

Company No. 818444-T

**OCBC AL-AMIN BANK BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

Domiciled in Malaysia  
Registered Office:  
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50050 Kuala Lumpur

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FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017**

<b>ASSETS</b>	<b>Note</b>	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Cash and cash equivalents		1,508,001	1,960,773
Financial investments available-for-sale	6	3,823,339	3,244,999
Financing and advances	7	10,374,266	9,621,734
Derivative financial assets	9	140	75
Other assets	10	31,361	73,419
Tax recoverable		6,824	8,079
Statutory deposits with Bank Negara Malaysia		304,000	327,000
Property and equipment		12,336	13,416
Deferred tax assets		2,269	5,135
<b>Total assets</b>		<b>16,062,536</b>	<b>15,254,630</b>
<b>LIABILITIES</b>			
Islamic deposits from customers	11	11,017,529	11,320,720
Investment accounts due to designated financial institution	12	2,468,516	1,367,037
Deposits and placements of banks and other financial institutions	13	926,274	1,022,718
Bills and acceptances payable		60,820	30,483
Derivative financial liabilities	9	86	410
Other liabilities	14	215,511	182,322
Subordinated sukuk	15	200,000	200,000
Zakat payable		58	45
<b>Total liabilities</b>		<b>14,888,794</b>	<b>14,123,735</b>
<b>EQUITY</b>			
Share capital		185,000	185,000
Reserves		988,742	945,895
<b>Total equity</b>		<b>1,173,742</b>	<b>1,130,895</b>
<b>Total liabilities and equity</b>		<b>16,062,536</b>	<b>15,254,630</b>
<b>Commitments and contingencies</b>	25	<b>2,960,094</b>	<b>2,806,487</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2016 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 31 MARCH 2017**

	Note	Year-To-Date Ended	
		31 March 2017 RM'000	31 March 2016 RM'000
Income derived from investment of depositors' funds and others	16	158,739	181,545
Income derived from investment of investment account funds	17	20,006	11,478
Income derived from investment of shareholder's funds	18	29,006	25,179
Impairment allowance on financing and advances	19	(15,858)	(16,813)
Total distributable income		191,893	201,389
Income attributable to depositors	20	(86,384)	(91,865)
Income attributable to investment account holder	21	(14,009)	(8,035)
Total net income		91,500	101,489
Operating expenses	22	(46,286)	(51,895)
<b>Profit before zakat and taxation</b>		45,214	49,594
Income tax expense	23	(10,155)	(10,886)
Zakat		(12)	(11)
<b>Profit for the period</b>		<b>35,047</b>	<b>38,697</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be reclassified subsequently to profit or loss when specific conditions are met</i>			
Fair value (available-for-sale) reserve:			
- Change in fair value		10,172	13,105
- Transferred to profit or loss		95	612
Income tax effect		(2,467)	(3,329)
<b>Other comprehensive income for the period, net of income tax</b>		<b>7,800</b>	<b>10,388</b>
<b>Total comprehensive income for the period</b>		<b>42,847</b>	<b>49,085</b>
Profit attributable to the owner of the Bank		35,047	38,697
Total comprehensive income attributable to the owner of the Bank		42,847	49,085
<b>Basic earnings per ordinary share (sen)</b>		<b>18.94</b>	<b>20.92</b>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

	<i>Non-distributable</i>			<i>Distributable</i>		<b>Total Equity</b>
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Statutory Reserve</b>	<b>Fair Value Reserve</b>	<b>Retained Earnings</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>
<b>2017</b>						
At 1 January 2017	185,000	370,000	185,000	(8,845)	399,740	1,130,895
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	10,172	-	10,172
- Transferred to profit or loss	-	-	-	95	-	95
Income tax effect	-	-	-	(2,467)	-	(2,467)
<b>Total other comprehensive income for the period</b>	-	-	-	7,800	-	7,800
Profit for the period	-	-	-	-	35,047	35,047
<b>Total comprehensive income for the period</b>	-	-	-	7,800	35,047	42,847
Transfer pursuant to Companies Act 2016	-	-	-	-	-	-
At 31 March 2017	185,000	370,000	185,000	(1,045)	434,787	1,173,742
<b>2016</b>						
At 1 January 2016	185,000	370,000	185,000	(2,767)	248,748	985,981
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	13,105	-	13,105
- Transferred to profit or loss	-	-	-	612	-	612
Income tax effect	-	-	-	(3,329)	-	(3,329)
<b>Total other comprehensive income for the period</b>	-	-	-	10,388	-	10,388
Profit for the period	-	-	-	-	38,697	38,697
<b>Total comprehensive income for the period</b>	-	-	-	10,388	38,697	49,085
At 31 March 2016	185,000	370,000	185,000	7,621	287,445	1,035,066

