

OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

Domiciled in Malaysia
Registered office:
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50050 Kuala Lumpur

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

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OCBC BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

	Note	Group		Bank	
		30 September 2016 RM'000	31 December 2015 RM'000	30 September 2016 RM'000	31 December 2015 RM'000
ASSETS					
Cash and cash equivalents		9,189,362	5,443,390	7,703,845	4,862,227
Deposits and placements with banks and other financial institutions		1,739,411	-	2,460,116	1,076,407
Financial assets held-for-trading	9	831,413	1,545,745	831,413	1,545,745
Financial investments available-for-sale	10	11,940,127	13,687,018	8,194,258	10,629,759
Loans, advances and financing	11	67,023,228	68,468,175	57,789,345	58,580,383
Derivative financial assets	13	1,502,564	2,104,912	1,502,541	2,104,507
Other assets	14	273,369	317,835	486,613	495,733
Statutory deposits with Bank Negara Malaysia		2,100,946	2,386,312	1,744,546	1,980,212
Investments in subsidiaries		-	-	558,492	556,617
Property and equipment		195,062	213,085	180,775	198,859
Prepaid lease payments		793	820	793	820
Investment properties		-	2,428	-	2,428
Non-current assets held for sale		-	1,595	-	1,595
Tax recoverable		871	4,907	-	-
Deferred tax assets		-	14,492	-	12,156
Total assets		94,797,146	94,190,714	81,452,737	82,047,448
LIABILITIES					
Deposits from customers	15	73,807,367	73,465,634	62,035,152	63,366,892
Deposits and placements of banks and other financial institutions	16	8,282,766	8,098,511	7,485,715	6,665,892
Bills and acceptances payable		145,096	146,894	129,888	128,224
Recourse obligation on loans sold to Cagamas Berhad		1,333,754	1,148,897	1,333,754	1,148,897
Subordinated bonds	17	2,192,265	2,225,370	2,192,265	2,225,370
Derivative financial liabilities	13	1,539,336	1,979,824	1,539,302	1,979,249
Other liabilities	18	1,085,790	1,033,595	911,452	883,707
Tax payable and zakat		33,328	21,600	34,013	21,560
Deferred tax liabilities		10,860	-	4,270	-
Total liabilities		88,430,562	88,120,325	75,665,811	76,419,791
EQUITY					
Share capital		287,500	287,500	287,500	287,500
Reserves		6,078,234	5,782,889	5,499,426	5,340,157
Non-controlling interest		850	-	-	-
Total equity		6,366,584	6,070,389	5,786,926	5,627,657
Total liabilities and equity		94,797,146	94,190,714	81,452,737	82,047,448
Commitments and contingencies	27	97,327,071	109,531,585	94,044,762	106,100,743

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
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

Group	Note	Quarter ended		Year to date ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Interest income	19	853,379	910,527	2,635,974	2,665,133
Interest expense	19	(539,183)	(557,622)	(1,656,151)	(1,636,077)
Net interest income	19	314,196	352,905	979,823	1,029,056
Income from Islamic banking operations	20	115,514	131,253	361,005	384,277
Net fee and commission income	21	66,647	66,286	193,806	236,413
Net trading income	22	45,917	73,170	152,980	164,614
Other operating income	23	8,549	4,591	56,254	23,341
Operating income		550,823	628,205	1,743,868	1,837,701
Operating expenses	24	(267,216)	(259,742)	(804,367)	(756,669)
Operating profit before impairment allowance and provision		283,607	368,463	939,501	1,081,032
Impairment allowance on loans, advances and financing	25	(22,854)	(78,877)	(91,116)	(202,820)
Write back/(impairment allowance) on other receivables		312	(154)	2,045	(189)
Provision for commitment and contingencies		6,526	-	6,526	-
Profit before income tax and zakat		267,591	289,432	856,956	878,023
Income tax expense	26	(66,607)	(72,201)	(210,051)	(217,470)
Zakat		(12)	(9)	(34)	(29)
Profit for the period		200,972	217,222	646,871	660,524
Other comprehensive income/(expense), net of income tax					
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>					
Fair value (available-for-sale) reserve					
- Change in fair value		53,652	(68,150)	146,376	(34,627)
- Amount transferred to profit or loss		(2,976)	1,087	(34,794)	(9,198)
Income tax effect		(7,384)	15,489	(25,362)	10,338
		43,292	(51,574)	86,220	(33,487)
Total comprehensive income for the period		244,264	165,648	733,091	627,037
Profit attributable to:					
Owner of the Bank		200,902	217,222	646,825	660,524
Non-controlling interest		70	-	46	-
		200,972	217,222	646,871	660,524
Total comprehensive income attributable to:					
Owner of the Bank		244,194	165,648	733,045	627,037
Non-controlling interest		70	-	46	-
		244,264	165,648	733,091	627,037
Basic earnings per ordinary share (sen)		69.9	72.4	225.0	223.5

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
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

Bank	Note	Quarter ended		Year to date ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Interest income	19	866,097	924,906	2,680,607	2,707,941
Interest expense	19	(546,657)	(566,740)	(1,679,456)	(1,661,395)
Net interest income	19	319,440	358,166	1,001,151	1,046,546
Net fee and commission income	21	65,995	66,286	193,154	236,413
Net trading income	22	45,917	73,170	152,980	164,614
Other operating income	23	35,761	32,950	139,983	103,474
Operating income		467,113	530,572	1,487,268	1,551,047
Operating expenses	24	(244,433)	(235,615)	(735,618)	(697,327)
Operating profit before impairment allowance and provision		222,680	294,957	751,650	853,720
Impairment allowance on loans, advances and financing	25	(2,979)	(42,421)	(36,163)	(109,201)
Write back/(impairment allowance) on other receivables		312	(154)	2,045	(189)
Provision for commitment and contingencies		6,526	-	6,526	-
Profit before income tax and zakat		226,539	252,382	724,058	744,330
Income tax expense	26	(58,102)	(64,482)	(182,162)	(189,169)
Profit for the period		168,437	187,900	541,896	555,161
Other comprehensive income/(expense), net of income tax					
<i>Items that will be reclassified subsequently to profit or loss when specific conditions are met</i>					
Fair value (available-for-sale) reserve					
- Change in fair value		36,574	(53,611)	106,983	(25,552)
- Amount transferred to profit or loss		(2,976)	1,095	(36,443)	(5,832)
Income tax effect		(3,284)	11,851	(15,467)	7,229
		30,314	(40,665)	55,073	(24,155)
Total comprehensive income for the period		198,751	147,235	596,969	531,006
Profit attributable to owner of the Bank		168,437	187,900	541,896	555,161
Total comprehensive income attributable to owner of the Bank		198,751	147,235	596,969	531,006
Basic earnings per ordinary share (sen)		58.6	62.2	188.5	186.8

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

Group	<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	-	-	-	-	-	-	146,376	-	146,376	-	146,376
- Transferred to profit or loss	-	-	-	-	-	-	(34,794)	-	(34,794)	-	(34,794)
Income tax effect	-	-	-	-	-	-	(25,362)	-	(25,362)	-	(25,362)
Total other comprehensive income for the period	-	-	-	-	-	-	86,220	-	86,220	-	86,220
Profit for the period	-	-	-	-	-	-	-	646,825	646,825	46	646,871
Total comprehensive income for the period	-	-	-	-	-	-	86,220	646,825	733,045	46	733,091
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 September 2016	<u>287,500</u>	<u>462,500</u>	<u>507,000</u>	<u>155,000</u>	<u>4,000</u>	<u>56,619</u>	<u>182,677</u>	<u>4,710,438</u>	<u>6,365,734</u>	<u>850</u>	<u>6,366,584</u>

* The Group maintains a regulatory reserve to meet local regulatory requirements; the effect of this requirement is to restrict the amount of reserves that can be distributed to shareholder.

