

**OCBC BANK (MALAYSIA) BERHAD**  
Company No. 199401009721 (295400-W)  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

Domiciled in Malaysia  
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019**

	Note	Group		Bank	
		30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
<b>ASSETS</b>					
Cash and cash equivalents	10	1,392,270	4,897,506	1,292,241	4,347,492
Deposits and placements with banks and other financial institutions	11	78,733	399,956	503,700	980,299
Investment account placement	12	-	-	2,028,587	1,318,776
Financial assets at fair value through profit or loss (FVTPL)	13	2,399,692	1,873,515	2,383,327	1,863,535
Financial investments at fair value through other comprehensive income (FVOCI)	14	18,112,389	17,802,426	13,846,766	13,586,543
Loans, advances and financing	15	68,845,074	68,581,496	57,295,784	58,265,289
Derivative financial assets	17	873,152	760,761	873,819	762,277
Other assets	18	398,807	418,998	587,524	599,461
Statutory deposits with Bank Negara Malaysia		2,043,169	1,913,172	1,669,169	1,561,972
Investments in subsidiaries		-	-	557,051	557,051
Property and equipment		155,711	164,368	147,753	154,484
Prepaid lease payments		-	712	-	712
Right-of-use assets		19,284	-	16,248	-
Tax recoverable		18,789	9,436	-	-
Deferred tax assets		23,118	60,135	20,388	51,925
<b>Total assets</b>		<b>94,360,188</b>	<b>96,882,481</b>	<b>81,222,357</b>	<b>84,049,816</b>
<b>LIABILITIES</b>					
Deposits from customers	19	76,890,638	75,851,221	65,020,380	64,124,328
Deposits and placements of banks and other financial institutions	20	2,849,365	7,070,077	2,802,370	6,986,949
Bills and acceptances payable		88,860	92,841	74,749	78,292
Recourse obligation on loans sold to Cagamas Berhad		700,000	700,000	700,000	700,000
Derivative financial liabilities	17	949,838	716,168	949,813	716,113
Other liabilities	21	3,294,602	3,045,533	3,141,127	2,953,139
Tax payable and zakat		61,548	50,019	61,465	49,969
Subordinated bonds	22	1,505,371	1,893,169	1,505,371	1,893,169
<b>Total liabilities</b>		<b>86,340,222</b>	<b>89,419,028</b>	<b>74,255,275</b>	<b>77,501,959</b>
<b>EQUITY</b>					
Share capital		754,000	754,000	754,000	754,000
Reserves		7,265,966	6,709,453	6,213,082	5,793,857
<b>Total equity</b>		<b>8,019,966</b>	<b>7,463,453</b>	<b>6,967,082</b>	<b>6,547,857</b>
<b>Total liabilities and equity</b>		<b>94,360,188</b>	<b>96,882,481</b>	<b>81,222,357</b>	<b>84,049,816</b>
<b>Commitments and contingencies</b>	31	<b>115,755,294</b>	<b>93,074,549</b>	<b>112,320,792</b>	<b>88,855,432</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 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

<b>Group</b>	<b>Note</b>	<b>Quarter ended</b>		<b>Year to date ended</b>	
		<b>30 September 2019</b>	<b>30 September 2018</b>	<b>30 September 2019</b>	<b>30 September 2018</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	23	883,415	958,764	2,748,999	2,744,798
Interest expense	23	(514,010)	(569,925)	(1,624,085)	(1,621,442)
Net interest income	23	369,405	388,839	1,124,914	1,123,356
Income from Islamic banking operations	24	108,106	107,317	329,793	327,996
Net fee and commission income	25	110,443	88,837	292,523	263,895
Net trading income	26	26,478	55,720	99,296	162,329
Other operating income	27	33,685	11,840	113,268	17,927
<b>Operating income</b>		<b>648,117</b>	<b>652,553</b>	<b>1,959,794</b>	<b>1,895,503</b>
Operating expenses	28	(315,980)	(288,506)	(920,778)	(858,651)
<b>Operating profit before impairment allowance and provision</b>		<b>332,137</b>	<b>364,047</b>	<b>1,039,016</b>	<b>1,036,852</b>
Impairment writeback/(allowance and provisions)	29	39,408	(103,066)	(124,025)	(174,522)
<b>Profit before income tax and zakat</b>		<b>371,545</b>	<b>260,981</b>	<b>914,991</b>	<b>862,330</b>
Income tax expense	30	(91,506)	(87,241)	(219,445)	(237,117)
Zakat		(16)	-	(33)	-
<b>Profit for the period</b>		<b>280,023</b>	<b>173,740</b>	<b>695,513</b>	<b>625,213</b>
<b>Other comprehensive income/(expense), net of income tax</b>					
<b>Items that will not be reclassified to profit or loss</b>					
Change in fair value reserve (equity instruments)		3,504	2,908	6,059	5,863
<b>Items that are or may be reclassified subsequently to profit or loss</b>					
Fair value reserve (debt instruments)					
- Change in fair value		63,397	26,564	276,382	(34,747)
- Amount transferred to profit or loss		(30,096)	(5,197)	(103,365)	1,421
- Related tax		(7,992)	(5,167)	(41,524)	8,107
Change in expected credit loss (ECL) reserve on debt instruments at FVOCI		12	(130)	(552)	(10,224)
<b>Other comprehensive income/(expense) for the period</b>		<b>28,825</b>	<b>18,978</b>	<b>137,000</b>	<b>(29,580)</b>
<b>Total comprehensive income for the period</b>		<b>308,848</b>	<b>192,718</b>	<b>832,513</b>	<b>595,633</b>

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019 (continued)**

	Quarter ended		Year to date ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Group</b>				
<b>Profit attributable to:</b>				
Owner of the Bank	280,023	173,804	695,513	625,319
Non-controlling interest	-	(64)	-	(106)
	<u>280,023</u>	<u>173,740</u>	<u>695,513</u>	<u>625,213</u>
<b>Total comprehensive income attributable to:</b>				
Owner of the Bank	308,848	192,782	832,513	595,739
Non-controlling interest	-	(64)	-	(106)
	<u>308,848</u>	<u>192,718</u>	<u>832,513</u>	<u>595,633</u>
Basic earnings per ordinary share (sen)	<u>97.4</u>	<u>60.5</u>	<u>241.9</u>	<u>217.5</u>

*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 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

<u>Bank</u>	Note	Quarter ended		Year to date ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Interest income	23	910,727	977,000	2,816,089	2,796,622
Interest expense	23	(533,293)	(580,836)	(1,664,803)	(1,654,653)
Net interest income	23	377,434	396,164	1,151,286	1,141,969
Net fee and commission income	25	109,106	88,837	291,035	263,311
Net trading income	26	26,478	55,720	99,296	162,316
Other operating income	27	62,747	39,627	197,320	113,364
<b>Operating income</b>		575,765	580,348	1,738,937	1,680,960
Operating expenses	28	(295,992)	(268,389)	(860,875)	(800,045)
<b>Operating profit before impairment allowance and provision</b>		279,773	311,959	878,062	880,915
Impairment writeback/(allowance and provisions)	29	7,726	(30,196)	(106,673)	(113,410)
<b>Profit before income tax and zakat</b>		287,499	281,763	771,389	767,505
Income tax expense	30	(74,409)	(93,163)	(191,973)	(211,022)
<b>Profit for the period</b>		213,090	188,600	579,416	556,483
<b>Other comprehensive income/(expense), net of income tax</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Change in fair value reserve (equity instruments)		3,504	2,908	6,059	5,863
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Fair value reserve (debt instruments)					
- Change in fair value		51,823	19,545	238,563	(32,610)
- Amount transferred to profit or loss		(27,179)	(5,546)	(93,587)	803
- Related tax		(5,916)	(3,395)	(34,794)	7,595
Change in ECL reserve on debt instruments at FVOCI		(3)	(169)	(432)	(7,841)
<b>Other comprehensive income/(expense) for the period, net of income tax</b>		22,229	13,343	115,809	(26,190)
<b>Total comprehensive income for the period</b>		235,319	201,943	695,225	530,293
Profit attributable to owner of the Bank		213,090	188,600	579,416	556,483
Total comprehensive income attributable to owner of the Bank		235,319	201,943	695,225	530,293
Basic earnings per ordinary share (sen)		74.1	65.6	201.5	193.6

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Group and Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

<b>Group</b>	<b>Share capital</b> <b>RM'000</b>	<i>Non-distributable</i>			<i>Distributable</i>		<b>Total equity</b> <b>RM'000</b>
		<b>Regulatory reserve</b> <b>RM'000</b>	<b>Capital reserve</b> <b>RM'000</b>	<b>ECL reserve</b> <b>RM'000</b>	<b>Fair value reserve</b> <b>RM'000</b>	<b>Retained earnings</b> <b>RM'000</b>	
At 1 January 2019	754,000	600,000	56,619	1,405	83,650	5,967,779	7,463,453
Fair value reserve							
- Change in fair value	-	-	-	-	282,441	-	282,441
- Amount transferred to profit or loss	-	-	-	-	(103,365)	-	(103,365)
- Income tax effect	-	-	-	-	(41,524)	-	(41,524)
Change in ECL reserve	-	-	-	(552)	-	-	(552)
<b>Total other comprehensive (expense)/income for the period</b>	-	-	-	(552)	137,552	-	137,000
Profit for the period	-	-	-	-	-	695,513	695,513
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	(552)	137,552	695,513	832,513
Transferred to regulatory reserve	-	-	-	-	-	-	-
<b>Contributions by and distributions to owner of the Bank</b>							
Final 2018 ordinary dividend paid	-	-	-	-	-	(138,000)	(138,000)
Interim 2019 ordinary dividend paid	-	-	-	-	-	(138,000)	(138,000)
At 30 September 2019	754,000	600,000	56,619	853	221,202	6,387,292	8,019,966

