufacturing	14,990	24,979	-	-
Electricity, gas and water	105,191	104,363	105,191	104,363
Construction	10,036	10,040	10,036	10,040
Wholesale & retail trade and restaurants & hotels	139,827	43,580	139,827	43,580
Transport, storage and communication	302,155	352,971	287,094	338,104
Finance, insurance and business services	3,264,315	3,723,739	2,583,610	3,415,770
Others	8,420,974	9,172,899	5,515,650	6,482,974
	<b>12,397,260</b>	<b>13,687,030</b>	<b>8,761,411</b>	<b>10,629,771</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****32 CREDIT RISKS (continued)****(b) Credit quality of financial investments available-for-sale (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
(v) By residual contractual maturity				
Within one year	3,554,613	4,942,523	2,141,508	3,405,913
One to five years	7,252,338	7,165,205	5,627,876	5,862,425
Over five years	1,590,309	1,579,302	992,027	1,361,433
	<b>12,397,260</b>	<b>13,687,030</b>	<b>8,761,411</b>	<b>10,629,771</b>

**(c) Credit quality of loans, advances and financing*****Credit quality***

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

Loans, advances and financing classified as Pass and Special Mention are neither past due nor impaired whereas Substandard, Doubtful and Loss are impaired loans, advances and financing.

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Neither past due nor impaired	67,055,154	67,565,819	57,689,540	57,832,044
Past due loans, advances and financing	1,749,492	1,654,928	1,365,535	1,389,457
- Unimpaired	689,779	627,579	536,238	486,074
- Impaired	1,059,713	1,027,349	829,297	903,383
Impaired but not past due	232,942	407,021	180,621	245,563
Gross loans, advances and financing	<b>69,037,588</b>	<b>69,627,768</b>	<b>59,235,696</b>	<b>59,467,064</b>

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

Pass	65,838,058	66,130,927	56,880,751	57,002,775
Special Mention	1,217,096	1,434,892	808,789	829,269
	<b>67,055,154</b>	<b>67,565,819</b>	<b>57,689,540</b>	<b>57,832,044</b>

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

Less than 2 months	569,318	549,444	453,323	432,998
2 months to less than 3 months	120,461	78,135	82,915	53,076
	<b>689,779</b>	<b>627,579</b>	<b>536,238</b>	<b>486,074</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****32 CREDIT RISKS (continued)****(c) Credit quality of loans, advances and financing (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Past due but not impaired</b>				
(ii) By geographical distribution				
Malaysia	674,117	619,351	520,576	477,846
Singapore	10,724	6,122	10,724	6,122
Other ASEAN	-	212	-	212
Rest of the world	4,938	1,894	4,938	1,894
	<b>689,779</b>	<b>627,579</b>	<b>536,238</b>	<b>486,074</b>
(iii) By sector				
Agriculture, hunting, forestry and fishing	1,445	1,791	-	1,131
Mining and quarrying	-	3,751	-	1,566
Manufacturing	19,221	16,194	5,196	5,694
Construction	6,689	8,487	4,272	3,521
Real estate	16,732	23,364	15,769	22,659
Wholesale & retail trade and restaurants & hotels	68,766	64,914	36,650	36,899
Transport, storage and communication	10,136	8,972	4,106	2,246
Finance, insurance and business services	9,685	10,002	2,474	3,132
Community, social and personal services	10,636	9,595	5,577	5,659
Household				
- Purchase of residential properties	460,663	391,141	426,671	363,735
- Purchase of non-residential properties	10,553	11,291	10,553	11,291
- Others	75,253	78,077	24,970	28,541
	<b>689,779</b>	<b>627,579</b>	<b>536,238</b>	<b>486,074</b>

The analysis of impaired loans, advances and financing are detailed in Note 14.

**Collateral**

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

- For personal housing loans, mortgages over residential properties;
- For commercial property loans, charges over the properties financed;
- For car loans, charges over the vehicles financed;
- For share margin financing, listed securities of Malaysia; and
- For other loans, charges over business assets such as premises, inventories, trade receivables or deposits.