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 CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

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

* The Group maintains a regulatory reserve to meet local regulatory requirements; the effect of this requirement is to restrict the amount of reserves that can be distributed to shareholder.

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

	<i>Non-distributable</i>					<i>Distributable</i>		Total equity RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Regulatory reserve* RM'000	Capital redemption reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Bank								
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	-	-	-	-	-	106,983	-	106,983
- Transferred to profit or loss	-	-	-	-	-	(36,443)	-	(36,443)
Income tax effect	-	-	-	-	-	(15,467)	-	(15,467)
Total other comprehensive income for the year	-	-	-	-	-	55,073	-	55,073
Profit for the year	-	-	-	-	-	-	541,896	541,896
Total comprehensive income for the year	-	-	-	-	-	55,073	541,896	596,969
<i>Contributions by and distributions to owner of the Bank</i>								
Dividends paid								
- Final 2015 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
At 30 September 2016	287,500	462,500	322,000	155,000	4,000	154,792	4,401,134	5,786,926

* The Bank maintains a regulatory reserve to meet local regulatory requirements; the effect of this requirement is to restrict the amount of reserves that can be distributed to shareholder.

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

	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	
Bank								
At 1 January 2015	291,500	858,500	322,000	130,000	-	71,873	4,036,338	5,710,211
Fair value (available-for-sale) reserve								
- Change in fair value	-	-	-	-	-	(25,552)	-	(25,552)
- Transferred to profit or loss	-	-	-	-	-	(5,832)	-	(5,832)
Income tax effect	-	-	-	-	-	7,229	-	7,229
Total other comprehensive income for the period	-	-	-	-	-	(24,155)	-	(24,155)
Profit for the period	-	-	-	-	-	-	555,161	555,161
Total comprehensive income for the period	-	-	-	-	-	(24,155)	555,161	531,006
Transferred to regulatory reserve	-	-	-	15,000	-	-	(15,000)	-
Redemption of preference shares	(4,000)	(396,000)	-	-	4,000	-	(4,000)	(400,000)
<i>Contributions by and distributions to owner of the Bank</i>								
Dividends paid								
- Final 2014 ordinary	-	-	-	-	-	-	(437,700)	(437,700)
- Preference	-	-	-	-	-	-	(18,008)	(18,008)
At 30 September 2015	287,500	462,500	322,000	145,000	4,000	47,718	4,116,791	5,385,509

* The Bank maintains a regulatory reserve to meet local regulatory requirements; the effect of this requirement is to restrict the amount of reserves that can be distributed to shareholder.

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OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	Group		Bank	
	Year to date ended		Year to date ended	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before income tax and zakat	856,956	878,023	724,058	744,330
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	27	27	27	27
Depreciation of investment properties	-	110	-	110
Depreciation of property and equipment	30,063	32,837	26,046	31,306
Dividends received from financial assets held-for-trading	(999)	(711)	(999)	(711)
Dividends received from financial investments available-for-sale	(450)	(660)	(450)	(660)
Impairment/(Write back of) allowance on:				
- Loans, advances and financing	91,116	202,820	36,163	109,201
- Other receivables	(2,045)	189	(2,045)	189
Net gain on disposal of:				
- Financial investments available-for-sale	(34,794)	(9,198)	(36,443)	(5,832)
- Investment properties	(478)	-	(478)	-
- Property and equipment	(41)	(197)	(41)	(197)
Share-based expenses	4,528	4,700	4,343	4,502
Unrealised loss/(gain) on:				
- Financial assets held-for-trading	3,609	(2,893)	3,609	(2,893)
- Hedging derivatives	(906)	(924)	(906)	(924)
- Trading derivatives	35,016	(260,687)	35,016	(260,687)
- Subordinated bonds	(37,433)	25,448	(37,433)	25,448
Operating profit before changes in working capital	944,169	868,884	750,467	643,209
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(1,739,411)	732,320	(1,383,709)	689,661
Financial assets held-for-trading	711,722	(391,301)	711,722	(391,301)
Loans, advances and financing	1,353,831	(6,029,767)	754,875	(4,869,298)
Other assets	47,144	(33,189)	11,141	(179,571)
Statutory deposits with Bank Negara Malaysia	285,366	(170,630)	235,666	(173,330)
Derivative financial assets and liabilities	118,167	(65,509)	118,326	(65,720)
Deposits from customers	341,733	3,150,208	(1,331,740)	2,345,810
Deposits and placements of banks and other financial institutions	184,255	1,334,830	819,823	1,204,681
Bills and acceptances payable	(1,798)	(45,237)	1,664	(36,597)
Other liabilities	47,530	214,921	23,460	135,518
Cash generated from/(used in) operations	2,292,708	(434,470)	711,695	(696,938)
Income tax and zakat paid	(193,643)	(156,753)	(168,750)	(142,268)
Net cash generated from/(used in) operating activities	2,099,065	(591,223)	542,945	(839,206)

OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016 (CONTINUED)

	Group		Bank	
	Year to date ended		Year to date ended	
	30 September	30 September	30 September	30 September
	2016	2015	2016	2015
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of financial investments available-for-sale	(9,034,617)	(16,739,830)	(5,159,495)	(12,243,681)
Acquisition of property and equipment	(10,355)	(16,444)	(5,666)	(13,093)
Dividends received from financial investments available-for-sale	450	660	450	660
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	10,941,737	16,738,954	7,715,832	12,479,998
Proceeds from disposal of investment properties	2,073	-	2,073	-
Proceeds from disposal of property and equipment	807	552	197	454
Net cash generated from/(used) in investing activities	1,899,750	(16,108)	2,551,516	164,338
Cash flows from financing activities				
Dividends paid to owner of the Bank	(437,700)	(437,700)	(437,700)	(437,700)
Dividends paid to preference shareholders	-	(18,008)	-	(18,008)
Recourse obligation on loans sold to Cagamas Berhad	184,857	651,831	184,857	651,831
Proceeds from issuance of Additional Tier 1 Capital Securities	-	459,360	-	459,360
Redemption of preference shares	-	(400,000)	-	(400,000)
Net cash (used in)/generated from financing activities	(252,843)	255,483	(252,843)	255,483
Net increase/(decrease) in cash and cash equivalents	3,745,972	(351,848)	2,841,618	(419,385)
Cash and cash equivalents at 1 January	5,443,390	8,273,458	4,862,227	7,780,124
Cash and cash equivalents at 30 September	9,189,362	7,921,610	7,703,845	7,360,739

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 SEPTEMBER 2016

GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements of the Bank as at and for the financial period ended 30 September 2016 comprise the Bank and its subsidiaries (collectively 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, provision of nominee services and provision of corporate finance and related advisory services. There has been no significant change in the nature of these activities during the financial period.