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019 (continued)**

<b>Group</b>	<i>Non-distributable</i>				<i>Distributable</i>		<b>Total equity</b> <b>RM'000</b>	
	<b>Share capital</b> <b>RM'000</b>	<b>Regulatory reserve</b> <b>RM'000</b>	<b>Capital reserve</b> <b>RM'000</b>	<b>ECL reserve</b> <b>RM'000</b>	<b>Fair value reserve</b> <b>RM'000</b>	<b>Retained earnings</b> <b>RM'000</b>		<b>Non-controlling interest</b> <b>RM'000</b>
At 1 January 2018 (as previously reported)	754,000	486,000	56,619	-	107,999	5,473,294	1,494	6,879,406
Effect of adopting MFRS 9	-	-	-	11,629	(15,811)	80,894	-	76,712
Restated at 1 January 2018	<u>754,000</u>	<u>486,000</u>	<u>56,619</u>	<u>11,629</u>	<u>92,188</u>	<u>5,554,188</u>	<u>1,494</u>	<u>6,956,118</u>
Fair value reserve								
- Change in fair value	-	-	-	-	(28,884)	-	-	(28,884)
- Transferred to profit or loss	-	-	-	-	1,421	-	-	1,421
- Related tax	-	-	-	-	8,107	-	-	8,107
Change in ECL reserve	-	-	-	(10,224)	-	-	-	(10,224)
<b>Total other comprehensive expense for the period</b>	-	-	-	(10,224)	(19,356)	-	-	(29,580)
Profit for the period	-	-	-	-	-	625,319	(106)	625,213
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	(10,224)	(19,356)	625,319	(106)	595,633
Transferred to regulatory reserve	-	114,000	-	-	-	(114,000)	-	-
<b>Contributions by and distributions to owner of the Bank</b>								
Final 2017 ordinary dividend paid	-	-	-	-	-	(150,000)	-	(150,000)
Interim 2018 ordinary dividend paid	-	-	-	-	-	(138,000)	(49)	(138,049)
At 30 September 2018	<u>754,000</u>	<u>600,000</u>	<u>56,619</u>	<u>1,405</u>	<u>72,832</u>	<u>5,777,507</u>	<u>1,339</u>	<u>7,263,702</u>

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 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.



**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Share capital RM'000	Non-distributable			Distributable	Total equity RM'000
		Regulatory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
<b>Bank</b>						
At 1 January 2019	754,000	509,000	1,156	81,458	5,202,243	6,547,857
Fair value reserve						
- Change in fair value	-	-	-	244,622	-	244,622
- Amount transferred to profit or loss	-	-	-	(93,587)	-	(93,587)
- Income tax effect	-	-	-	(34,794)	-	(34,794)
Change in ECL reserve	-	-	(432)	-	-	(432)
<b>Total other comprehensive (expense)/income for the period</b>	-	-	(432)	116,241	-	115,809
Profit for the year	-	-	-	-	579,416	579,416
<b>Total comprehensive (expense)/income for the period</b>	-	-	(432)	116,241	579,416	695,225
Transferred to regulatory reserve	-	-	-	-	-	-
<b>Contributions by and distributions to owner of the Bank</b>						
Final 2018 ordinary dividend paid	-	-	-	-	(138,000)	(138,000)
Interim 2019 ordinary dividend paid	-	-	-	-	(138,000)	(138,000)
At 30 September 2019	754,000	509,000	724	197,699	5,505,659	6,967,082

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 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019 (continued)**

	<i>Non-distributable</i>			<i>Distributable</i>	<b>Total equity</b> <b>RM'000</b>	
	<b>Share capital</b> <b>RM'000</b>	<b>Regulatory reserve</b> <b>RM'000</b>	<b>ECL reserve</b> <b>RM'000</b>	<b>Fair value reserve</b> <b>RM'000</b>		<b>Retained earnings</b> <b>RM'000</b>
<b>Bank</b>						
At 1 January 2018 (as previously reported)	754,000	395,000	-	104,377	4,830,643	6,084,020
Effect of adopting MFRS 9	-	-	8,983	(15,194)	73,551	67,340
Restated at 1 January 2018	754,000	395,000	8,983	89,183	4,904,194	6,151,360
Fair value reserve						
- Change in fair value	-	-	-	(26,747)	-	(26,747)
- Transferred to profit or loss	-	-	-	803	-	803
- Related tax	-	-	-	7,595	-	7,595
Change in ECL reserve	-	-	(7,841)	-	-	(7,841)
<b>Total other comprehensive expense for the period</b>	-	-	(7,841)	(18,349)	-	(26,190)
Profit for the period	-	-	-	-	556,483	556,483
<b>Total comprehensive (expense)/income for the period</b>	-	-	(7,841)	(18,349)	556,483	530,293
Transferred to regulatory reserve	-	114,000	-	-	(114,000)	-
<b>Contributions by and distributions to owner of the Bank</b>						
Final 2017 ordinary dividend paid	-	-	-	-	(150,000)	(150,000)
Interim 2018 ordinary dividend paid	-	-	-	-	(138,000)	(138,000)
At 30 September 2018	754,000	509,000	1,142	70,834	5,058,677	6,393,653

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<b>Group</b>		<b>Bank</b>	
	<b>Year to date ended</b>	<b>Year to date ended</b>	<b>Year to date ended</b>	<b>Year to date ended</b>
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</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	914,991	862,330	771,389	767,505
<i>Adjustments for:</i>				
Amortisation of prepaid lease payments	-	27	-	27
Depreciation of property and equipment	22,073	21,031	20,019	17,574
Depreciation of right-of-use assets	13,730	-	11,885	-
Dividends received from financial investments at FVOCI	(722)	(572)	(722)	(572)
Dividends received from subsidiary	-	-	-	(2,800)
Surplus assets received from winding-up of a subsidiary	-	-	-	(12,262)
Impairment allowance and provisions	124,025	174,439	106,673	113,410
Finance cost	625	-	534	-
Net (gain)/loss on disposal of:				
- Financial investments at FVOCI	(103,365)	1,421	(93,587)	803
- Property and equipment	19	(88)	16	(89)
Share-based expenses	7,069	4,738	6,732	4,559
Unrealised (gain)/loss on:				
- Financial assets at FVTPL	(955)	(2,603)	(727)	(3,069)
- Hedging derivatives	32	(25)	32	(25)
- Trading derivatives	98,385	(459,846)	99,255	(459,627)
- Subordinated bonds	12,202	21,738	12,202	21,738
Operating profit before changes in working capital	1,088,109	622,590	933,701	447,172
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	321,258	(105,788)	476,634	(586,215)
Investment account placement	-	-	(743,117)	49,107
Reverse repurchase agreements	-	(187,650)	-	(187,650)
Financial assets at fair value through profit or loss	(525,222)	347,307	(519,065)	225,034
Loans, advances and financing	(385,937)	(1,130,397)	895,890	(992,954)
Other assets	17,142	(39,664)	9,532	39,255
Statutory deposits with Bank Negara Malaysia	(129,997)	(124,065)	(107,197)	(113,365)
Derivative financial assets and liabilities	21,285	24,671	21,294	24,669
Deposits from customers	1,039,417	(11,195)	896,052	603,718
Deposits and placements of banks and other financial institutions	(4,220,712)	1,980,848	(4,184,579)	2,396,061
Bills and acceptances payable	(3,981)	(77,660)	(3,543)	(71,527)
Other liabilities	219,503	676,442	163,772	640,558
<b>Cash (used in)/generated from operations</b>	<b>(2,559,135)</b>	<b>1,975,439</b>	<b>(2,160,626)</b>	<b>2,473,863</b>
Income tax and zakat paid	(221,808)	(193,902)	(183,735)	(160,186)
<b>Net cash (used in)/generated from operating activities</b>	<b>(2,780,943)</b>	<b>1,781,537</b>	<b>(2,344,361)</b>	<b>2,313,677</b>

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019 (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>Year to date ended</b>		<b>Year to date ended</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</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 at FVOCI	(16,359,642)	(14,235,864)	(11,069,642)	(8,262,747)
Acquisition of property and equipment	(13,476)	(20,294)	(13,346)	(15,683)
Dividends received from financial investments at FVOCI	722	572	722	572
Dividends received from subsidiary	-	-	-	2,800
Final distribution of surplus assets received on completion of winding-up of a subsidiary	-	-	-	13,853
Proceeds from disposal of financial investments at FVOCI	16,333,697	12,579,499	11,055,618	6,349,467
Proceeds from disposal of property and equipment	44	176	44	176
<b>Net cash used in investing activities</b>	<b>(38,655)</b>	<b>(1,675,911)</b>	<b>(26,604)</b>	<b>(1,911,562)</b>
<b>Cash flows from financing activities</b>				
Dividends paid to owner of the Bank	(276,000)	(288,000)	(276,000)	(288,000)
Dividends paid to non-controlling interest	-	(49)	-	-
Redemption of subordinated bonds	(400,000)	-	(400,000)	-
Payment of lease liabilities	(9,413)	-	(8,061)	-
Recourse obligation on loans sold to Cagamas Berhad	-	(244,471)	-	(244,471)
<b>Net cash used in financing activities</b>	<b>(685,413)</b>	<b>(532,520)</b>	<b>(684,061)</b>	<b>(532,471)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(3,505,011)</b>	<b>(426,894)</b>	<b>(3,055,026)</b>	<b>(130,356)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>4,898,851</b>	<b>6,158,261</b>	<b>4,348,837</b>	<b>5,571,918</b>
<b>Cash and cash equivalents at 30 September</b>	<b>1,393,840</b>	<b>5,731,367</b>	<b>1,293,811</b>	<b>5,441,562</b>

Details of cash and cash equivalents are disclosed in Note 10 to the unaudited condensed interim financial statements.

*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 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019**

### **GENERAL INFORMATION**

The unaudited condensed consolidated interim financial statements of the Bank as at and for the financial period ended 30 September 2019 comprise the Bank and its subsidiaries (together referred to as the "Group").

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

### **FINANCIAL PERFORMANCE**

The Group achieved net profit of RM695 million in the first 9 months of 2019; an increase of RM70 million or 11% compared to the corresponding period last year.

Total income grew RM64 million or 3% to RM1,960 million attributed to higher gain on disposal of financial investments at FVOCI and higher fee and commission income by RM94 million and RM28 million respectively, partially offset by lower net trading income by RM63 million.

Overheads increased by 7% mainly driven by the higher personnel costs and establishment costs.

The Group and the Bank remained well capitalised with Common Equity Tier 1 (CET 1) capital ratios of 13.977% and 13.578%, Tier 1 capital ratios of 14.900% and 14.707%, and total capital ratios of 17.538% and 17.317% respectively, well above regulatory requirements.