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax expense and zakat	45,214	49,594
<i>Adjustments for:</i>		
Net loss from disposal of:		
- Financial investments available-for-sale	95	612
- Property and equipment	1	20
Depreciation of property and equipment	1,161	988
Impairment allowance on financing and advances	15,858	16,813
Share-based expenses	89	79
Unrealised gain on revaluation of derivatives	(387)	(2,265)
Operating profit before changes in working capital	<u>62,031</u>	<u>65,841</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financing and advances	(768,390)	98,824
Derivative financial assets	(65)	(2,245)
Other assets	42,456	(77,232)
Statutory deposits with Bank Negara Malaysia	23,000	51,700
Islamic deposits from customers	(303,191)	882,360
Investment accounts due to designated financial institution	1,101,479	(78,732)
Deposits and placements of banks and other financial institutions	(96,444)	(599,204)
Bills and acceptances payable	30,337	12,142
Derivative financial liabilities	(324)	(19)
Other liabilities	33,100	(18,472)
<b>Cash generated from operations</b>	<u>123,989</u>	<u>334,963</u>
Income tax and zakat paid	(8,500)	(12,193)
<b>Net cash generated from operating activities</b>	<u>115,489</u>	<u>322,770</u>
<b>Cash flows from investing activities</b>		
Acquisition of financial investments available-for-sale	(2,130,000)	(1,523,095)
Proceeds from disposal of financial investments available-for-sale	1,561,832	971,491
Acquisition of property and equipment	(96)	(3,246)
Proceeds from disposal of property and equipment	3	-
<b>Net cash used in investing activities</b>	<u>(568,261)</u>	<u>(554,850)</u>
<b>Net decrease in cash and cash equivalents</b>	(452,772)	(232,080)
<b>Cash and cash equivalents at 1 January</b>	<u>1,960,773</u>	<u>1,131,012</u>
<b>Cash and cash equivalents at 31 March</b>	<u>1,508,001</u>	<u>898,932</u>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2016 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2017**

**GENERAL INFORMATION**

The Bank is a licensed Islamic Bank principally engaged in Islamic Banking and related financial services. There were no significant changes to these activities during the financial period.

**PERFORMANCE REVIEW**

The Bank recorded profit after tax of RM35.0 million for the financial period ended 31 March 2017, a 9% or RM3.7 million decrease against the corresponding period last year. The decrease was mainly due to lower income from investment of depositors' funds and others of RM22.8 million partially offset by higher shareholder funds and net income from investment account funds of RM3.8 million and RM2.5 million respectively, lower operating expenses of RM5.6 million, income attributable to depositors of RM5.5 million and lower allowances of RM1.0 million.

Income from investment of depositors' funds and others dropped mainly from financing (-RM29.0 million) as the Bank rebalanced its financing portfolio mix and focused on collection efforts.

The increase in income from investment of shareholder funds was mainly from higher fee and commission income of RM2.9 million and foreign exchange gains of RM2.0 million while income attributable to depositors declined in tandem with decreased customer deposits.

To counter the drop in profitability of 9% or RM3.7 million, the Bank managed to reduce its operating expenses by 11% or RM5.6 million, largely from lower shared service costs of RM4.9 million on account of scaled down activity volumes.

Gross financing and advances increased by RM0.8 billion or 8% against December 2016, mainly from two large corporate drawdowns during the quarter.

Deposits from customers decreased by RM0.3 billion or 3% over the same period to RM11.0 billion, mainly from business enterprises and domestic non-bank financial institutions which reduced by RM0.3 billion and RM0.2 billion respectively, partially offset by higher deposits from individuals of RM0.1 billion.