As at 30 June 2016 and 31 December 2015, there were no assets repossessed by the Group and the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

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



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****32 CREDIT RISKS (continued)****(c) Credit quality of loans, advances and financing (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Fair value of collateral held against the covered portion of impaired loans, financing and advances	1,940,568	2,009,014	1,485,181	1,550,600
Covered portion of impaired loans, advances and financing	1,041,094	1,154,837	848,388	971,895
Uncovered portion of impaired loans, advances and financing	251,561	279,533	161,530	177,051
	<b>1,292,655</b>	<b>1,434,370</b>	<b>1,009,918</b>	<b>1,148,946</b>

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
(i) By counterparty				
Banking institutions	1,059,410	1,643,276	1,059,492	1,643,301
Non-bank financial institutions	136,498	133,161	136,498	133,160
Business enterprises	213,601	303,442	212,599	303,013
Individuals	18,357	25,033	18,357	25,033
	<b>1,427,866</b>	<b>2,104,912</b>	<b>1,426,946</b>	<b>2,104,507</b>
(ii) By geography distribution				
Malaysia	1,391,334	2,057,650	1,390,414	2,057,246
Singapore	24,052	45,748	24,052	45,747
Other ASEAN	1,483	2	1,483	2
Rest of the world	10,997	1,512	10,997	1,512
	<b>1,427,866</b>	<b>2,104,912</b>	<b>1,426,946</b>	<b>2,104,507</b>
(iii) By sector				
Agriculture, hunting, forestry and fishing	1,174	1,334	1,174	1,334
Mining and quarrying	163,413	200,910	163,413	200,910
Manufacturing	40,328	80,945	39,680	80,548
Electricity, gas and water	-	4	-	4
Construction	711	3,022	711	3,022
Real estate	3,561	1,679	3,560	1,679
Wholesale & retail trade and restaurants & hotels	8,436	8,170	8,160	8,139
Transport, storage and communication	4,169	943	4,169	943
Finance, insurance and business services	1,183,599	1,734,350	1,183,619	1,734,373
Community, social and personal services	252	-	252	-
Household	22,223	73,555	22,208	73,555
	<b>1,427,866</b>	<b>2,104,912</b>	<b>1,426,946</b>	<b>2,104,507</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****32 CREDIT RISKS (continued)****(d) Credit quality of derivative assets (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
(iv) By residual contractual maturity				
Within one year	337,067	696,356	336,147	695,951
One to five years	769,004	1,017,629	769,004	1,017,629
Over five years	321,795	390,927	321,795	390,927
	<b>1,427,866</b>	<b>2,104,912</b>	<b>1,426,946</b>	<b>2,104,507</b>

**(e) Credit quality of contingent liabilities and commitments**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
(i) By counterparty				
Government	500,000	-	500,000	-
Banking institutions	5,119,131	5,218,261	4,985,134	5,183,768
Non-bank financial institutions	32,985	118,646	16,820	103,646
Business enterprises	15,930,685	16,523,557	12,842,237	13,387,072
Small and medium enterprises	6,174,775	5,429,043	6,174,775	5,429,043
Individuals	6,396,988	6,956,966	6,188,388	6,708,892
	<b>34,154,564</b>	<b>34,246,473</b>	<b>30,707,354</b>	<b>30,812,421</b>
(ii) By geography				
Malaysia	28,469,205	24,572,975	25,021,995	21,620,697
Singapore	628,880	639,743	628,880	637,647
Other ASEAN	1,697,053	1,540,809	1,697,053	1,326,294
Rest of the world	3,359,426	7,492,946	3,359,426	7,227,783
	<b>34,154,564</b>	<b>34,246,473</b>	<b>30,707,354</b>	<b>30,812,421</b>
(iii) By sector				
Agriculture, hunting, forestry and fishing	1,963,256	1,781,252	1,768,007	1,538,683
Mining and quarrying	756,250	903,929	545,041	862,814
Manufacturing	5,813,265	5,725,547	5,053,112	4,856,313
Electricity, gas and water	351,425	437,309	247,425	327,309
Construction	3,821,135	2,920,257	2,946,601	2,254,284
Real estate	1,866,598	2,475,619	1,842,255	1,835,395
Wholesale & retail trade and restaurants & hotels	3,327,323	3,104,108	3,140,773	2,867,019
Transport, storage and communication	776,500	494,198	734,272	447,691
Finance, insurance and business services	6,662,066	6,018,294	6,021,467	5,909,435
Community, social and personal services	1,622,665	2,108,960	1,457,467	1,912,792
Household	7,159,534	8,248,760	6,950,934	8,000,686
Others	34,547	28,240	-	-
	<b>34,154,564</b>	<b>34,246,473</b>	<b>30,707,354</b>	<b>30,812,421</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****32 CREDIT RISKS (continued)****(e) Credit quality of contingent liabilities and commitments (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
(iv) By residual contractual maturity				
Within one year	768,224	2,755,305	602,018	2,601,846
One to five years	18,862,936	17,254,751	16,066,294	14,488,599
Over five years	14,523,404	14,236,417	14,039,042	13,721,976
	<b>34,154,564</b>	<b>34,246,473</b>	<b>30,707,354</b>	<b>30,812,421</b>