### **ECONOMIC PERFORMANCE AND PROSPECTS**

With global economic growth forecasted to slow to 3.2% for 2019, the external headwinds will affect Malaysia's economic growth, estimated at 4.7% by the government for the full year 2019, despite having registered a stronger growth of 4.9% in the second quarter of 2019. The Malaysian government, in its National Budget 2020, targets to deliver shared prosperity for the population and estimates the country's economy to grow by 4.8% in 2020, supported by the implementation of budgetary measures.

Against this backdrop, the Group will continue to expand its wealth management business in the country as well as to build its loans and financing books for the corporates and small and medium enterprises (SMEs). Global Investment Banking (GIB) Malaysia has advised and arranged Green Syndicated Project Financing as well as Sustainable and Responsible Investment Sukuk for several large scale solar plants in Malaysia. In support of the Malaysian government's target to increase the country's power generation mix from renewable energy to 20% by 2030, GIB Malaysia will continue to focus on advising and arranging sustainable financing for the development of solar plants. Global Treasury (GT) will continue to focus on treasury advisory services and providing solutions to our customers.

The Group will continue to invest in digitalisation initiatives and transformation of customer touch-point platforms so that customers are able to enjoy a seamless banking experience. The Group has also embarked on a Future Smart programme with the aim to create a digital culture and an empowered workforce prepared for a digital future where rapid changes are taking place.

The Group will continue to monitor its capital and liquidity closely as well as to preserve its asset quality.

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)

### 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 for the assets and liabilities which are stated at fair values as disclosed in the notes to the unaudited condensed interim financial statements: financial assets at FVTPL, financial investments at FVOCI, loans, advances and financing at FVTPL and derivative financial instruments. The unaudited condensed interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, International Accounting Standards 34, the requirements of the Companies Act 2016 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 unaudited condensed interim financial statement should be read in conjunction with the audited annual financial statement of the Group and of the Bank for the financial year ended 31 December 2018. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transaction that are significant to an understanding of the changes in the financial position and performance of the Group and of the Bank since the financial year ended 31 December 2018.

The following accounting standards and amendments have been adopted by the Group and the Bank during the current period:

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Tax (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investment in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

The initial application of the above mentioned accounting standards, interpretation and amendments do not have any material impact to the financial statements of the Group and the Bank except as mentioned below:

MFRS 16, *Leases* which came into effect on 1 January 2019 introduces a single, on-balance sheet lease accounting model for leases. A lessee recognises a lease liability to make lease payments and an asset representing the "right-of-use" of the underlying asset during the lease term. The right-of-use asset is depreciated in accordance with the principle in MFRS 116, *Property, Plant and Equipment* and the lease liability is accreted over time with interest/finance expense recognised in the profit or loss. Lessor accounting under MFRS 16 is substantially the same as the accounting under MFRS 117, *Leases* whereby lessors will continue to classify leases as either finance or operating leases.

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)

### 1 BASIS OF PREPARATION (continued)

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

The Group and the Bank applied MFRS 16 using the modified retrospective approach whereby the cumulative effect of adopting MFRS 16 is recognised to the opening balance of retained earnings as at 1 January 2019, with no restatement of comparative information. The Group and the Bank elected to apply the practical expedient to grandfather the assessment of contracts that were previously identified as leases under MFRS 117. This means that the lease definition under MFRS 16 was applied only to new or changed contracts entered on or after 1 January 2019.

In implementing MFRS 16 on 1 January 2019, the Group and the Bank recognised an additional RM29 million and RM25 million respectively of right-of-use assets and lease liabilities. There is no impact on retained earnings as at 1 January 2019 arising from the adoption of MFRS16.

The Group and the Bank have not adopted the following amendments to accounting standards issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective:

#### Effective for annual periods commencing on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*

#### 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 amendments to accounting standards when they become effective. The initial application of the abovementioned amendments to accounting standards are not expected to have any material impact to the financial statements of the Group and the Bank.

#### (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 and the Bank'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 2018.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group and the Bank in these unaudited condensed interim financial statements are the same as those applied by the Group and the Bank in its audited financial statements as at and for the financial year ended 31 December 2018, except as disclosed in Note 1(a).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**3 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

The auditor's report on the financial statements for the financial year ended 31 December 2018 was not subject to any qualification.

**4 SEASONALITY OF OPERATIONS**

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

**5 DEBT AND EQUITY SECURITIES**

There were no other issuances, cancellations, repurchases and repayments of debt and securities by the Bank during the financial period saved as disclosed in Note 22.

**6 CHANGES IN COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group during the financial period ended 30 September 2019.

**7 DIVIDENDS**

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

- (i) a final dividend of 48 sen per ordinary share totalling RM138 million in respect of the previous financial year on 26 April 2019; and
- (ii) an interim dividend of 48 sen per ordinary share totalling RM138 million in respect of the financial period ended 30 June 2019 on 26 September 2019.

**8 SIGNIFICANT AND SUBSEQUENT EVENTS**

There was no material event subsequent to the end of the reporting period that requires disclosure or adjustments to the unaudited condensed interim financial statements.

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

There was no unusual item affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 30 September 2019.

**10 CASH AND CASH EQUIVALENTS**

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
Cash and balances with banks and other financial institutions	366,345	361,561	290,283	307,702
Money at call and deposit placements with financial institutions maturing within one month	518,102	593,549	833,828	1,003,135
Deposit placements with Bank Negara Malaysia	509,393	3,943,741	169,700	3,038,000
	1,393,840	4,898,851	1,293,811	4,348,837
Expected credit loss ("ECL") allowance	(1,570)	(1,345)	(1,570)	(1,345)
	1,392,270	4,897,506	1,292,241	4,347,492

Included in the Bank's cash and cash equivalents are deposits and placements with OCBC Al-Amin of RM316 million (31 December 2018: RM410 million), which are unsecured and profit bearing.



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**10 CASH AND CASH EQUIVALENTS (continued)**

(a) Movements in ECL allowance on cash and cash equivalents

<b>Group and Bank</b>	<b>30 September 2019</b>			<b>31 December 2018</b>		
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total ECL non-credit impaired</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total ECL non-credit impaired</b>
	<b>12 months ECL</b>	<b>Lifetime ECL</b>		<b>12 months ECL</b>	<b>Lifetime ECL</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	1,345	-	1,345	170	45	215
New financial assets originated or purchased	69	-	69	-	-	-
Financial assets derecognised	(27)	-	(27)	-	-	-
Net remeasurement during the period/year	172	-	172	1,087	(45)	1,042
Other movements	11	-	11	88	-	88
At 30 September/ 31 December	<b>1,570</b>	<b>-</b>	<b>1,570</b>	<b>1,345</b>	<b>-</b>	<b>1,345</b>

**11 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Licensed banks	78,736	400,000	503,703	980,343
ECL allowance	(3)	(44)	(3)	(44)
	<b>78,733</b>	<b>399,956</b>	<b>503,700</b>	<b>980,299</b>

Included in the Bank's deposits and placements with licensed banks are deposits and placements with OCBC Al-Amin of RM425 million (31 December 2018: RM580 million), which are unsecured and profit bearing.

(a) Movements in ECL allowance on deposits and placements with banks and other financial institutions

<b>Group and Bank</b>	<b>30 September 2019</b>			<b>31 December 2018</b>		
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total ECL non-credit impaired</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total ECL non-credit impaired</b>
	<b>12 months ECL</b>	<b>Lifetime ECL</b>		<b>12 months ECL</b>	<b>Lifetime ECL</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	44	-	44	17	15	32
New financial assets originated or purchased	9	-	9	35	-	35
Financial assets derecognised	(35)	-	(35)	-	-	-
Net remeasurement during the period/year	(15)	-	(15)	(8)	(15)	(23)
At 30 September/ 31 December	<b>3</b>	<b>-</b>	<b>3</b>	<b>44</b>	<b>-</b>	<b>44</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**12 INVESTMENT ACCOUNT PLACEMENT**

	<b>Bank</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Restricted Profit Sharing Investment Accounts	2,068,260	1,379,286
ECL allowance	(39,673)	(60,510)
	<u>2,028,587</u>	<u>1,318,776</u>

The exposure to Restricted Profit Sharing Investment Accounts ("RPSIA") is an arrangement with its subsidiary, OCBC AI-Amin Bank Berhad ("OCBC AI-Amin"), which contract is based on Mudharabah principle to fund a specific business venture whereby the Bank solely provides capital and the business venture is managed solely by OCBC AI-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.

Except for an exposure to a specific RPSIA funded financing of RM60 million (31 December 2018: RM116 million) on which Stage 3 ECL allowance has been provided as at 30 September 2019, the rest of the RPSIA exposures are categorised as Pass according to the Bank's classification grade.

(a) Movements in ECL allowance on investment account placements

<b>Bank</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total ECL</b>
	<b>12 months ECL non-credit impaired</b>	<b>Lifetime ECL non-credit impaired</b>	<b>Lifetime ECL credit impaired</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January 2019	3,392	-	57,118	60,510
New financial assets originated or purchased	316	-	-	316
Net remeasurement during the period	3,196	-	29,794	32,990
Written off	-	-	(54,143)	(54,143)
At 30 September 2019	<u>6,904</u>	<u>-</u>	<u>32,769</u>	<u>39,673</u>
At 1 January 2018	8,561	-	59,818	68,379
New financial assets originated or purchased	478	-	-	478
Financial assets derecognised	(819)	-	-	(819)
Net remeasurement during the year	(4,828)	-	-	(4,828)
Other movements	-	-	(2,700)	(2,700)
At 31 December 2018	<u>3,392</u>	<u>-</u>	<u>57,118</u>	<u>60,510</u>

**13 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>				
Malaysian Government Investment Issues	266,483	500,813	266,483	500,813
Malaysian Government Securities	915,071	261,220	915,071	261,220
Malaysian Government Treasury Bills	1,186,495	377,339	1,186,495	377,339
Bank Negara Malaysia Monetary Notes	4	75,221	4	75,221
Corporate Bonds and Sukuk	31,453	658,736	15,088	648,756
Debentures	186	186	186	186
	<u>2,399,692</u>	<u>1,873,515</u>	<u>2,383,327</u>	<u>1,863,535</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**14 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>				
Malaysian Government Investment Issues	6,857,648	5,433,495	4,552,491	3,110,701
Malaysian Government Securities	4,418,297	3,213,339	4,418,297	3,213,339
Malaysian Government Debt Securities and Sukuk	161,102	357,061	65,443	112,488
Bank Negara Malaysia Monetary Notes	9,994	445,470	9,994	445,470
Foreign Government Debt Securities	144,235	614,177	118,765	443,825
Negotiable Instruments of Deposit and Islamic				
Negotiable Instruments of Deposit	3,334,752	2,992,396	1,937,255	1,920,316
Corporate and Islamic Corporate Bonds, Sukuk and				
Sanadat Mudharabah Cagamas	3,081,084	4,647,270	2,639,244	4,241,186
Unquoted shares in Malaysia	105,277	99,218	105,277	99,218
	<b>18,112,389</b>	<b>17,802,426</b>	<b>13,846,766</b>	<b>13,586,543</b>

ECL allowance for financial investments at FVOCI is recognised in the ECL reserve.