The Bank remains well capitalised with Common Equity Tier 1 ratio of 16.371% and total capital ratio of 19.769% respectively.

**ECONOMIC PERFORMANCE AND PROSPECTS**

The assessment on global growth prospects has continued to improve and Asian economies are benefitting from stronger external demand amid sustained domestic activity. Locally, the growth momentum is expected to continue in 2017, amid sustained growth in domestic demand and continuous recovery in exports. The headline inflation is expected to remain higher in first half 2017 and the projected trajectory will depend on the movement in global oil prices.

The Bank will continue to exercise prudent management of asset quality and operating expenses as well as to maintain sufficient capital and liquidity to weather stress.

**1 BASIS OF PREPARATION**

The accounting policies set out below have been applied consistently to the periods presented in the unaudited condensed interim financial statements.

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2017 (continued)**

**1 BASIS OF PREPARATION (continued)**

**(a) Statement of compliance**

The unaudited condensed interim financial statements of the Bank have been prepared under the historical cost convention (except as disclosed in the notes to the unaudited condensed interim financial statements), in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, International Financial Reporting Standard 34 and Bank Negara Malaysia's ("BNM") requirements on Shariah related issues.

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2016. The explanatory notes to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2016.

The significant accounting policies and method of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2016.

The Bank has not adopted the following accounting standards, amendments and interpretations issued by the MASB as they are not yet effective:

Effective for financial periods commencing on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- Amendments to MFRS 4, *Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures*
- Amendments to MFRS 140, *Transfers of Investment Property*

Effective for financial periods commencing on or after 1 January 2019

- MFRS 16, *Leases*

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

**MFRS 9, *Financial Instruments***

MFRS 9, *Financial Instruments* will replace MFRS 139, *Financial Instruments: Recognition and Measurement*. Retrospective application is required but comparative information is not compulsory. MFRS 9 introduces new requirements for classification and measurement of financial assets and financial liabilities, impairment of financial assets and hedge accounting.



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2017 (continued)**

**1 BASIS OF PREPARATION (continued)**

**(a) Statement of compliance (continued)**

**MFRS 15, Revenue from Contracts with Customers**

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*. Under MFRS 15, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good and service.

**MFRS 16, Leases**

MFRS 16 requires recognition of operating lease commitments on balance sheet together with a right of use asset.

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

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

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the 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 2016.

**2 SEASONALITY OF OPERATIONS**

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

**3 SHARE CAPITAL AND DEBENTURES**

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

**4 DIVIDEND**

No dividend was paid in respect of the financial period ended 31 March 2017.

**5 SIGNIFICANT AND SUBSEQUENT EVENTS**

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

Company No. 818444-T

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2017 (continued)**

**6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>At fair value</b>		
Malaysian Government Investment Issues	1,761,638	1,728,949
Malaysian Government Sukuk	93,255	92,778
Malaysian Government Islamic Treasury Bills	48,630	49,871
Islamic Corporate Sukuk	430,077	430,869
Islamic Negotiable Instruments of Deposit	1,246,966	698,689
Sanadat Mudharabah Cagamas	10,138	10,123
Foreign Government Sukuk	232,635	233,720
	<u>3,823,339</u>	<u>3,244,999</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2017 (continued)****7 FINANCING AND ADVANCES**