**33 FAIR VALUE OF FINANCIAL INSTRUMENTS****Fair value hierarchy of financial assets and liabilities**

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

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fair value determined	Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.	Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.	Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.
Type of financial assets	Actively traded government and agency securities	Corporate and other government bonds and loans  Over-the counter ("OTC") derivatives  Cash and cash equivalents  Deposits and placements with banks and other financial institutions  Other assets	Private debt equity investments  Corporate bonds with illiquid markets  Loans, advances and financing
Type of financial liabilities		OTC derivatives  Deposits from customer  Deposits and placement of banks and other financial institutions  Other liabilities  Subordinated bonds	

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)

## 33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

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

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>30 June 2016</b>				
<b>Financial assets at fair value</b>				
Held-for-trading	218,273	1,054,617	-	1,272,890
Available-for-sale	7,694,709	4,593,993	-	12,288,702
Derivative assets	4,716	1,409,439	13,711	1,427,866
	<u>7,917,698</u>	<u>7,058,049</u>	<u>13,711</u>	<u>14,989,458</u>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	<u>5,402</u>	<u>1,439,720</u>	<u>19,526</u>	<u>1,464,648</u>
<b>31 December 2015</b>				
<b>Financial assets at fair value</b>				
Held-for-trading	332,096	1,213,649	-	1,545,745
Available-for-sale	7,905,007	5,673,465	-	13,578,472
Derivative assets	615	2,090,301	13,996	2,104,912
	<u>8,237,718</u>	<u>8,977,415</u>	<u>13,996</u>	<u>17,229,129</u>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	<u>17,092</u>	<u>1,943,852</u>	<u>18,880</u>	<u>1,979,824</u>
<b>Bank</b>				
<b>30 June 2016</b>				
<b>Financial assets at fair value</b>				
Held-for-trading	218,273	1,054,617	-	1,272,890
Available-for-sale	5,237,162	3,415,691	-	8,652,853
Derivative assets	4,771	1,408,464	13,711	1,426,946
	<u>5,460,206</u>	<u>5,878,772</u>	<u>13,711</u>	<u>11,352,689</u>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	<u>5,437</u>	<u>1,439,232</u>	<u>19,526</u>	<u>1,464,195</u>
<b>31 December 2015</b>				
<b>Financial assets at fair value</b>				
Held-for-trading	332,096	1,213,649	-	1,545,745
Available-for-sale	6,161,238	4,359,975	-	10,521,213
Derivative assets	633	2,089,878	13,996	2,104,507
	<u>6,493,967</u>	<u>7,663,502</u>	<u>13,996</u>	<u>14,171,465</u>
<b>Financial liabilities at fair value</b>				
Derivative liabilities	<u>17,090</u>	<u>1,943,279</u>	<u>18,880</u>	<u>1,979,249</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

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

	<b>Group and Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Financial assets at fair value</b>		
At 1 January	13,996	16,298
Purchased	11	4,071
Settled/disposed	(31)	-
Recognised in profit or loss		
- Realised loss	(454)	(9,699)
- Unrealised gain	189	3,326
At 30 June/31 December	<u>13,711</u>	<u>13,996</u>
<b>Financial liabilities at fair value</b>		
At 1 January	18,880	20,914
Issued	-	9,006
Settled/disposed	(2,530)	(14,622)
Recognised in profit or loss		
- Realised loss	891	581
- Unrealised loss	2,285	3,001
At 30 June/31 December	<u>19,526</u>	<u>18,880</u>