(a) Movements in ECL allowance on financial investments at FVOCI

	<b>30 September 2019</b>			<b>31 December 2018</b>		
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total ECL</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total ECL</b>
	<b>12 months</b>	<b>Lifetime</b>	<b>non-credit</b>	<b>12 months</b>	<b>Lifetime</b>	<b>non-credit</b>
	<b>ECL</b>	<b>ECL</b>	<b>impaired</b>	<b>ECL</b>	<b>ECL</b>	<b>impaired</b>
<b>Group</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	1,355	50	1,405	8,380	3,249	11,629
Transferred to Stage 1	-	-	-	32	(32)	-
Transferred to Stage 2	-	-	-	(12)	12	-
New financial assets						
originated or purchased	195	-	195	2,728	-	2,728
Financial assets						
derecognised	(499)	(41)	(540)	(1,805)	-	(1,805)
Net remeasurement during						
the period/year	(201)	(9)	(210)	(7,978)	(3,178)	(11,156)
Other movements	3	-	3	10	(1)	9
At 30 September/ 31 December	<b>853</b>	<b>-</b>	<b>853</b>	<b>1,355</b>	<b>50</b>	<b>1,405</b>
<b>Bank</b>						
At 1 January	1,156	-	1,156	6,464	2,519	8,983
Transferred to Stage 1	-	-	-	14	(14)	-
Transferred to Stage 2	-	-	-	(4)	4	-
New financial assets						
originated or purchased	69	-	69	2,242	-	2,242
Financial assets						
derecognised	(445)	-	(445)	(752)	-	(752)
Net remeasurement during						
the period/year	(59)	-	(59)	(6,817)	(2,509)	(9,326)
Other movements	3	-	3	9	-	9
At 30 September/ 31 December	<b>724</b>	<b>-</b>	<b>724</b>	<b>1,156</b>	<b>-</b>	<b>1,156</b>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)

15 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	30 September 2019 RM'000	31 December 2018 RM'000	30 September 2019 RM'000	31 December 2018 RM'000
<b>At amortised cost</b>				
Overdrafts	2,979,088	3,031,000	2,979,088	3,031,000
Term loans/financing:				
- Housing loans/financing	24,441,942	25,592,189	22,496,680	23,629,878
- Syndicated term loans/financing	4,048,340	3,495,338	3,363,800	2,741,928
- Hire purchase receivables	373,207	393,155	10	10
- Other term loans/financing	22,092,011	22,049,075	17,766,677	18,340,739
Credit cards	628,223	619,195	628,223	619,195
Bills receivable	228,636	208,252	167,984	190,746
Trust receipts	29,549	32,800	29,388	32,800
Claims on customers under acceptance credits	3,233,686	3,308,240	2,833,333	2,849,402
Revolving credit	9,888,983	8,759,195	6,055,771	5,647,098
Staff loans/financing	49,892	53,935	49,892	53,935
Other loans/financing	1,742,626	1,912,691	1,581,075	1,762,415
	<u>69,736,183</u>	<u>69,455,065</u>	<u>57,951,921</u>	<u>58,899,146</u>
<b>At fair value</b>				
Other term loans/financing	10,008	24,836	10,008	24,836
Gross loans, advances and financing	<u>69,746,191</u>	<u>69,479,901</u>	<u>57,961,929</u>	<u>58,923,982</u>
ECL allowance	(901,117)	(898,405)	(666,145)	(658,693)
Net loans, advances and financing	<u>68,845,074</u>	<u>68,581,496</u>	<u>57,295,784</u>	<u>58,265,289</u>
<b>(a) By type of customer</b>				
Domestic banking institutions	8,371	28,477	8,371	28,477
Domestic non-bank financial institutions	2,719,054	1,548,954	1,693,663	1,494,633
Domestic business enterprises				
- Small and medium enterprises	13,516,629	12,911,253	11,110,567	10,884,461
- Others	22,575,709	22,674,910	17,589,411	17,627,218
Individuals	27,284,323	28,727,164	25,064,458	26,423,245
Foreign entities	3,642,105	3,589,143	2,495,459	2,465,948
	<u>69,746,191</u>	<u>69,479,901</u>	<u>57,961,929</u>	<u>58,923,982</u>
<b>(b) By interest/profit rate sensitivity</b>				
Fixed rate				
- Housing loans/financing	31,700	19,531	67	9,924
- Hire purchase receivables	174,870	185,330	10	10
- Other fixed rate loans/financing	7,042,843	6,893,475	5,432,524	5,152,777
Variable rate				
- Base rate/Base lending rate/Base financing rate plus	40,030,718	41,602,867	35,993,114	37,812,593
- Cost plus	21,715,957	20,169,093	15,829,449	15,344,600
- Other variable rates	750,103	609,605	706,765	604,078
	<u>69,746,191</u>	<u>69,479,901</u>	<u>57,961,929</u>	<u>58,923,982</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**15 LOANS, ADVANCES AND FINANCING (continued)**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
(c) By sector				
Agriculture, hunting, forestry and fishing	3,983,405	3,511,185	2,302,698	1,951,580
Mining and quarrying	516,386	478,479	221,047	360,751
Manufacturing	7,795,370	7,937,725	6,313,053	6,426,866
Electricity, gas and water	465,481	483,927	433,300	446,321
Construction	2,900,800	2,969,574	2,241,608	2,177,234
Real estate	7,673,878	7,691,493	6,547,038	6,729,713
Wholesale & retail trade and restaurants & hotels	8,022,053	7,718,554	6,815,037	6,684,988
Transport, storage and communication	1,269,399	1,138,770	1,094,393	936,379
Finance, insurance and business services	3,535,456	2,375,844	2,328,466	2,168,218
Community, social and personal services	2,179,260	2,591,561	1,627,684	1,887,565
Household				
- Purchase of residential properties	25,415,314	26,636,501	23,464,201	24,667,646
- Purchase of non-residential properties	928,067	1,008,631	887,735	968,538
- Others	2,762,118	2,897,614	2,416,318	2,478,784
Others	2,299,204	2,040,043	1,269,351	1,039,399
	<b>69,746,191</b>	<b>69,479,901</b>	<b>57,961,929</b>	<b>58,923,982</b>
(d) By geographical distribution				
Malaysia	66,167,986	66,023,847	55,467,578	56,460,334
Singapore	1,824,887	1,785,469	1,225,242	1,153,642
Other ASEAN countries	526,613	562,584	356,467	368,063
Rest of the world	1,226,705	1,108,001	912,642	941,943
	<b>69,746,191</b>	<b>69,479,901</b>	<b>57,961,929</b>	<b>58,923,982</b>
The analysis by geography is determined based on where the credit risk resides.				
(e) By residual contractual maturity				
Up to one year	22,313,847	20,198,290	17,558,444	16,028,474
Over one year to three years	3,679,979	4,426,273	2,928,999	3,783,786
Over three years to five years	5,560,382	5,160,252	4,145,973	4,017,397
Over five years	38,191,983	39,695,086	33,328,513	35,094,325
	<b>69,746,191</b>	<b>69,479,901</b>	<b>57,961,929</b>	<b>58,923,982</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**16 IMPAIRED LOANS, ADVANCES AND FINANCING**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	1,333,041	1,430,623	957,941	1,047,051
Impaired during the period/year	939,210	997,132	650,360	703,604
Reclassified as non-credit impaired	(315,361)	(524,576)	(278,269)	(434,105)
Amount recovered	(413,594)	(332,646)	(291,851)	(233,032)
Amount written off	(160,919)	(239,897)	(79,450)	(126,127)
Effect of foreign exchange difference	692	2,405	409	550
At 30 September/31 December	<u>1,383,069</u>	<u>1,333,041</u>	<u>959,140</u>	<u>957,941</u>
Stage 3 ECL allowance	<u>(339,262)</u>	<u>(368,702)</u>	<u>(227,500)</u>	<u>(248,504)</u>
Net impaired loans, advances and financing	<u>1,043,807</u>	<u>964,339</u>	<u>731,640</u>	<u>709,437</u>

(a) By sector

Agriculture, hunting, forestry and fishing	9,473	8,050	5,786	5,769
Mining and quarrying	15,443	20,788	15,443	20,788
Manufacturing	326,937	206,423	194,348	181,310
Construction	59,699	19,102	39,093	9,998
Real estate	43,337	76,524	42,629	69,557
Wholesale & retail trade and restaurants & hotels	209,568	215,284	106,904	112,675
Transport, storage and communication	34,884	64,468	30,784	58,870
Finance, insurance and business services	16,047	20,179	8,544	10,416
Community, social and personal services	4,821	6,008	3,640	4,617
Household				
- Purchase of residential properties	515,674	455,136	448,637	395,000
- Purchase of non-residential properties	29,945	32,913	28,933	32,167
- Others	40,113	77,513	16,997	56,290
Others	77,128	130,653	17,402	484
	<u>1,383,069</u>	<u>1,333,041</u>	<u>959,140</u>	<u>957,941</u>

(b) By geographical distribution

Malaysia	1,353,785	1,304,041	929,856	928,941
Singapore	21,112	15,335	21,112	15,335
Rest of the world	8,172	13,665	8,172	13,665
	<u>1,383,069</u>	<u>1,333,041</u>	<u>959,140</u>	<u>957,941</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**16 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