(i) By type and Shariah contract

	Sale based contracts					Lease based contracts			Equity based contracts		Total RM'000
	Bai' Bithaman		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma Al- Bai RM'000	Ijarah RM'000	Ijarah Muntahiah Bi Al-Tamlik RM'000	Musharakah Mutanaqisah RM'000	Others RM'000	
	Bai' Inah RM'000	Ajil RM'000									
<b>31 March 2017</b>											
<b>At amortised cost and net of unearned income</b>											
Cash line financing	58,138	32,647	-	-	-	-	206,770	-	-	1,216	298,771
Term Financing											
- House financing	-	13,464	-	-	-	-	-	1,922,155	98,175	-	2,033,794
- Syndicated term financing	-	-	50,064	-	-	-	-	333,665	-	-	383,729
- Hire purchase receivables	-	-	-	-	-	330,600	-	192,239	-	-	522,839
- Other term financing	981,869	146,262	333,267	-	-	-	-	2,336,364	133,280	-	3,931,042
Bills receivable	-	-	-	-	82,242	-	-	-	-	-	82,242
Trust receipts	-	-	-	271	-	-	-	-	-	-	271
Revolving credit	-	-	2,808,405	-	-	-	-	-	-	-	2,808,405
Claims on customers under acceptance credits	-	-	-	360,917	94,725	-	-	-	-	-	455,642
Other financing	-	-	-	128,394	-	-	-	-	-	-	128,394
Gross financing and advances	<u>1,040,007</u>	<u>192,373</u>	<u>3,191,736</u>	<u>489,582</u>	<u>176,967</u>	<u>330,600</u>	<u>206,770</u>	<u>4,784,423</u>	<u>231,455</u>	<u>1,216</u>	<u>10,645,129</u>
Allowance for financing and advances											
- Individual impairment											(80,384)
- Collective impairment											(190,479)
Net financing and advances											<u>10,374,266</u>

Included in financing and advances are specific business ventures funded by the Restricted Profit Sharing Investment Accounts ("RPSIA"), arrangements between the Bank and its immediate holding company, OCBC Malaysia. The immediate holding company, being the RPSIA depositor, is exposed to the risks and rewards of the business venture and will account for all the individual impairment allowance arising thereon whereas the collective impairment allowance is borne by the Bank.

As at 31 March 2017, the gross exposure relating to RPSIA financing is RM2,467 million (2016: RM1,328 million) and the collective impairment relating to these RPSIA of RM41.2 million (2016: RM10.8 million). There was no individual impairment provided for these RPSIA financing.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2017 (continued)****7 FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contract (continued)

	Sale based contracts					Lease based contracts			Equity based contracts		Total RM'000
	Bai' Bithaman		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma Al- Bai RM'000	Ijarah RM'000	Ijarah Muntahiah Bi Al-Tamlik RM'000	Musharakah Mutanaqisah RM'000	Others RM'000	
	Bai' Inah RM'000	Ajil RM'000									
<b>31 December 2016</b>											
<b>At amortised cost and net of unearned income</b>											
- Cash line financing	61,670	40,256	-	-	-	-	205,741	-	-	864	308,531
Term Financing											
- House financing	-	14,164	-	-	-	-	-	1,912,250	101,204	-	2,027,618
- Syndicated term financing	-	-	50,040	-	-	-	-	347,351	-	-	397,391
- Hire purchase receivables	-	-	-	-	-	369,168	-	223,374	-	-	592,542
- Other term financing	1,111,865	153,253	355,985	-	-	-	-	2,148,866	137,361	-	3,907,330
Bills receivable	-	-	-	-	22,246	-	-	-	-	-	22,246
Trust receipts	-	-	-	179	-	-	-	-	-	-	179
Revolving credit	-	-	2,038,095	-	-	-	-	-	-	-	2,038,095
Claims on customers under acceptance credits	-	-	-	333,614	67,092	-	-	-	-	-	400,706
Other financing	-	-	-	194,118	-	-	-	-	-	-	194,118
<b>Gross financing and advances</b>	<b>1,173,535</b>	<b>207,673</b>	<b>2,444,120</b>	<b>527,911</b>	<b>89,338</b>	<b>369,168</b>	<b>205,741</b>	<b>4,631,841</b>	<b>238,565</b>	<b>864</b>	<b>9,888,756</b>
Allowance for financing and advances											
- Individual impairment											(80,043)
- Collective impairment											(186,979)
<b>Net financing and advances</b>											<b>9,621,734</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2017 (continued)****7 FINANCING AND ADVANCES (continued)**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
(ii) By type of customer		
Domestic non-bank financial institutions	137,649	49,867
Domestic business enterprises		
- Small and medium enterprises	2,279,462	2,444,209
- Others	4,114,990	4,102,921
Individuals	2,709,929	2,764,562
Foreign entities	1,403,099	527,197
	<u>10,645,129</u>	<u>9,888,756</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	21,939	23,120
- Hire purchase receivables	335,114	375,310
- Other fixed rate financing	2,336,395	2,461,961
Variable rate		
- Base financing rate plus	3,360,093	3,407,135
- Cost plus	4,314,427	3,359,799
- Other variable rates	277,161	261,431
	<u>10,645,129</u>	<u>9,888,756</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,150,399	1,150,070
Mining and quarrying	267,109	301,638
Manufacturing	1,765,903	1,760,308
Electricity, gas and water	59,863	61,218
Construction	424,615	448,263
Real estate	573,365	586,417
Wholesale & retail trade and restaurants & hotels	1,137,733	1,200,474
Transport, storage and communication	210,606	240,846
Finance, insurance and business services	394,719	323,396
Community, social and personal services	547,139	523,126
Household		
- Purchase of residential properties	2,076,125	2,070,568
- Purchase of non-residential properties	44,483	45,001
- Others	700,731	757,580
Others	1,292,339	419,851
	<u>10,645,129</u>	<u>9,888,756</u>
(v) By geographical distribution		
Malaysia	9,493,743	9,624,679
Singapore	662,618	53,753
Other ASEAN	280,034	2,826
Rest of the world	208,734	207,498
	<u>10,645,129</u>	<u>9,888,756</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2017 (continued)****7 FINANCING AND ADVANCES (continued)**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
(vi) By residual contractual maturity		
Within one year	3,883,870	3,044,307
One year to less than three years	1,165,159	1,295,556
Three years to less than five years	819,164	733,563
Over five years	4,776,936	4,815,330
	<u>10,645,129</u>	<u>9,888,756</u>