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

<b>Group and Bank</b>	<b>30 June 2016 Fair value RM'000</b>	<b>31 December 2015 Fair value RM'000</b>	<b>Classification</b>	<b>Valuation technique</b>	<b>Unobservable input</b>
<b>Assets</b>					
Derivative assets	<u>13,711</u>	<u>13,996</u>	Hedge for trading	Option pricing model	Standard deviation
<b>Liabilities</b>					
Derivative liabilities	<u>19,526</u>	<u>18,880</u>	Hedge for trading	Option pricing model	Standard deviation

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

**34 SEGMENT INFORMATION****Operating Segment**

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

OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)**

**34 SEGMENT INFORMATION (continued)**

Business Banking

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

Consumer Financial Services

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

Global Treasury

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

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

Others

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

<u>Group</u>	<b>Business Banking RM'000</b>	<b>Consumer Financial Services RM'000</b>	<b>Global Treasury RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>30 June 2016</b>					
Net interest/finance income	527,539	249,807	85,182	33,002	895,530
Non-interest/finance income	61,690	61,827	149,647	24,351	297,515
Operating income	589,229	311,634	234,829	57,353	1,193,045
Operating expenses	(210,879)	(249,832)	(49,159)	(27,281)	(537,151)
Operating profit before impairment allowance and provision	378,350	61,802	185,670	30,072	655,894
(Impairment)/write back of allowances and provision for commitments and contingencies	(20,124)	(46,425)	1,363	(1,343)	(66,529)
Profit before income tax and zakat	358,226	15,377	187,033	28,729	589,365
Income tax expense and zakat	(86,504)	(2,824)	(44,814)	(9,324)	(143,466)
Profit for the period	271,722	12,553	142,219	19,405	445,899
Gross loans, advances and financing	37,328,722	31,636,031	-	72,835	69,037,588
Gross impaired loans, advances and financing	821,481	470,386	-	788	1,292,655
Deposits from customers	38,879,775	35,440,311	1,544,872	-	75,864,958

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****34 SEGMENT INFORMATION (continued)**

<u>Group</u>	<b>Business Banking RM'000</b>	<b>Consumer Financial Services RM'000</b>	<b>Global Treasury RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>30 June 2015</b>					
Net interest/finance income	498,551	257,244	94,875	53,188	903,858
Non-interest/finance income	73,669	68,893	107,754	55,322	305,638
Operating income	572,220	326,137	202,629	108,510	1,209,496
Operating expenses	(190,384)	(242,951)	(44,518)	(19,074)	(496,927)
Operating profit before impairment allowance and provision	381,836	83,186	158,111	89,436	712,569
Impairment allowances and provision for commitments and contingencies	(74,165)	(49,783)	-	(30)	(123,978)
Profit before income tax and zakat	307,671	33,403	158,111	89,406	588,591
Income tax expense and zakat	(76,917)	(8,351)	(39,528)	(20,493)	(145,289)
Profit for the period	230,754	25,052	118,583	68,913	443,302
<b>31 December 2015</b>					
Gross loans, advances and financing	38,471,340	31,078,997	-	77,431	69,627,768
Gross impaired loans, advances and financing	1,053,874	380,268	-	228	1,434,370
Deposits from customers	36,475,633	33,907,753	3,082,248	-	73,465,634

**Geographical Segment**

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

There have been no changes in the basis of segmentation or in the basis of measuring of segment profit or loss since the last audited financial statements as at and for the financial year ended 31 December 2015.