Group	30 September 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total ECL RM'000	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12 months ECL non-credit impaired RM'000	Lifetime ECL non-credit impaired RM'000	Lifetime ECL credit impaired RM'000		12 months ECL non-credit impaired RM'000	Lifetime ECL non-credit impaired RM'000	Lifetime ECL credit impaired RM'000	
	At 1 January	241,198	288,505		368,702	898,405	182,120	
Transferred to Stage 1	230,745	(210,558)	(20,187)	-	434,605	(378,042)	(56,563)	-
Transferred to Stage 2	(59,491)	85,936	(26,445)	-	(62,394)	88,759	(26,365)	-
Transferred to Stage 3	(4,226)	(119,602)	123,828	-	(1,776)	(134,817)	136,593	-
New financial assets originated or purchased	146,381	48,299	-	194,680	217,977	53,838	-	271,815
Financial assets derecognised	(110,724)	(64,221)	(25,851)	(200,796)	(133,696)	(75,932)	(16,197)	(225,825)
Net remeasurement during the period/year	(184,834)	273,781	92,202	181,149	(393,686)	432,466	199,337	238,117
Written off	-	-	(160,919)	(160,919)	-	-	(239,897)	(239,897)
Other movements	581	85	(12,068)	(11,402)	(1,952)	675	(17,638)	(18,915)
At 30 September/31 December	<b>259,630</b>	<b>302,225</b>	<b>339,262</b>	<b>901,117</b>	<b>241,198</b>	<b>288,505</b>	<b>368,702</b>	<b>898,405</b>
At 1 January								
- Loans, advances and financing	228,310	274,791	368,702	871,803	170,197	297,300	389,432	856,929
- Loan/financing related credit commitments and financial guarantees	12,888	13,714	-	26,602	11,923	4,258	-	16,181
	<b>241,198</b>	<b>288,505</b>	<b>368,702</b>	<b>898,405</b>	<b>182,120</b>	<b>301,558</b>	<b>389,432</b>	<b>873,110</b>
At 30 September/31 December								
- Loans, advances and financing	133,909	227,915	339,262	701,086	228,310	274,791	368,702	871,803
- Loan/financing related credit commitments and financial guarantees	125,721	74,310	-	200,031	12,888	13,714	-	26,602
	<b>259,630</b>	<b>302,225</b>	<b>339,262</b>	<b>901,117</b>	<b>241,198</b>	<b>288,505</b>	<b>368,702</b>	<b>898,405</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**16 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)**

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

	30 September 2019				31 December 2018			
	Stage 1 12 months ECL non-credit impaired RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000	Stage 1 12 months ECL non-credit impaired RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
<b>Bank</b>								
At 1 January	178,849	231,340	248,504	658,693	137,705	204,111	263,555	605,371
Transferred to Stage 1	180,167	(166,401)	(13,766)	-	264,941	(235,683)	(29,258)	-
Transferred to Stage 2	(44,685)	64,641	(19,956)	-	(40,173)	58,969	(18,796)	-
Transferred to Stage 3	(2,314)	(73,044)	75,358	-	(611)	(71,541)	72,152	-
New financial assets originated or purchased	123,417	42,524	-	165,941	166,324	43,404	-	209,728
Financial assets derecognised	(92,808)	(54,742)	(17,766)	(165,316)	(110,014)	(58,865)	(10,791)	(179,670)
Net remeasurement during the period/year	(149,786)	201,075	41,880	93,169	(237,880)	290,629	110,309	163,058
Written off	-	-	(79,450)	(79,450)	-	-	(126,127)	(126,127)
Other movements	339	73	(7,304)	(6,892)	(1,443)	316	(12,540)	(13,667)
At 30 September/31 December	193,179	245,466	227,500	666,145	178,849	231,340	248,504	658,693
At 1 January								
- Loans, advances and financing	169,102	217,864	248,504	635,470	129,038	201,164	263,555	593,757
- Loan/financing related credit commitments and financial guarantees	9,747	13,476	-	23,223	8,667	2,947	-	11,614
	178,849	231,340	248,504	658,693	137,705	204,111	263,555	605,371
At 30 September/31 December								
- Loans, advances and financing	70,931	179,375	227,500	477,806	169,102	217,864	248,504	635,470
- Loan/financing related credit commitments and financial guarantees	122,248	66,091	-	188,339	9,747	13,476	-	23,223
	193,179	245,466	227,500	666,145	178,849	231,340	248,504	658,693



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

Financial derivatives are instruments which 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.

	30 September 2019			31 December 2018		
	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
<b>Group</b>						
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	4,435,958	25,239	8,855	3,797,284	35,951	13,089
- Swaps	15,473,132	465,007	496,427	13,811,028	529,082	496,040
- Options	1,460,222	4,371	1,123	866,437	5,990	2,116
Interest rate derivatives						
- Swaps	59,579,376	281,672	344,583	41,248,610	104,588	114,755
- Options	180,000	49	165	180,000	56	312
- Futures	156,167	81	-	333,719	142	1,081
Equity and other derivatives						
- Swaps	985,809	42,469	42,469	217,800	11,699	11,699
- Exchange traded futures	6,242	12	-	-	-	-
- Commodity futures	41,090	182	251	42,091	166	3,702
- Credit linked notes	1,201,414	54,070	54,070	1,241,549	72,971	72,971
	<b>83,519,410</b>	<b>873,152</b>	<b>947,943</b>	<b>61,738,518</b>	<b>760,645</b>	<b>715,765</b>
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	117,025	-	1,895	116,211	116	403
	<b>83,636,435</b>	<b>873,152</b>	<b>949,838</b>	<b>61,854,729</b>	<b>760,761</b>	<b>716,168</b>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)

17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

<b>Bank</b>	<b>30 September 2019</b>			<b>31 December 2018</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	4,426,001	25,124	8,822	3,808,900	35,958	13,034
- Swaps	15,477,281	465,198	496,434	13,842,531	530,373	496,040
- Options	1,460,222	4,371	1,123	866,437	5,990	2,116
Interest rate derivatives						
- Swaps	59,579,376	282,263	344,584	41,248,610	104,806	114,755
- Options	180,000	49	165	180,000	56	312
- Futures	156,167	81	-	333,719	142	1,081
Equity and other derivatives						
- Swaps	985,809	42,469	42,469	217,800	11,699	11,699
- Exchange traded futures	6,242	12	-	-	-	-
- Commodity futures	41,090	182	251	42,091	166	3,702
- Credit linked notes	1,201,414	54,070	54,070	1,241,549	72,971	72,971
	<b>83,513,602</b>	<b>873,819</b>	<b>947,918</b>	<b>61,781,637</b>	<b>762,161</b>	<b>715,710</b>
<b>Hedging</b>						
Interest rate derivatives						
- Swaps	117,025	-	1,895	116,211	116	403
	<b>83,630,627</b>	<b>873,819</b>	<b>949,813</b>	<b>61,897,848</b>	<b>762,277</b>	<b>716,113</b>

18 OTHER ASSETS

	Note	<b>Group</b>		<b>Bank</b>	
		<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Amount due from subsidiary	(a)	-	-	14,031	10,034
Interest/Profit receivable		143,969	188,515	126,026	164,453
Unquoted redeemable Islamic subordinated bonds of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		254,838	230,483	247,467	224,974
		<b>398,807</b>	<b>418,998</b>	<b>587,524</b>	<b>599,461</b>

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

(b) The Bank subscribed for RM200 million redeemable 10 years non-callable 5 years subordinated bond issued by OCBC Al-Amin under the principle of Murabahah at a profit rate of 4.80% per annum payable semi-annually in arrears from the issue date with the last Periodic Profit Payment to be made up to (but excluding) the maturity date or early redemption of the Murabahah subordinated bond, whichever is earlier.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**19 DEPOSITS FROM CUSTOMERS**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>(a) By type of deposit</b>				
Demand deposits	17,013,053	15,947,506	13,034,565	11,996,549
Fixed/General investment deposits	42,262,528	43,985,063	35,364,251	37,926,275
Saving deposits	11,743,113	8,663,523	11,070,624	8,144,688
Negotiable instruments of deposit	3,770,140	4,238,206	3,770,141	4,238,205
Short-term money market deposits	2,101,804	3,016,923	1,780,799	1,818,611
	<b>76,890,638</b>	<b>75,851,221</b>	<b>65,020,380</b>	<b>64,124,328</b>
<b>(b) By type of customer</b>				
Government and statutory bodies	1,752,155	1,845,890	235,668	146,443
Non-bank financial institutions	3,292,888	3,662,170	2,136,143	2,141,938
Business enterprises	27,288,633	28,498,385	21,906,641	23,168,402
Individuals	37,112,801	34,266,213	33,567,549	31,255,498
Foreign entities	6,599,456	6,869,564	6,462,914	6,757,216
Others	844,705	708,999	711,465	654,831
	<b>76,890,638</b>	<b>75,851,221</b>	<b>65,020,380</b>	<b>64,124,328</b>
<b>(c) By maturity structure for fixed/term/general investment deposits, negotiable instruments of deposit and short-term money market deposits</b>				
Up to six months	37,416,739	36,768,412	31,959,988	31,468,142
Over six months to one year	10,652,301	14,143,387	8,816,914	12,203,426
Over one year to three years	63,643	324,817	136,500	307,957
Over three years to five years	1,789	3,576	1,789	3,566
	<b>48,134,472</b>	<b>51,240,192</b>	<b>40,915,191</b>	<b>43,983,091</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September</b>	<b>31 December</b>	<b>30 September</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Licensed banks and other financial institutions	2,849,365	7,070,077	2,802,370	6,986,949

**21 OTHER LIABILITIES**

	Note	<b>Group</b>		<b>Bank</b>	
		<b>30 September</b>	<b>31 December</b>	<b>30 September</b>	<b>31 December</b>
		<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Amount due to subsidiary	(a)	-	-	19,665	36,850
Equity compensation benefits		13,974	12,650	13,370	11,974
Interest/Profit payable		606,467	680,419	520,810	610,292
Structured investments		2,195,523	1,924,791	2,195,523	1,924,791
Lease liabilities	(b)	18,322	-	15,252	-
Other payables and accruals		458,282	427,590	376,507	369,149
Provision for commitments and contingencies		2,034	83	-	83
		<b>3,294,602</b>	<b>3,045,533</b>	<b>3,141,127</b>	<b>2,953,139</b>

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

(b) Upon adoption of MFRS 16 commencing 1 January 2019 as disclosed in Note 1(a), lease liabilities are recognised in other liabilities.