FINANCIAL PERFORMANCE

Amid the increasingly challenging operating environment, the Group recorded a profit after tax of RM647 million for the financial period ended 30 September 2016; a 2% decrease from RM661 million in the corresponding period last year. This was largely due to a decrease in operating income by RM94 million, or 5.1% over the corresponding period last year, caused mainly by lower net interest income resulting from continuous margin compression on the back of market competition and a decreasing loans, advances and financing portfolio by RM1.4 billion as well as lower fee and commission income in particular from lower corporate advisory and loans related fees, and higher operating expenses by RM48 million or 6% above last year. The decline in operating income was mitigated by lower impairment allowances of RM120 million or 59% below last year.

The Group and the Bank remained well capitalized with Common Equity Tier 1 (CET 1) capital ratios of 12.815% and 12.971% respectively and total capital ratios of 18.038% and 18.012% respectively, well above regulatory requirements.

ECONOMIC PERFORMANCE AND PROSPECTS

The global economy continues to expand at a moderate pace with growth across major advanced economies remaining modest. Downside risks to global growth remain high with the uncertainty over the growth momentum and policy shifts in major economies, as well as several unresolved issues post-EU referendum in the United Kingdom. In Asia, persistent weakness in the external sector has weighed heavily on Malaysia's Gross Domestic Product ("GDP") growth, although domestic demand remains steady. The Malaysian government's measures on investment activity will continue to be anchored on 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 retail financing and innovative wealth products. We will continue to invest in building capacity through our expanded 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 positions 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.

(a) Statement of compliance

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

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

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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 financial 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 financial periods beginning on or after 1 January 2018

- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- MFRS 9, *Financial Instruments (2014)*
- 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*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarification to MFRS 15, *Revenue from Contracts with Customers*

Effective for financial 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 abovementioned 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 2014, 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 introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.

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

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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.

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.

The Group and the Bank are currently assessing the financial impact of adopting MFRS 9, MFRS 15 and MFRS 16.

(b) Use of estimates and judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's 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.

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**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 September 2016.

9 FINANCIAL ASSETS HELD-FOR-TRADING

	Group and Bank	
	30 September 2016	31 December 2015
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	-	79,782
Malaysian Government Securities	51,151	141,171
Corporate Bonds and Sukuk	750,793	1,213,649
Quoted shares in Malaysia	29,469	111,143
	831,413	1,545,745

10 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
At fair value				
Bank Negara Malaysia Monetary Notes	-	129,637	-	29,877
Foreign Government Debt Securities	575,276	726,654	343,043	507,182
Malaysian Government Investment Issues	5,263,044	4,313,713	2,910,070	2,448,108
Malaysian Government Securities	1,478,790	3,228,090	1,478,790	3,228,090
Malaysian Treasury Bills and Islamic Treasury Bills	323,661	319,518	224,155	89,513
Malaysian Government Debt Securities and Sukuk	189,877	193,610	95,380	63,586
Negotiable Instruments of Deposit and Islamic Negotiable Instruments	498,877	1,599,781	69,143	1,516,059
Corporate Bonds, Sukuk, and Sanadat Mudharabah Cagamas	3,501,582	3,066,995	2,964,657	2,638,324
Quoted shares in Malaysia	296	296	296	296
Debentures	190	190	190	190
	11,831,593	13,578,484	8,085,724	10,521,225
At cost				
Unquoted shares in Malaysia*	108,546	108,546	108,546	108,546
	11,940,139	13,687,030	8,194,270	10,629,771
Impairment allowance				
- Debentures	(12)	(12)	(12)	(12)
	11,940,127	13,687,018	8,194,258	10,629,759

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**11 LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Overdrafts	3,087,222	3,199,251	3,087,222	3,199,251
Term loans/financing:				
- Housing loans/financing	27,881,322	27,206,933	25,861,656	25,329,117
- Syndicated term loans/financing	2,309,474	2,323,101	1,876,232	1,928,790
- Hire purchase receivables	684,844	838,167	10	10
- Other term loans/financing	24,707,168	25,999,014	20,389,105	21,121,492
Credit cards	517,634	557,136	517,634	557,136
Bills receivable	224,017	432,115	200,178	417,771
Trust receipts	39,990	41,230	39,752	41,020
Claims on customers under acceptance credits	2,590,989	2,511,663	2,254,829	2,123,224
Revolving credit	4,632,374	5,015,232	3,097,979	3,351,192
Staff loans/financing	71,484	77,431	71,484	77,431
Other loans/financing	1,275,721	1,426,495	1,121,467	1,320,630
Gross loans, advances and financing	<u>68,022,239</u>	<u>69,627,768</u>	<u>58,517,548</u>	<u>59,467,064</u>
Allowance for loans, advances and financing				
- Individual impairment	(251,768)	(408,850)	(167,939)	(326,417)
- Collective impairment	(747,243)	(750,743)	(560,264)	(560,264)
Net loans, advances and financing	<u>67,023,228</u>	<u>68,468,175</u>	<u>57,789,345</u>	<u>58,580,383</u>
a) By type of customer				
Domestic banking institutions	4,476	367	4,476	367
Domestic non-bank financial institutions	1,023,482	1,104,668	977,441	936,542
Domestic business enterprises				
- Small and medium enterprises	13,588,455	14,369,297	11,031,634	11,471,632
- Others	17,991,337	19,301,951	14,420,224	15,622,232
Government and statutory bodies	505,451	-	505,451	-
Individuals	32,324,625	32,133,898	29,511,428	29,297,065
Foreign entities	2,584,413	2,717,587	2,066,894	2,139,226
	<u>68,022,239</u>	<u>69,627,768</u>	<u>58,517,548</u>	<u>59,467,064</u>
b) By interest/profit rate sensitivity				
Fixed rate				
- Housing loans/financing	111,681	159,086	87,956	133,468
- Hire purchase receivables	416,389	566,497	10	10
- Other fixed rate loans/financing	6,705,840	7,299,658	4,225,150	4,419,825
Variable rate				
- Base rate/base lending rate/base financing rate plus	45,389,712	45,744,920	42,749,154	43,227,241
- Cost plus	15,398,617	15,857,607	11,455,278	11,686,520
	<u>68,022,239</u>	<u>69,627,768</u>	<u>58,517,548</u>	<u>59,467,064</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**11 LOANS, ADVANCES AND FINANCING (continued)**