**35 CAPITAL ADEQUACY**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Common Equity Tier 1 ("CET 1") capital</b>				
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	4,509,536	4,501,313	4,232,697	4,296,938
Other reserves	862,004	819,076	605,478	580,719
CET 1 capital	6,121,540	6,070,389	5,588,175	5,627,657
Regulatory adjustment for CET 1 capital	(244,536)	(241,749)	(571,208)	(459,331)
CET 1 capital	5,877,004	5,828,640	5,016,967	5,168,326
<b>Additional Tier 1 capital</b>				
Innovative Tier 1 capital	400,000	400,000	400,000	400,000
Additional Tier 1 capital	443,172	471,932	443,172	471,932
Tier 1 capital	6,720,176	6,700,572	5,860,139	6,040,258

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)****35 CAPITAL ADEQUACY (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
<b>Tier 2 capital</b>				
Collective impairment allowance under the Standardised Approach*	19,129	20,399	8,591	8,723
Surplus eligible provisions over expected losses	210,368	226,489	201,998	212,414
Subordinated bonds	1,303,749	1,357,738	1,303,749	1,357,738
	<u>1,533,246</u>	<u>1,604,626</u>	<u>1,514,338</u>	<u>1,578,875</u>
Regulatory adjustment for Tier 2 capital	-	-	(423,397)	(533,970)
Tier 2 capital	<u>1,533,246</u>	<u>1,604,626</u>	<u>1,090,941</u>	<u>1,044,905</u>
<b>Capital base</b>	<u>8,253,422</u>	<u>8,305,198</u>	<u>6,951,080</u>	<u>7,085,163</u>

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

**Before deducting proposed dividend**

CET 1 capital ratio	12.331%	11.964%	12.461%	12.546%
Tier 1 capital ratio	14.100%	13.754%	14.555%	14.662%
Total capital ratio	<u>17.318%</u>	<u>17.047%</u>	<u>17.265%</u>	<u>17.199%</u>

**After deducting proposed dividend**

CET 1 capital ratio	12.331%	11.066%	12.461%	11.483%
Tier 1 capital ratio	14.100%	12.855%	14.555%	13.600%
Total capital ratio	<u>17.318%</u>	<u>16.149%</u>	<u>17.265%</u>	<u>16.136%</u>

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>	<b>30 June 2016 RM'000</b>	<b>31 December 2015 RM'000</b>
Total RWA for credit risk	41,868,064	42,951,648	35,237,439	36,100,081
Total RWA for market risk	1,373,683	1,497,919	1,366,934	1,499,947
Total RWA for operational risk	4,353,275	4,254,593	3,592,778	3,581,509
Total RWA for large exposure risk	64,112	14,255	64,112	14,255
	<u>47,659,134</u>	<u>48,718,415</u>	<u>40,261,263</u>	<u>41,195,792</u>

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



OCBC BANK (MALAYSIA) BERHAD  
(Incorporated in Malaysia)

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2016 (continued)**

**35 CAPITAL ADEQUACY (continued)**

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

	<b>30 June 2016</b>	<b>31 December 2015</b>
CET 1 capital ratio	14.079%	12.746%
Tier 1 capital ratio	14.079%	12.746%
Total capital ratio	<u>15.949%</u>	<u>14.749%</u>

**36 BUSINESS COMBINATION**

**Acquisition during the period**

On 31 May 2016, the Group acquired 350,000 ordinary shares of RM1.00 each, representing 70% of the issued and paid up ordinary share capital in OCBC Advisers Sdn Bhd ("OCBC Advisers") for a total consideration of RM1,875,225 from Oversea-Chinese Banking Corporation Limited.

OCBC Advisers recorded a net loss of RM79,363 in the month of June 2016. If the acquisition had occurred on 1 January 2016, the subsidiary would have contributed total income and net loss of RM100,000 and RM638,243, respectively, to the Group.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	<b>RM'000</b>
<b>Fair value of consideration transferred</b>	
Cash and cash equivalents	<u>1,875</u>
<b>Identifiable assets acquired and liabilities assumed</b>	
Other assets	1,530
Deferred tax assets	123
Current tax assets	358
Other liabilities	<u>(136)</u>
Total identifiable net assets	<u>1,875</u>
<b>Net cash outflow arising from acquisition of subsidiary</b>	
Purchase consideration settled in cash and cash equivalents	(1,875)
Cash and cash equivalents acquired	<u>1,530</u>
Cash outflow in acquisition	<u>(345)</u>