**22 SUBORDINATED BONDS**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
RM400 million Innovative Tier 1 Capital Securities	-	400,000
USD110 million Additional Tier 1 Capital Securities	460,795	455,202
USD130 million Redeemable Subordinated Bonds 2015/2025	544,576	537,967
RM390 million Redeemable Subordinated Bonds 2017/2027	390,000	390,000
RM110 million Redeemable Subordinated Bonds 2017/2027	110,000	110,000
	<b>1,505,371</b>	<b>1,893,169</b>

On 17 April 2019, the Bank redeemed the Innovative Tier 1 Capital Securities of RM400 million at nominal amount.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**23 NET INTEREST INCOME**

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September</u> <u>2019</u> <u>RM'000</u>	<u>30 September</u> <u>2018</u> <u>RM'000</u>	<u>30 September</u> <u>2019</u> <u>RM'000</u>	<u>30 September</u> <u>2018</u> <u>RM'000</u>
<b>Interest income</b>				
Loans, advances and financing				
- Interest income other than recoveries	713,681	746,658	2,181,911	2,172,326
- Recoveries from impaired loans, advances and financing	11,727	15,476	39,189	45,370
- Discount unwind from impaired loans, advances and financing	183	4,300	7,304	11,320
Money at call and deposit placements with banks and other financial institutions	18,472	36,885	76,648	118,429
Financial assets at FVTPL	26,655	18,995	67,364	55,369
Financial investments at FVOCI	111,149	107,408	353,436	276,568
Others	1,548	29,042	23,147	65,416
	<u>883,415</u>	<u>958,764</u>	<u>2,748,999</u>	<u>2,744,798</u>
<b>Interest expense</b>				
Deposits from customers	(477,434)	(457,880)	(1,431,782)	(1,338,724)
Deposits and placements of banks and other financial institutions	(1,066)	(27,894)	(50,003)	(50,751)
Recourse obligation on loans sold to Cagamas Berhad	(7,777)	(13,451)	(23,129)	(44,733)
Subordinated bonds	(16,804)	(23,319)	(57,331)	(68,409)
Others	(10,929)	(47,381)	(61,840)	(118,825)
	<u>(514,010)</u>	<u>(569,925)</u>	<u>(1,624,085)</u>	<u>(1,621,442)</u>
<b>Net interest income</b>	<u>369,405</u>	<u>388,839</u>	<u>1,124,914</u>	<u>1,123,356</u>
<b><u>Bank</u></b>				
<b>Interest income</b>				
Loans, advances and financing				
- Interest income other than recoveries	713,682	746,658	2,181,912	2,172,326
- Recoveries from impaired loans, advances and financing	11,727	15,476	39,189	45,370
- Discount unwind from impaired loans, advances and financing	1,402	3,489	7,304	9,443
Money at call and deposit placements with banks and other financial institutions	42,537	51,908	134,130	160,747
Financial assets at FVTPL	26,655	18,995	67,364	55,369
Financial investments at FVOCI	111,975	108,200	355,863	278,893
Unquoted Islamic subordinated bond of subsidiary	2,419	2,419	7,180	7,180
Others	330	29,855	23,147	67,294
	<u>910,727</u>	<u>977,000</u>	<u>2,816,089</u>	<u>2,796,622</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**23 NET INTEREST INCOME (continued)**

	Quarter ended		Year to date ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Bank</b>				
<b>Interest expense</b>				
Deposits from customers	(477,434)	(457,880)	(1,431,782)	(1,338,724)
Deposits and placements of banks and other financial institutions	(12,636)	(34,441)	(74,434)	(70,678)
Recourse obligation on loans sold to Cagamas Berhad	(7,777)	(13,451)	(23,129)	(44,733)
Subordinated bonds	(16,804)	(23,319)	(57,331)	(68,409)
Others	(18,642)	(51,745)	(78,127)	(132,109)
	<u>(533,293)</u>	<u>(580,836)</u>	<u>(1,664,803)</u>	<u>(1,654,653)</u>
<b>Net interest income</b>	<u>377,434</u>	<u>396,164</u>	<u>1,151,286</u>	<u>1,141,969</u>

**24 INCOME FROM ISLAMIC BANKING OPERATIONS**

	Quarter ended		Year to date ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Group</b>				
Income derived from investment of depositors' funds and others	155,628	151,643	478,854	452,667
Income derived from investment of specific investment account funds	27,509	13,710	55,868	45,568
Income derived from investment of shareholder's funds	32,141	30,834	93,520	105,805
Income attributable to depositors	(87,889)	(77,959)	(257,730)	(242,832)
Income attributable to investment account holder	(19,283)	(10,911)	(40,719)	(33,212)
	<u>108,106</u>	<u>107,317</u>	<u>329,793</u>	<u>327,996</u>

**25 NET FEE AND COMMISSION INCOME**

	Quarter ended		Year to date ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Group</b>				
Commission	53,320	46,887	147,450	133,059
Service charges and fees	53,359	38,321	134,626	107,901
Guarantee fees	1,379	1,409	3,446	15,702
Other fee income	2,385	2,220	7,001	7,233
	<u>110,443</u>	<u>88,837</u>	<u>292,523</u>	<u>263,895</u>
<b>Bank</b>				
Commission	52,303	46,887	146,282	132,475
Service charges and fees	53,039	38,321	134,306	107,901
Guarantee fees	1,379	1,409	3,446	15,702
Other fee income	2,385	2,220	7,001	7,233
	<u>109,106</u>	<u>88,837</u>	<u>291,035</u>	<u>263,311</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)

26 NET TRADING INCOME

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Foreign exchange loss	(19,575)	(116,780)	(17,286)	(153,998)
Realised gain on financial assets at FVTPL	22,094	7,470	46,013	15,391
Realised gain/(loss) on trading derivatives	30,160	47,855	169,097	(161,760)
Unrealised (loss)/gain on financial assets at FVTPL	(2,897)	1,341	727	3,069
Unrealised (loss)/gain on trading derivatives	(3,304)	115,834	(99,255)	459,627
	<u>26,478</u>	<u>55,720</u>	<u>99,296</u>	<u>162,329</u>
<b><u>Bank</u></b>				
Foreign exchange loss	(19,575)	(116,780)	(17,286)	(153,998)
Realised gain on financial assets at FVTPL	22,094	7,470	46,013	15,391
Realised gain/(loss) on trading derivatives	30,160	47,855	169,097	(161,773)
Unrealised (loss)/gain on financial assets at FVTPL	(2,897)	1,341	727	3,069
Unrealised (loss)/gain on trading derivatives	(3,304)	115,834	(99,255)	459,627
	<u>26,478</u>	<u>55,720</u>	<u>99,296</u>	<u>162,316</u>

27 OTHER OPERATING INCOME

<u>Group</u>	<u>Quarter ended</u>		<u>Year to date ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Gain/(loss) on disposal:				
- Financial investments at FVOCI	27,179	5,546	93,587	(803)
- Property and equipment	-	87	(16)	89
Gross dividends from financial investments at FVOCI, in Malaysia	272	122	722	572
Rental of premises	1,047	1,084	3,132	3,252
Rental of safe deposit boxes	1,399	1,379	4,720	4,707
Shared services income received from related company	3,622	3,515	10,687	9,746
Unrealised (loss)/gain on hedging derivatives	(2)	(5)	(31)	25
Others	168	112	467	339
	<u>33,685</u>	<u>11,840</u>	<u>113,268</u>	<u>17,927</u>
<b><u>Bank</u></b>				
Gain/(loss) on disposal:				
- Financial investments at FVOCI	27,179	5,546	93,587	(803)
- Property and equipment	-	87	(16)	89
Gross dividends from financial investments at FVOCI, in Malaysia	272	122	722	572
Gross dividends from subsidiary	-	-	-	2,800
Rental of premises	1,061	1,098	3,176	3,297
Rental of safe deposit boxes	1,399	1,379	4,720	4,707
Shared services income received from subsidiary	29,048	27,772	84,008	80,330
Shared services income received from related company	3,622	3,515	10,687	9,746
Unrealised (loss)/gain on hedging derivatives	(2)	(5)	(31)	25
Surplus assets received from winding-up of a subsidiary	-	-	-	12,262
Others	168	113	467	339
	<u>62,747</u>	<u>39,627</u>	<u>197,320</u>	<u>113,364</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)

28 OPERATING EXPENSES

<u>Group</u>	Quarter ended		Year to date ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Personnel expenses</b>				
Wages, salaries and bonus	126,849	114,378	373,619	341,161
Employees Provident Fund contributions	19,344	17,438	56,801	52,865
Share-based expenses	2,753	1,650	7,069	4,738
Others	15,278	13,067	42,623	40,013
	<u>164,224</u>	<u>146,533</u>	<u>480,112</u>	<u>438,777</u>
<b>Establishment expenses</b>				
Depreciation of property and equipment	7,427	7,099	22,073	21,031
Depreciation of right-of-use assets	4,520	-	13,730	-
Rental of premises	7	4,742	15	14,073
Repair and maintenance	3,419	2,998	9,138	8,559
Information technology costs	11,235	8,171	30,227	23,806
Hire of equipment	210	583	890	1,073
Amortisation of prepaid lease payments	-	9	-	27
Others	4,984	4,601	14,397	12,971
	<u>31,802</u>	<u>28,203</u>	<u>90,470</u>	<u>81,540</u>
<b>Marketing expenses</b>				
Advertisement and business promotion	4,685	4,466	12,941	12,016
Transport and travelling	1,189	1,054	3,439	3,040
Others	937	896	2,229	1,662
	<u>6,811</u>	<u>6,416</u>	<u>18,609</u>	<u>16,718</u>
<b>General administrative expenses</b>				
Transaction processing fees	82,604	81,010	250,629	236,876
Others	30,539	26,344	80,958	84,740
	<u>113,143</u>	<u>107,354</u>	<u>331,587</u>	<u>321,616</u>
<b>Total other operating expenses</b>	<u>315,980</u>	<u>288,506</u>	<u>920,778</u>	<u>858,651</u>
<b><u>Bank</u></b>				
<b>Personnel expenses</b>				
Wages, salaries and bonus	120,143	107,584	353,193	323,425
Employees Provident Fund contributions	18,343	16,421	53,691	50,082
Share-based expenses	2,617	1,646	6,732	4,559
Others	14,187	11,723	39,570	36,369
	<u>155,290</u>	<u>137,374</u>	<u>453,186</u>	<u>414,435</u>
<b>Establishment expenses</b>				
Depreciation of property and equipment	6,751	5,887	20,019	17,574
Depreciation of right-of-use assets	3,986	-	11,885	-
Rental of premises	7	4,018	18	11,897
Repair and maintenance	3,220	2,792	8,409	7,924
Information technology costs	11,055	8,381	29,584	23,161
Hire of equipment	190	196	799	615
Amortisation of prepaid lease payments	-	9	-	27
Others	4,289	4,136	12,293	11,364
	<u>29,498</u>	<u>25,419</u>	<u>83,007</u>	<u>72,562</u>