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
c) By sector				
Agriculture, hunting, forestry and fishing	2,530,995	2,922,444	1,865,409	2,166,205
Mining and quarrying	447,638	425,016	184,208	207,087
Manufacturing	7,949,041	8,776,131	6,198,816	6,703,245
Electricity, gas and water	349,011	332,857	285,838	257,884
Construction	1,856,037	1,925,997	1,484,040	1,583,937
Real estate	7,017,540	6,620,357	6,428,219	6,179,078
Wholesale & retail trade and restaurants & hotels	7,509,069	8,061,935	6,226,288	6,570,903
Transport, storage and communication	1,582,155	1,920,674	1,248,572	1,600,571
Finance, insurance and business services	2,032,440	2,316,106	1,693,966	1,797,626
Community, social and personal services	1,874,905	1,625,147	1,360,818	1,116,041
Household				
- Purchase of residential properties	28,999,386	28,400,582	26,945,464	26,479,554
- Purchase of non-residential properties	1,272,846	1,365,832	1,227,763	1,321,319
- Others	3,417,254	3,585,867	2,600,121	2,622,939
Others	1,183,922	1,348,823	768,026	860,675
	68,022,239	69,627,768	58,517,548	59,467,064
d) By geographical distribution				
Malaysia	65,750,891	67,260,994	56,444,954	57,328,049
Singapore	705,753	585,668	687,798	570,541
Other ASEAN	455,659	331,549	455,659	331,549
Rest of the world	1,109,936	1,449,557	929,137	1,236,925
	68,022,239	69,627,768	58,517,548	59,467,064
The analysis by geography is determined based on where the credit risk resides.				
e) By residual contractual maturity				
Within one year	14,690,269	15,381,828	12,306,964	12,869,653
One year to less than three years	3,374,611	2,950,982	2,012,693	1,540,880
Three years to less than five years	5,604,689	5,899,338	4,723,179	4,564,654
Over five years	44,352,670	45,395,620	39,474,712	40,491,877
	68,022,239	69,627,768	58,517,548	59,467,064

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**12 IMPAIRED LOANS, ADVANCES AND FINANCING**

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
At 1 January	1,434,370	1,277,026	1,148,946	1,080,344
Impaired during the period/year	946,598	1,271,177	707,035	840,253
Reclassified as unimpaired	(279,734)	(456,585)	(235,238)	(409,918)
Amount recovered	(337,123)	(542,631)	(230,169)	(315,198)
Amount written off	(289,374)	(165,646)	(219,217)	(80,064)
Effect of foreign exchange difference	(12,786)	51,029	(9,376)	33,529
At 30 September	<u>1,461,951</u>	<u>1,434,370</u>	<u>1,161,981</u>	<u>1,148,946</u>
Individual impairment allowance	(251,768)	(408,850)	(167,939)	(326,417)
Collective impairment allowance	(13,835)	(11,629)	(9,545)	(7,792)
Net impaired loans, advances and financing	<u>1,196,348</u>	<u>1,013,891</u>	<u>984,497</u>	<u>814,737</u>

a) By sector

Agriculture, hunting, forestry and fishing	7,346	7,785	6,688	6,163
Mining and quarrying	175,475	194,701	90,532	102,039
Manufacturing	339,462	384,221	296,695	338,746
Electricity, gas and water	-	61	-	-
Construction	34,741	18,049	32,630	13,493
Real estate	58,817	71,567	34,692	48,370
Wholesale & retail trade and restaurants & hotels	190,931	207,361	155,952	173,387
Transport, storage and communication	35,932	88,944	24,507	80,702
Finance, insurance and business services	14,847	16,060	6,818	8,488
Community, social and personal services	12,249	12,162	9,703	9,155
Household				
- Purchase of residential properties	455,679	306,949	409,956	281,601
- Purchase of non-residential properties	29,847	31,732	29,595	31,302
- Others	105,427	93,577	63,664	54,956
Others	1,198	1,201	549	544
	<u>1,461,951</u>	<u>1,434,370</u>	<u>1,161,981</u>	<u>1,148,946</u>

b) By geographical distribution

Malaysia	1,450,950	1,427,255	1,150,980	1,141,831
Singapore	8,691	5,391	8,691	5,391
Rest of the world	2,310	1,724	2,310	1,724
	<u>1,461,951</u>	<u>1,434,370</u>	<u>1,161,981</u>	<u>1,148,946</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**12 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
At 1 January	408,850	323,671	326,417	261,273
Made during the period/year	236,325	379,040	119,932	223,818
Amount written back	(98,024)	(125,887)	(53,835)	(76,688)
Amount written off	(289,374)	(165,646)	(219,217)	(80,064)
Discount unwind	(4,472)	(4,068)	(3,821)	(3,662)
Effect of foreign exchange difference	(1,537)	1,740	(1,537)	1,740
At 30 September/31 December	251,768	408,850	167,939	326,417
Collective impairment allowance				
At 1 January	750,743	683,088	560,264	529,278
Made during the period/year	-	67,655	-	30,986
Amount written back	(3,500)	-	-	-
At 30 September/31 December	747,243	750,743	560,264	560,264

13 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Financial derivatives are instruments whose values change in response to the change in one or more "underlying" such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet the specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The tables below analyse the principal amounts and the positive (assets) and negative (liabilities) fair values of the Group's and the Bank's financial derivatives. The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting date for both trading and hedging instruments. They do not necessarily indicate the amount of future cash flows or the fair value of the derivatives and therefore, do not represent total amount of risk. The positive (assets) and negative (liabilities) fair values represent the favourable and unfavourable fair value respectively of hedging and trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**13 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)**

Group	30 SEPTEMBER 2016			31 DECEMBER 2015		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	4,462,161	36,499	51,211	3,839,872	72,832	31,671
- Swaps	19,477,353	1,246,944	1,202,664	21,225,065	1,759,213	1,683,902
- Options	1,110,617	17,578	2,868	1,274,707	68,742	3,543
- Others	-	-	-	11,220	51	51
Interest rate derivatives						
- Swaps	41,395,842	191,647	251,164	45,447,385	152,079	177,770
- Options	170,000	76	2,994	270,333	195	2,673
- Futures	173,228	-	98	107,257	84	-
- Swaptions	-	-	-	800,000	-	2,440
Equity and other derivatives						
- Swaps	178,980	1,606	1,607	236,660	37,204	37,204
- Exchange traded futures	5,276	72	-	9,425	21	-
- Options	-	-	-	2,999	35	-
- Commodity futures	6,341	183	29	14,186	495	-
- Warrants	633	-	3	52,805	-	16,546
- Credit linked notes	1,086,900	7,699	7,699	1,042,100	13,716	13,716
	68,067,331	1,502,304	1,520,337	74,334,014	2,104,667	1,969,516
Hedging						
Interest rate derivatives						
- Swaps	942,906	260	18,999	951,098	245	10,308
	69,010,237	1,502,564	1,539,336	75,285,112	2,104,912	1,979,824
Bank						
Trading						
Foreign exchange derivatives						
- Forwards	4,486,639	36,476	51,177	3,837,329	72,426	30,907
- Swaps	19,477,353	1,246,944	1,202,664	21,230,818	1,759,214	1,684,091
- Options	1,110,617	17,578	2,868	1,274,707	68,742	3,543
- Others	-	-	-	11,220	51	51
Interest rate derivatives						
- Swaps	41,395,842	191,647	251,164	45,447,385	152,079	177,770
- Options	170,000	76	2,994	270,333	195	2,673
- Futures	173,228	-	98	107,257	84	-
- Swaptions	-	-	-	800,000	-	2,440
Equity and other derivatives						
- Swaps	178,980	1,606	1,607	236,660	37,204	37,204
- Exchange traded futures	5,276	72	-	9,425	21	-
- Options	-	-	-	2,999	35	-
- Commodity futures	6,341	183	29	14,186	495	-
- Warrants	633	-	3	52,805	-	16,546
- Credit linked notes	1,086,900	7,699	7,699	1,042,100	13,716	13,716
	68,091,809	1,502,281	1,520,303	74,337,224	2,104,262	1,968,941
Hedging						
Interest rate derivatives						
- Swaps	942,906	260	18,999	951,098	245	10,308
	69,034,715	1,502,541	1,539,302	75,288,322	2,104,507	1,979,249