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**28 OPERATING EXPENSES (continued)**

	Quarter ended		Year to date ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Bank</b>				
<b>Marketing expenses</b>				
Advertisement and business promotion	4,557	4,283	12,553	11,690
Transport and travelling	1,113	968	3,203	2,818
Others	923	847	2,163	1,599
	<u>6,593</u>	<u>6,098</u>	<u>17,919</u>	<u>16,107</u>
<b>General administrative expenses</b>				
Transaction processing fees	75,739	74,504	229,719	219,133
Others	28,872	24,994	77,044	77,808
	<u>104,611</u>	<u>99,498</u>	<u>306,763</u>	<u>296,941</u>
<b>Total other operating expenses</b>	<u>295,992</u>	<u>268,389</u>	<u>860,875</u>	<u>800,045</u>

**29 IMPAIRMENT (WRITEBACK)/ALLOWANCE AND PROVISIONS**

	Quarter ended		Year to date ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Group</b>				
<b>Loans, advances and financing</b>				
Stage 1 and 2 ECL net (write back)/charge during the period	(46,712)	18,987	32,152	32,462
Stage 3 ECL				
- Made during the period	71,012	146,376	258,898	372,163
- Written back	(35,394)	(48,975)	(115,351)	(178,493)
Impaired loans, advances and financing				
- Recovered during the period	(30,468)	(12,890)	(53,340)	(41,189)
<b>Financial investments at FVOCI</b>				
Stage 1 and 2 ECL net charge/(write back) during the period	12	(120)	(552)	(10,214)
<b>Other financial assets</b>				
Stage 1 and 2 ECL net charge/(write back) during the period	155	(415)	184	(312)
Stage 3 ECL net charge during the period	33	20	83	22
<b>Commitments and contingencies</b>				
Net charge during the period	1,954	83	1,951	83
	<u>(39,408)</u>	<u>103,066</u>	<u>124,025</u>	<u>174,522</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**29 IMPAIRMENT (WRITEBACK)/ALLOWANCE AND PROVISIONS (continued)**

<b><u>Bank</u></b>	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 September 2019</b>	<b>30 September 2018</b>	<b>30 September 2019</b>	<b>30 September 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Loans, advances and financing</b>				
Stage 1 and 2 ECL net (write back)/charge during the period	(21,254)	11,803	28,456	40,845
Stage 3 ECL				
- Made during the period	48,157	60,297	152,733	233,963
- Written back	(28,214)	(35,038)	(86,983)	(129,121)
Impaired loans, advances and financing				
- Recovered during the period	(8,811)	(6,492)	(20,591)	(20,164)
<b>Investment account placements</b>				
Stage 1 and 2 ECL net charge/(write back) during the period	2,291	97	3,512	(4,635)
Stage 3 ECL net charge during the period	-	-	29,794	-
<b>Financial investments at FVOCI</b>				
Stage 1 and 2 ECL net write back during the period	(3)	(169)	(432)	(7,831)
<b>Other financial assets</b>				
Stage 1 and 2 ECL net charge/(write back) during the period	155	(405)	184	248
Stage 3 ECL net charge during the period	33	20	83	22
<b>Commitments and contingencies</b>				
Net (write back)/charge during the period	(80)	83	(83)	83
	<b>(7,726)</b>	<b>30,196</b>	<b>106,673</b>	<b>113,410</b>

**30 INCOME TAX EXPENSE**

<b><u>Group</u></b>	<b>Quarter ended</b>		<b>Year to date ended</b>	
	<b>30 September 2019</b>	<b>30 September 2018</b>	<b>30 September 2019</b>	<b>30 September 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Malaysian income tax				
- Current period	90,870	73,160	222,772	218,906
- Prior years	1,179	22,743	1,179	22,743
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(92)	(8,646)	(4,055)	(4,516)
- Prior years overprovision of deferred tax	(451)	(16)	(451)	(16)
	<b>91,506</b>	<b>87,241</b>	<b>219,445</b>	<b>237,117</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**30 INCOME TAX EXPENSE (continued)**

	Quarter ended		Year to date ended	
	30 September 2019	30 September 2018	30 September 2019	30 September 2018
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current period	77,977	77,144	195,231	190,627
- Prior years	-	24,071	-	24,071
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(3,568)	(8,052)	(3,258)	(3,676)
	<u>74,409</u>	<u>93,163</u>	<u>191,973</u>	<u>211,022</u>

**31 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. Apart from the provision for commitments and contingencies already made in the 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.

	Principal amount	Credit equivalent amount	Risk weighted amount
<u>Group</u>	RM'000	RM'000	RM'000
<b>30 September 2019</b>			
Direct credit substitutes	692,977	692,977	502,309
Transaction-related contingent items	2,886,465	1,477,138	969,010
Short-term self-liquidating trade-related contingencies	354,374	77,843	45,134
Forward asset purchases	355,855	355,855	-
Foreign exchange related contracts			
- Less than one year	14,894,492	148,042	47,631
- One year to less than five years	3,642,806	899,673	173,204
- Five years and above	2,832,014	61,054	71,164
Interest rate related contracts			
- Less than one year	17,602,832	11,491	5,054
- One year to less than five years	29,583,099	451,483	110,445
- Five years and above	12,846,637	309,553	194,842
Equity and commodity related contracts	1,033,141	26,039	8,900
Credit derivative contracts	1,201,414	38,886	9,355
Formal standby facilities and credit lines			
- Maturity exceeding one year	4,724,100	3,988,303	2,031,971
Other unconditionally cancellable commitments	23,105,088	2,243,514	367,929
Total	<u>115,755,294</u>	<u>10,781,851</u>	<u>4,536,948</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**31 COMMITMENTS AND CONTINGENCIES (continued)**

<u>Group</u>	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
<b>31 December 2018</b>			
Direct credit substitutes	741,125	741,125	571,536
Transaction-related contingent items	2,930,357	1,493,568	944,101
Short-term self-liquidating trade-related contingencies	303,719	68,274	39,282
Forward asset purchases	29,687	29,687	-
Foreign exchange related contracts			
- Less than one year	13,173,634	226,291	46,669
- One year to less than five years	2,858,788	778,909	155,566
- Five years and above	2,442,327	208,443	61,178
Interest rate related contracts			
- Less than one year	11,541,401	1,076	142
- One year to less than five years	24,466,718	320,082	69,005
- Five years and above	5,870,421	103,382	80,358
Equity and commodity related contracts	259,891	17,212	3,311
Credit derivative contracts	1,241,549	59,105	15,260
Formal standby facilities and credit lines			
- Maturity exceeding one year	5,074,481	4,259,104	2,441,626
Other unconditionally cancellable commitments	22,140,451	2,063,219	334,384
<b>Total</b>	<b>93,074,549</b>	<b>10,369,477</b>	<b>4,762,418</b>

**Bank**

<b>30 September 2019</b>			
Direct credit substitutes	585,948	585,947	387,265
Transaction-related contingent items	2,513,898	1,287,472	825,418
Short-term self-liquidating trade-related contingencies	336,145	72,772	42,967
Forward asset purchases	355,855	355,855	-
Foreign exchange related contracts			
- Less than one year	14,889,798	147,734	47,289
- One year to less than five years	3,641,692	899,673	171,719
- Five years and above	2,832,014	61,054	71,164
Interest rate related contracts			
- Less than one year	17,602,832	11,491	5,054
- One year to less than five years	29,583,099	451,483	110,445
- Five years and above	12,846,637	309,553	174,470
Equity and commodity related contracts	1,033,141	26,039	8,901
Credit derivative contracts	1,201,414	38,886	9,355
Formal standby facilities and credit lines			
- Maturity exceeding one year	4,254,117	3,619,061	1,711,895
Other unconditionally cancellable commitments	20,644,202	2,135,012	350,054
<b>Total</b>	<b>112,320,792</b>	<b>10,002,032</b>	<b>3,915,996</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**31 COMMITMENTS AND CONTINGENCIES (continued)**

<u>Bank</u>	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
<b>31 December 2018</b>			
Direct credit substitutes	632,158	632,158	479,295
Transaction-related contingent items	2,537,891	1,295,076	800,326
Short-term self-liquidating trade-related contingencies	274,523	61,429	33,777
Forward asset purchases	29,687	29,687	-
Foreign exchange related contracts			
- Less than one year	13,216,753	227,897	46,550
- One year to less than five years	2,858,788	778,909	155,566
- Five years and above	2,442,327	208,443	61,178
Interest rate related contracts			
- Less than one year	11,541,401	1,076	142
- One year to less than five years	24,466,718	320,082	69,005
- Five years and above	5,870,421	103,382	66,322
Equity and commodity related contracts	259,891	17,212	3,311
Credit derivative contracts	1,241,549	59,105	15,260
Formal standby facilities and credit lines			
- Maturity exceeding one year	4,083,340	3,502,632	1,641,569
Other unconditionally cancellable commitments	19,399,985	1,980,914	321,632
Total	<u>88,855,432</u>	<u>9,218,002</u>	<u>3,693,933</u>

**32 CAPITAL COMMITMENTS**

	<u>Group</u>		<u>Bank</u>	
	<u>30 September 2019</u> RM'000	<u>31 December 2018</u> RM'000	<u>30 September 2019</u> RM'000	<u>31 December 2018</u> RM'000
Capital expenditure commitments in respect of property and equipment contracted but not provided for	7,020	4,023	6,973	3,919

**33 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**Fair value hierarchy of financial instruments (continued)**

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  Actively traded quoted equity securities of corporations	Corporate and other government bonds/sukuk and loans  Over-the counter ("OTC") derivatives  Cash and cash equivalents  Deposits and placements with banks and other financial institutions  Investment account placements  Other assets	Private debt equity investments  Corporate bonds/sukuk with illiquid markets  Loans, advances and financing  OTC derivatives  Unquoted equity instruments
Type of financial liabilities		OTC derivatives  Deposits from customer  Deposits and placement of banks and other financial institutions  Other liabilities  Subordinated bonds/sukuk	OTC derivatives

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)