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**14 OTHER ASSETS**

	Note	Group		Bank	
		30 September 2016	31 December 2015	30 September 2016	31 December 2015
		RM'000	RM'000	RM'000	RM'000
Amount due from subsidiary	(a)	-	-	40,216	9,345
Interest/Profit receivable		119,111	120,498	96,719	100,032
Unquoted Islamic subordinated bond of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		154,372	200,199	149,792	189,218
Impairment allowance on other receivables	(c)	(114)	(2,862)	(114)	(2,862)
		<u>273,369</u>	<u>317,835</u>	<u>486,613</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 and Bank	
	30 September 2016	31 December 2015
	RM'000	RM'000
At 1 January	2,862	-
Allowance made during the period/year	55	2,862
Write back of allowance during the period/year	(2,100)	-
Allowance written-off during the period/year	(703)	-
At 30 September/31 December	<u>114</u>	<u>2,862</u>

15 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
a) By type of deposit				
Demand deposits	14,931,888	13,953,132	11,758,859	10,968,527
Saving deposits	7,272,183	5,261,811	6,852,680	4,994,193
Fixed/Investment deposits	46,653,062	48,859,202	38,831,096	42,570,178
Negotiable instruments of deposit	1,200,000	99,703	1,200,000	-
Short-term money market deposits	2,675,403	2,374,513	2,317,686	1,916,721
Structured investments	1,074,831	2,917,273	1,074,831	2,917,273
	<u>73,807,367</u>	<u>73,465,634</u>	<u>62,035,152</u>	<u>63,366,892</u>
b) By type of customer				
Government and statutory bodies	1,952,440	1,216,369	48,512	57,726
Non-bank financial institutions	4,459,689	5,075,306	3,405,658	4,005,061
Business enterprises	28,666,333	29,363,199	22,671,017	24,086,990
Individuals	34,431,096	34,491,204	31,746,874	32,115,043
Foreign entities	2,301,127	2,379,064	2,216,175	2,306,380
Others	1,996,682	940,492	1,946,916	795,692
	<u>73,807,367</u>	<u>73,465,634</u>	<u>62,035,152</u>	<u>63,366,892</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**15 DEPOSITS FROM CUSTOMERS (continued)**

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
c) By maturity structure				
Within six months	39,010,642	38,629,451	32,825,867	33,014,847
Six months to one year	11,959,140	12,990,950	9,979,564	11,766,224
One year to three years	322,466	966,905	307,534	960,117
Three years to five years	311,048	1,663,385	310,648	1,662,984
	51,603,296	54,250,691	43,423,613	47,404,172

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	8,186,829	8,003,629	7,392,493	6,571,010
Other financial institutions	95,937	94,882	93,222	94,882
	8,282,766	8,098,511	7,485,715	6,665,892

17 SUBORDINATED BONDS

	Group and Bank	
	30 September 2016	31 December 2015
	RM'000	RM'000
RM200 million Redeemable Islamic Subordinated Bond 2006/2021	200,000	200,000
RM400 million Innovative Tier 1 Capital Securities	400,000	400,000
RM600 million Redeemable Subordinated Bonds 2012/2022	600,027	595,700
USD110 million Additional Tier 1 Capital Securities	454,776	471,932
USD130 million Redeemable Subordinated Bonds 2015/2025	537,462	557,738
	2,192,265	2,225,370

18 OTHER LIABILITIES

	Note	Group		Bank	
		30 September 2016	31 December 2015	30 September 2016	31 December 2015
		RM'000	RM'000	RM'000	RM'000
Amount due to subsidiary	(a)	-	-	10,935	4,550
Equity compensation benefits		10,619	10,809	10,619	10,809
Interest/Profit payable		732,972	635,917	633,255	552,867
Other payables and accruals		342,199	380,343	256,643	308,955
Provision for credit commitments and contingencies	(b)	-	6,526	-	6,526
		1,085,790	1,033,595	911,452	883,707

(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 SEPTEMBER 2016 (continued)**19 NET INTEREST INCOME**

Group	Quarter ended		Year to date ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	700,147	722,387	2,153,307	2,076,249
- Recoveries from impaired loans, advances and financing	15,525	16,563	47,735	45,941
- Discount unwind from impaired loans, advances and financing	1,447	976	3,821	2,588
Money at call and deposit placements with banks and other financial institutions	43,145	46,768	102,549	158,943
Financial assets held-for-trading	10,456	13,667	35,948	31,545
Financial investments available-for-sale	70,173	94,907	255,005	301,026
Others	12,486	15,259	37,609	48,841
	853,379	910,527	2,635,974	2,665,133
Interest expense				
Deposits from customers	(462,154)	(484,892)	(1,416,025)	(1,418,301)
Deposits and placements of banks and other financial institutions	(10,198)	(16,134)	(33,116)	(49,365)
Recourse obligation on loans sold to Cagamas Berhad	(13,255)	(5,547)	(38,984)	(5,842)
Subordinated bonds	(26,142)	(21,765)	(77,831)	(62,894)
Others	(27,434)	(29,284)	(90,195)	(99,675)
	(539,183)	(557,622)	(1,656,151)	(1,636,077)
Net interest income	314,196	352,905	979,823	1,029,056
Bank				
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	700,147	722,387	2,153,307	2,076,249
- Recoveries from impaired loans, advances and financing	15,525	16,563	47,735	45,941
- Discount unwind from impaired loans, advances and financing	1,447	976	3,821	2,588
Money at call and deposit placements with banks and other financial institutions	52,389	57,703	136,888	191,554
Financial assets held-for-trading	10,456	13,667	35,948	31,545
Financial investments available-for-sale	70,899	95,603	257,146	303,070
Unquoted Islamic subordinated bond of subsidiary	2,748	2,748	8,153	8,153
Others	12,486	15,259	37,609	48,841
	866,097	924,906	2,680,607	2,707,941
Interest expense				
Deposits from customers	(462,154)	(484,892)	(1,416,025)	(1,418,301)
Deposits and placements of banks and other financial institutions	(17,672)	(25,252)	(56,421)	(74,683)
Recourse obligation on loans sold to Cagamas Berhad	(13,255)	(5,547)	(38,984)	(5,842)
Subordinated bonds	(26,142)	(21,765)	(77,831)	(62,894)
Others	(27,434)	(29,284)	(90,195)	(99,675)
	(546,657)	(566,740)	(1,679,456)	(1,661,395)
Net interest income	319,440	358,166	1,001,151	1,046,546

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

20 INCOME FROM ISLAMIC BANKING OPERATIONS

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September 2016</u>	<u>30 September 2015</u>	<u>30 September 2016</u>	<u>30 September 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Income derived from investment of depositors' funds and others	180,447	185,593	545,310	550,207
Income derived from investment of specific investment account funds	10,680	12,947	33,253	34,273
Income derived from investment of shareholder's funds	28,036	25,117	75,196	72,934
Income attributable to depositors	(96,175)	(83,286)	(269,449)	(247,819)
Income attributable to investment account holder	(7,474)	(9,118)	(23,305)	(25,318)
	<u>115,514</u>	<u>131,253</u>	<u>361,005</u>	<u>384,277</u>

21 NET FEE AND COMMISSION INCOME

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September 2016</u>	<u>30 September 2015</u>	<u>30 September 2016</u>	<u>30 September 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Commission	33,697	26,997	86,717	89,184
Service charges and fees	21,770	27,854	73,449	112,942
Guarantee fees	8,515	8,640	25,314	25,119
Other fee income	2,665	2,795	8,326	9,168
	<u>66,647</u>	<u>66,286</u>	<u>193,806</u>	<u>236,413</u>

Bank

Commission	33,045	26,997	86,065	89,184
Service charges and fees	21,770	27,854	73,449	112,942
Guarantee fees	8,515	8,640	25,314	25,119
Other fee income	2,665	2,795	8,326	9,168
	<u>65,995</u>	<u>66,286</u>	<u>193,154</u>	<u>236,413</u>

22 NET TRADING INCOME

<u>Group and Bank</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September 2016</u>	<u>30 September 2015</u>	<u>30 September 2016</u>	<u>30 September 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Foreign exchange (loss)/gain	(69,943)	(338,031)	220,414	(466,498)
Realised gain on financial assets held-for-trading	7,437	2,493	21,736	14,679
Realised gain/(loss) on trading derivatives	83,720	163,962	(50,545)	352,853
Unrealised gain/(loss) on financial assets held-for-trading	1,557	(406)	(3,609)	2,893
Unrealised gain/(loss) on trading derivatives	23,146	245,152	(35,016)	260,687
	<u>45,917</u>	<u>73,170</u>	<u>152,980</u>	<u>164,614</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**23 OTHER OPERATING INCOME**

Group	Quarter ended		Year to date ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Gain/(loss) on disposal:				
- Financial investments available-for-sale	2,976	(1,095)	36,443	5,832
- Investment properties	-	-	478	-
- Property and equipment	1	200	41	197
Gross dividends from financial investments available-for-sale unquoted in Malaysia	-	210	450	660
Gross dividends from financial assets held-for-trading quoted in Malaysia	-	204	999	711
Rental of premises	1,101	1,072	3,245	3,353
Rental of safe deposit boxes	1,367	1,345	4,641	4,533
Shared services income received from related company	2,708	1,800	8,724	6,212
Unrealised gain on hedging derivatives	311	385	906	924
Others	85	470	327	919
	8,549	4,591	56,254	23,341

Bank

Gain on disposal:				
- Financial investments available-for-sale	2,976	(1,095)	36,443	5,832
- Investment properties	-	-	478	-
- Property and equipment	1	200	41	197
Gross dividends from financial investments available-for-sale in Malaysia	-	210	450	660
Gross dividends from financial assets held-for-trading in Malaysia	-	204	999	711
Rental of premises	1,114	1,094	3,297	3,411
Rental of safe deposit boxes	1,367	1,345	4,641	4,533
Shared services income received from subsidiary	27,370	28,546	84,232	80,282
Shared services income received from related company	2,537	1,800	8,169	6,212
Unrealised gain on hedging derivatives	311	385	906	924
Others	85	261	327	712
	35,761	32,950	139,983	103,474

24 OPERATING EXPENSES

Group	Quarter ended		Year to date ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
(a) Personnel expenses				
Wages, salaries and bonus	101,777	105,268	306,815	297,178
Employees Provident Fund contributions	15,365	15,829	46,875	44,781
Share-based expenses	1,693	1,972	4,528	4,700
Others	9,369	9,305	30,450	28,552
	128,204	132,374	388,668	375,211

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**24 OPERATING EXPENSES (continued)**

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September 2016</u>	<u>30 September 2015</u>	<u>30 September 2016</u>	<u>30 September 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
(b) Establishment expenses				
Depreciation of property and equipment	9,855	10,697	30,063	32,837
Rental of premises	4,587	4,581	14,095	13,587
Repair and maintenance	2,995	3,013	9,485	7,986
Information technology costs	2,122	1,565	6,635	4,057
Hire of equipment	392	222	772	605
Depreciation of investment properties	-	23	-	110
Amortisation of prepaid lease payments	9	9	27	27
Others	4,512	4,586	13,740	13,260
	<u>24,472</u>	<u>24,696</u>	<u>74,817</u>	<u>72,469</u>
(c) Marketing expenses				
Advertisement and business promotion	5,479	7,489	16,810	22,458
Transport and travelling	767	1,184	3,141	3,341
Others	1,060	863	3,072	1,571
	<u>7,306</u>	<u>9,536</u>	<u>23,023</u>	<u>27,370</u>
(d) General administrative expenses				
Transaction processing fees	76,017	68,485	233,450	213,503
Others	31,217	24,651	84,409	68,116
	<u>107,234</u>	<u>93,136</u>	<u>317,859</u>	<u>281,619</u>
Total other operating expenses	<u>267,216</u>	<u>259,742</u>	<u>804,367</u>	<u>756,669</u>
<u>Bank</u>				
(a) Personnel expenses				
Wages, salaries and bonus	94,964	98,692	286,711	277,807
Employees Provident Fund contributions	14,357	14,849	43,754	41,829
Share-based expenses	1,596	1,899	4,343	4,502
Others	8,626	8,509	28,220	26,499
	<u>119,543</u>	<u>123,949</u>	<u>363,028</u>	<u>350,637</u>
(b) Establishment expenses				
Depreciation of property and equipment	8,495	10,195	26,046	31,306
Rental of premises	4,002	3,921	12,028	11,672
Repair and maintenance	2,842	2,884	8,968	7,601
Information technology costs	1,988	1,479	6,161	3,873
Hire of equipment	317	222	655	605
Depreciation of investment properties	-	23	-	110
Amortisation of prepaid lease payments	9	9	27	27
Others	3,949	4,005	11,757	11,800
	<u>21,602</u>	<u>22,738</u>	<u>65,642</u>	<u>66,994</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**24 OPERATING EXPENSES (continued)**