33 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>
<b>30 September 2019</b>				
<b>Financial assets at fair value</b>				
Financial assets at FVTPL	1,181,553	1,218,139	-	2,399,692
Financial investments at FVOCI	11,275,944	6,731,167	105,278	18,112,389
Loans, advances and financing	-	-	10,008	10,008
Derivative financial assets	612	813,979	58,561	873,152
	<u>12,458,109</u>	<u>8,763,285</u>	<u>173,847</u>	<u>21,395,241</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	526	893,939	55,373	949,838

**31 December 2018**

<b>Financial assets at fair value</b>				
Financial assets at FVTPL	762,033	1,111,482	-	1,873,515
Financial investments at FVOCI	8,646,834	9,056,374	99,218	17,802,426
Loans, advances and financing	-	-	24,836	24,836
Derivative financial assets	2,241	685,493	73,027	760,761
	<u>9,411,108</u>	<u>10,853,349</u>	<u>197,081</u>	<u>20,461,538</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	2,077	640,808	73,283	716,168

**Bank**

**30 September 2019**

<b>Financial assets at fair value</b>				
Financial assets at FVTPL	1,181,553	1,201,774	-	2,383,327
Financial investments at FVOCI	8,970,787	4,770,701	105,278	13,846,766
Loans, advances and financing	-	-	10,008	10,008
Derivative financial assets	608	814,657	58,554	873,819
	<u>10,152,948</u>	<u>6,787,132</u>	<u>173,840</u>	<u>17,113,920</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	528	893,912	55,373	949,813

**31 December 2018**

<b>Financial assets at fair value</b>				
Financial assets at FVTPL	762,033	1,101,502	-	1,863,535
Financial investments at FVOCI	6,324,040	7,163,285	99,218	13,586,543
Loans, advances and financing	-	-	24,836	24,836
Derivative financial assets	2,309	686,941	73,027	762,277
	<u>7,088,382</u>	<u>8,951,728</u>	<u>197,081</u>	<u>16,237,191</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	2,080	640,750	73,283	716,113

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**33 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:

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Financial assets at fair value</b>				
At 1 January	197,081	15,662	197,081	15,662
Effect of adoption of MFRS 9	-	165,043	-	165,043
Purchased	10,000	-	10,000	-
Settled/disposed	(24,828)	(34,686)	(24,828)	(34,686)
Transferred into Level 3	3,576	-	3,570	-
Realised loss				
- Recognised in net trading income	(70,941)	(4,267)	(70,971)	(4,267)
Unrealised gain/(loss)				
- Recognised in net trading income	52,899	64,656	52,928	64,656
- Recognised in other comprehensive income/(expense)	6,060	(9,327)	6,060	(9,327)
At 30 September/31 December	<b>173,847</b>	<b>197,081</b>	<b>173,840</b>	<b>197,081</b>
<b>Financial liabilities at fair value</b>				
At 1 January	73,283	16,294	73,283	16,294
Transferred into Level 3	4,156	-	4,161	-
Realised gain				
- Recognised in net trading income	(71,489)	(4,267)	(71,494)	(4,267)
Unrealised loss				
- Recognised in net trading income	49,423	61,256	49,423	61,256
At 30 September/31 December	<b>55,373</b>	<b>73,283</b>	<b>55,373</b>	<b>73,283</b>

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</b>	<b>30 September 2019 Fair value RM'000</b>	<b>31 December 2018 Fair value RM'000</b>	<b>Classification</b>	<b>Valuation technique</b>	<b>Unobservable input</b>
<b>Assets</b>				Net asset value approach	Net asset value
Financial investments at FVOCI	105,278	99,218	FVOCI		
Loans, advances and financing	10,008	24,836	FVTPL	Discounted cash flow analysis and market approach	Implied equity value, incentive fee and discount factor
Derivative financial assets	58,561	73,027	Hedge for trading	Option pricing model	Standard deviation
	<b>173,847</b>	<b>197,081</b>			
<b>Liabilities</b>				Option pricing model	Standard deviation
Derivative financial liabilities	55,373	73,283	Hedge for trading		
	<b>55,373</b>	<b>73,283</b>			



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**Fair value hierarchy of financial instruments (continued)**

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>Bank</b>	<b>30 September</b>	<b>31 December</b>	<b>Classification</b>	<b>Valuation technique</b>	<b>Unobservable input</b>
	<b>2019</b>	<b>2018</b>			
	<b>Fair value</b>	<b>Fair value</b>			
	<b>RM'000</b>	<b>RM'000</b>			
<b>Assets</b>					
Financial investments at FVOCI	105,278	99,218	FVOCI	Net asset value approach	Net asset value
Loans, advances and financing	10,008	24,836	FVTPL	Discounted cash flow analysis and market approach	Implied equity value, incentive fee and discount factor
Derivative financial assets	58,554	73,027	Hedge for trading	Option pricing model	Standard deviation
	<u>173,840</u>	<u>197,081</u>			
<b>Liabilities</b>					
Derivative financial liabilities	55,373	73,283	Hedge for trading	Option pricing model	Standard deviation

The Group and the Bank consider 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.

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, current and savings accounts, consumer loans such as housing loans and other personal loans, unit trusts, bancassurance products, structured investments and credit cards.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**34 SEGMENT INFORMATION (continued)**

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 investment banking, 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 September 2019</b>					
Net interest/finance income	837,197	326,636	158,012	87,340	1,409,185
Non-interest/finance income	92,140	141,272	260,955	56,242	550,609
Operating income	929,337	467,908	418,967	143,582	1,959,794
Operating expenses	(367,910)	(429,458)	(80,626)	(42,784)	(920,778)
Operating profit before impairment allowance and provision	561,427	38,450	338,341	100,798	1,039,016
Impairment allowances and provision for commitments and contingencies	(115,491)	(8,020)	241	(755)	(124,025)
Profit before income tax and zakat	445,936	30,430	338,582	100,043	914,991
Income tax expense and zakat	(107,496)	(7,662)	(81,305)	(23,015)	(219,478)
Profit for the period	338,440	22,768	257,277	77,028	695,513
Gross loans, advances and financing	42,110,190	27,586,109	-	49,892	69,746,191
Gross impaired loans, advances and financing	830,789	552,280	-	-	1,383,069
Deposits from customers	34,123,967	38,919,834	3,846,837	-	76,890,638
<b>30 September 2018</b>					
Net interest/finance income	778,506	348,447	142,260	131,197	1,400,410
Non-interest/finance income	122,552	126,551	210,023	35,967	495,093
Operating income	901,058	474,998	352,283	167,164	1,895,503
Operating expenses	(347,990)	(401,820)	(71,699)	(37,142)	(858,651)
Operating profit before impairment allowance and provision	553,068	73,178	280,584	130,022	1,036,852
Impairment allowances and provision for commitments and contingencies	(154,159)	(35,188)	175	14,650	(174,522)
Profit before income tax and zakat	398,909	37,990	280,759	144,672	862,330
Income tax expense and zakat	(90,193)	(9,118)	(67,382)	(70,424)	(237,117)
Profit for the period	308,716	28,872	213,377	74,248	625,213
<b>31 December 2018</b>					
Gross loans, advances and financing	40,526,120	28,894,747	-	59,034	69,479,901
Gross impaired loans, advances and financing	798,153	534,856	-	32	1,333,041
Deposits from customers	35,703,473	35,835,274	4,312,474	-	75,851,221

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**34 SEGMENT INFORMATION (continued)**

**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 2018.

**35 CAPITAL ADEQUACY**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019</b>	<b>31 December 2018</b>	<b>30 September 2019</b>	<b>31 December 2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Common Equity Tier 1 ("CET 1") capital</b>				
Paid-up ordinary share capital	754,000	754,000	754,000	754,000
Retained earnings	6,107,269	5,967,780	5,292,569	5,202,242
Other reserves	877,821	740,269	706,700	590,458
Regulatory adjustment	(760,088)	(739,071)	(1,209,872)	(1,193,986)
<b>CET 1 capital</b>	<b>6,979,002</b>	<b>6,722,978</b>	<b>5,543,397</b>	<b>5,352,714</b>
<b>Additional Tier 1 capital</b>				
Innovative Tier 1 capital	-	320,000	-	320,000
Additional Tier 1 capital	460,795	455,203	460,795	455,203
<b>Tier 1 capital</b>	<b>7,439,797</b>	<b>7,498,181</b>	<b>6,004,192</b>	<b>6,127,917</b>
<b>Tier 2 capital</b>				
Stage 1 and Stage 2 ECL and qualifying regulatory reserves under the Standardised Approach	13,532	16,635	10,556	12,583
Surplus eligible provisions over expected losses	258,946	255,375	210,538	208,389
Subordinated bonds	1,044,576	1,037,967	1,044,576	1,037,966
Regulatory adjustment	-	-	(200,000)	(200,000)
<b>Tier 2 capital</b>	<b>1,317,054</b>	<b>1,309,977</b>	<b>1,065,670</b>	<b>1,058,938</b>
<b>Capital base</b>	<b>8,756,851</b>	<b>8,808,158</b>	<b>7,069,862</b>	<b>7,186,855</b>
<b>Before deducting proposed dividend</b>				
CET 1 capital ratio	13.977%	13.503%	13.578%	13.112%
Tier 1 capital ratio	14.900%	15.061%	14.707%	15.011%
<b>Total capital ratio</b>	<b>17.538%</b>	<b>17.692%</b>	<b>17.317%</b>	<b>17.605%</b>
<b>After deducting proposed dividend</b>				
CET 1 capital ratio	13.977%	13.226%	13.578%	12.774%
Tier 1 capital ratio	14.900%	14.783%	14.707%	14.673%
<b>Total capital ratio</b>	<b>17.538%</b>	<b>17.414%</b>	<b>17.317%</b>	<b>17.267%</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**35 CAPITAL ADEQUACY (continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Total RWA for credit risk	44,240,291	43,893,315	35,934,159	35,738,077
Total RWA for market risk	882,225	1,235,013	883,126	1,235,744
Total RWA for operational risk	4,808,627	4,658,703	4,008,037	3,849,013
	<b>49,931,143</b>	<b>49,787,031</b>	<b>40,825,322</b>	<b>40,822,834</b>

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:

	<b>30 September 2019</b>	<b>31 December 2018</b>
CET 1 capital ratio	15.584%	15.054%
Tier 1 capital ratio	15.584%	15.054%
Total capital ratio	<b>18.322%</b>	<b>17.825%</b>