<u>Bank</u>	Quarter ended		Year to date ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
(c) Marketing expenses				
Advertisement and business promotion	5,307	6,829	16,177	20,477
Transport and travelling	676	992	2,737	2,801
Others	970	841	2,933	1,513
	6,953	8,662	21,847	24,791
(d) General administrative expenses				
Transaction processing fees	70,114	63,401	214,796	196,505
Others	26,221	16,865	70,305	58,400
	96,335	80,266	285,101	254,905
Total other operating expenses	244,433	235,615	735,618	697,327

25 IMPAIRMENT ALLOWANCE ON LOANS, ADVANCES AND FINANCING

<u>Group</u>	Quarter ended		Year to date ended	
	30 September 2016	30 September 2015	30 September 2016	30 September 2015
	RM'000	RM'000	RM'000	RM'000
Individual impairment allowance				
- Made during the period	80,947	95,805	236,325	263,633
- Written back	(31,007)	(31,510)	(98,024)	(93,009)
Collective impairment allowance				
- (Written back)/Made during the period	(1,800)	22,574	(3,500)	54,178
Impaired loans, advances and financing recovered	(25,286)	(7,992)	(43,685)	(21,982)
	22,854	78,877	91,116	202,820
<u>Bank</u>				
Individual impairment allowance				
- Made during the period	40,853	58,154	119,932	149,776
- Written back	(17,798)	(19,684)	(53,835)	(59,903)
Collective impairment allowance				
- Made during the period	-	8,025	-	30,986
Impaired loans, advances and financing recovered	(20,076)	(4,074)	(29,934)	(11,658)
	2,979	42,421	36,163	109,201

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26 INCOME TAX EXPENSE

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September 2016</u>	<u>30 September 2015</u>	<u>30 September 2016</u>	<u>30 September 2015</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Malaysian income tax				
- Current period	71,554	78,146	202,758	217,933
- Prior years	7,125	-	7,125	-
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(7,314)	(5,945)	4,926	(463)
- Prior years overprovision of deferred tax	(4,758)	-	(4,758)	-
	<u>66,607</u>	<u>72,201</u>	<u>210,051</u>	<u>217,470</u>
 <u>Bank</u>				
Malaysian income tax				
- Current period	62,744	69,989	174,586	189,588
- Prior years	6,617	-	6,617	-
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(6,990)	(5,507)	5,228	(419)
- Prior years overprovision of deferred tax	(4,269)	-	(4,269)	-
	<u>58,102</u>	<u>64,482</u>	<u>182,162</u>	<u>189,169</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**27 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.

Group	Principal amount	Positive fair value of derivative contracts	Negative fair value of derivative contracts	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000
30 September 2016					
Direct credit substitutes	555,428			555,428	352,250
Transaction-related contingent items	2,809,719			1,435,319	847,372
Short-term self-liquidating trade-related contingencies	423,411			89,863	49,232
Foreign exchange related contracts					
- Less than one year	14,658,365	307,549	332,395	455,008	98,062
- One year to less than five years	7,049,398	644,670	596,912	1,372,431	399,146
- Five years and above	3,342,368	348,802	327,436	792,972	639,808
Interest rate related contracts					
- Less than one year	11,809,194	16,174	8,934	36,193	5,009
- One year to less than five years	23,824,050	128,704	164,225	725,818	182,075
- Five years and above	7,048,732	47,105	100,096	187,347	85,903
Equity and commodity related contracts	191,230	1,861	1,639	14,317	8,044
Credit derivative contracts	1,086,900	7,699	7,699	39,722	8,153
Formal standby facilities and credit lines					
- Maturity exceeding one year	5,632,490			5,033,564	1,482,296
Other unconditionally cancellable commitments	18,895,786			1,998,535	317,287
Total	97,327,071	1,502,564	1,539,336	12,736,517	4,474,637
31 December 2015					
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 related 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
Total	109,531,585	2,104,912	1,979,824	14,657,555	4,901,732

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27 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
30 September 2016					
Direct credit substitutes	460,612			460,612	289,489
Transaction-related contingent items	2,479,221			1,266,779	717,463
Short-term self-liquidating trade-related contingencies	378,983			80,025	44,733
Foreign exchange related contracts					
- Less than one year	14,682,843	307,526	332,361	454,770	97,938
- One year to less than five years	7,049,398	644,670	596,912	1,372,431	399,146
- Five years and above	3,342,368	348,802	327,436	792,972	639,808
Interest rate related contracts					
- Less than one year	11,809,194	16,174	8,934	36,193	5,009
- One year to less than five years	23,824,050	128,704	164,225	725,818	182,075
- Five years and above	7,048,732	47,105	100,096	187,347	85,903
Equity and commodity related contracts	191,230	1,861	1,639	14,317	8,044
Credit derivative contracts	1,086,900	7,699	7,699	39,722	8,153
Formal standby facilities and credit lines					
- Maturity exceeding one year	5,325,979			4,764,942	1,408,914
Other unconditionally cancellable commitments	16,365,252			1,958,272	309,407
Total	94,044,762	1,502,541	1,539,302	12,154,200	4,196,082
31 December 2015					
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 related 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
Total	106,100,743	2,104,507	1,979,249	13,981,450	4,534,657

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**28 CAPITAL COMMITMENTS**

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Capital expenditure commitments in respect of property and equipment				
- Authorised but not contracted for	4,625	5,115	4,189	1,189
- Contracted but not provided for	13,548	12,940	13,548	12,940
	18,173	18,055	17,737	14,129

29 FAIR VALUE OF FINANCIAL INSTRUMENTS**Fair value hierarchy of financial instruments**

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

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

	Level 1	Level 2	Level 3
Fair value determined	Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.	Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.	Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.
Type of financial assets	Actively traded government and agency securities	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 SEPTEMBER 2016 (continued)

29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy of financial instruments (continued)

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
30 September 2016				
Financial assets at fair value				
Held-for-trading	80,619	750,794	-	831,413
Available-for-sale	7,360,525	4,471,056	-	11,831,581
Derivative assets	2,427	1,492,363	7,774	1,502,564
	<u>7,443,571</u>	<u>6,714,213</u>	<u>7,774</u>	<u>14,165,558</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,516</u>	<u>1,526,127</u>	<u>10,693</u>	<u>1,539,336</u>
31 December 2015				
Financial assets at fair value				
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>
Financial liabilities at fair value				
Derivative liabilities	<u>17,092</u>	<u>1,943,852</u>	<u>18,880</u>	<u>1,979,824</u>
Bank				
30 September 2016				
Financial assets at fair value				
Held-for-trading	80,619	750,794	-	831,413
Available-for-sale	4,680,821	3,404,891	-	8,085,712
Derivative assets	2,464	1,492,303	7,774	1,502,541
	<u>4,763,904</u>	<u>5,647,988</u>	<u>7,774</u>	<u>10,419,666</u>
Financial liabilities at fair value				
Derivative liabilities	<u>2,569</u>	<u>1,526,040</u>	<u>10,693</u>	<u>1,539,302</u>
31 December 2015				
Financial assets at fair value				
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>
Financial liabilities at fair value				
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 SEPTEMBER 2016 (continued)**29 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy of financial instruments (continued)**

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

	Group and Bank	
	30 September 2016 RM'000	31 December 2015 RM'000
Financial assets at fair value		
At 1 January	13,996	16,298
Purchased	11	4,071
Settled	(31)	-
Recognised in profit or loss		
- Realised loss	(3,119)	(9,699)
- Unrealised (loss)/gain	(3,083)	3,326
At 30 September/31 December	<u>7,774</u>	<u>13,996</u>
Financial liabilities at fair value		
At 1 January	18,880	20,914
Issued	-	9,006
Settled	(4,760)	(14,622)
Recognised in profit or loss		
- Realised (loss)/gain	(1,973)	581
- Unrealised (loss)/gain	(1,454)	3,001
At 30 September/31 December	<u>10,693</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:

Group and Bank	30 September 2016 Fair value RM'000	31 December 2015 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Derivative assets	<u>7,774</u>	<u>13,996</u>	Hedge for trading	Option pricing model	Standard deviation
Liabilities					
Derivative liabilities	<u>10,693</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.

30 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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**30 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>	<u>Business Banking RM'000</u>	<u>Consumer Financial Services RM'000</u>	<u>Global Treasury RM'000</u>	<u>Others RM'000</u>	<u>Total RM'000</u>
30 September 2016					
Net interest/finance income	782,106	371,757	146,932	12,717	1,313,512
Non-interest/finance income	94,791	99,659	201,572	34,334	430,356
Operating income	876,897	471,416	348,504	47,051	1,743,868
Operating expenses	(315,660)	(374,604)	(74,501)	(39,602)	(804,367)
Operating profit before impairment allowance and provision	561,237	96,812	274,003	7,449	939,501
(Impairment)/write back of allowances and provision for commitments and contingencies	(30,236)	(52,363)	1,363	(1,309)	(82,545)
Profit before income tax and zakat	531,001	44,449	275,366	6,140	856,956
Income tax expense and zakat	(127,442)	(10,667)	(66,088)	(5,888)	(210,085)
Profit for the period	403,559	33,782	209,278	252	646,871
Gross loans, advances and financing	36,363,593	31,587,162	-	71,484	68,022,239
Gross impaired loans, advances and financing	921,810	539,358	-	783	1,461,951
Deposits from customers	36,796,857	35,743,096	1,267,414	-	73,807,367

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

Group	Business Banking RM'000	Consumer Financial Services RM'000	Global Treasury RM'000	Others RM'000	Total RM'000
30 September 2015					
Net interest/finance income	773,237	389,241	138,637	76,195	1,377,310
Non-interest/finance income	109,126	99,417	189,528	62,320	460,391
Operating income	882,363	488,658	328,165	138,515	1,837,701
Operating expenses	(289,456)	(371,415)	(70,119)	(25,679)	(756,669)
Operating profit before impairment allowance and provision	592,907	117,243	258,046	112,836	1,081,032
Impairment allowances and provision for commitments and contingencies	(120,122)	(82,491)	-	(396)	(203,009)
Profit before income tax and zakat	472,785	34,752	258,046	112,440	878,023
Income tax expense and zakat	(118,196)	(8,688)	(64,511)	(26,104)	(217,499)
Profit for the period	354,589	26,064	193,535	86,336	660,524
31 December 2015					
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.

31 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).

	Group		Bank	
	30 September 2016 RM'000	31 December 2015 RM'000	30 September 2016 RM'000	31 December 2015 RM'000
Common Equity Tier 1 ("CET 1") capital				
Paid-up ordinary share capital	287,500	287,500	287,500	287,500
Ordinary share premium	462,500	462,500	462,500	462,500
Retained earnings	4,509,536	4,501,313	4,232,697	4,296,938
Other reserves	905,296	819,076	635,792	580,719
CET 1 capital	6,164,832	6,070,389	5,618,489	5,627,657
Regulatory adjustment for CET 1 capital	(264,251)	(241,749)	(583,909)	(459,331)
CET 1 capital	5,900,581	5,828,640	5,034,580	5,168,326
Additional Tier 1 capital				
Innovative Tier 1 capital	400,000	400,000	400,000	400,000
Additional Tier 1 capital	454,776	471,932	454,776	471,932
Tier 1 capital	6,755,357	6,700,572	5,889,356	6,040,258

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**31 CAPITAL ADEQUACY (continued)**

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Tier 2 capital				
Collective impairment allowance under the Standardised Approach*	18,331	20,399	8,649	8,723
Surplus eligible provisions over expected losses	214,318	226,489	199,151	212,414
Subordinated bonds	1,317,462	1,357,738	1,317,462	1,357,738
	<u>1,550,111</u>	<u>1,604,626</u>	<u>1,525,262</u>	<u>1,578,875</u>
Regulatory adjustment for Tier 2 capital	-	-	(423,397)	(533,970)
Tier 2 capital	<u>1,550,111</u>	<u>1,604,626</u>	<u>1,101,865</u>	<u>1,044,905</u>
Capital base	<u>8,305,468</u>	<u>8,305,198</u>	<u>6,991,221</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	12.815%	11.964%	12.971%	12.546%
Tier 1 capital ratio	14.672%	13.754%	15.173%	14.662%
Total capital ratio	<u>18.038%</u>	<u>17.047%</u>	<u>18.012%</u>	<u>17.199%</u>

After deducting proposed dividend

CET 1 capital ratio	12.815%	11.066%	12.971%	11.483%
Tier 1 capital ratio	14.672%	12.855%	15.173%	13.600%
Total capital ratio	<u>18.038%</u>	<u>16.149%</u>	<u>18.012%</u>	<u>16.136%</u>

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

	Group		Bank	
	30 September 2016	31 December 2015	30 September 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	40,334,448	42,951,648	33,883,696	36,100,081
Total RWA for market risk	1,263,801	1,497,919	1,263,581	1,499,947
Total RWA for operational risk	4,377,669	4,254,593	3,598,965	3,581,509
Total RWA for large exposure risk	67,850	14,255	67,850	14,255
	<u>46,043,768</u>	<u>48,718,415</u>	<u>38,814,092</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 adopted the Internal Ratings Based Approach for Credit Risk for its major credit portfolios, whilst the other credit portfolios are on the Standardised Approach. For market and operational risks, OCBC Al-Amin has adopted the Standardised Approach and the Basic Indicator Approach respectively.

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

	30 September 2016	31 December 2015
CET 1 capital ratio	14.496%	12.746%
Tier 1 capital ratio	14.496%	12.746%
Total capital ratio	<u>16.293%</u>	<u>14.749%</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2016 (continued)**32 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:

	RM'000
Fair value of consideration transferred	
Cash and cash equivalents	<u>1,875</u>
Identifiable assets acquired and liabilities assumed	
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>
Net cash outflow arising from acquisition of subsidiary	
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>