**8 IMPAIRED FINANCING AND ADVANCES**

## (a) Movements in impaired financing and advances

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
At 1 January	297,552	285,424
Impaired during the period / year	73,779	322,408
Reclassified as unimpaired	(20,756)	(60,439)
Amount recovered	(33,236)	(163,270)
Amount written off	(18,681)	(90,350)
Effect of foreign exchange difference	(1,258)	3,779
At 31 March / 31 December	<u>297,400</u>	<u>297,552</u>
Individual impairment allowance	(80,384)	(80,043)
Collective impairment allowance	(3,913)	(4,146)
Net impaired financing and advances	<u>213,103</u>	<u>213,363</u>

## (i) By sector

Agriculture, hunting, forestry and fishing	207	529
Mining and quarrying	92,696	91,796
Manufacturing	34,638	38,394
Construction	2,970	2,977
Real estate	7,422	8,244
Wholesale & retail trade and restaurants & hotels	40,892	38,638
Transport, storage and communication	5,191	7,096
Finance, insurance and business services	10,234	6,352
Community, social and personal services	1,499	2,784
Household		
- Purchase of residential properties	55,773	55,374
- Purchase of non-residential properties	254	252
- Others	45,624	44,535
Others	-	581
	<u>297,400</u>	<u>297,552</u>

## (ii) By geographical distribution

Malaysia	<u>297,400</u>	<u>297,552</u>
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The analysis by geography is determined based on where the credit risk resides.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2017 (continued)****8 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance for financing and advances

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Individual impairment allowance</b>		
At 1 January	80,043	82,433
Made during the period / year	35,836	154,465
Written back	(16,601)	(65,613)
Written off	(18,681)	(90,350)
Financing income earned on impaired financing	(213)	(892)
At 31 March / 31 December	<u>80,384</u>	<u>80,043</u>
<b>Collective impairment allowance</b>		
At 1 January	186,979	190,479
Made/(Written back) during the period / year	3,500	(3,500)
At 31 March / 31 December	<u>190,479</u>	<u>186,979</u>

**9 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	<u>31 March 2017</u>			<u>31 December 2016</u>		
	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>Trading</b>						
Foreign exchange derivatives						
- Forwards	45,754	140	58	67,266	75	410
- Swaps	1,257	-	28	-	-	-
	<u>47,011</u>	<u>140</u>	<u>86</u>	<u>67,266</u>	<u>75</u>	<u>410</u>

**10 OTHER ASSETS**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Profit receivable	21,004	25,817
Other receivables, deposits and prepayments	4,760	3,451
Amount due from immediate holding company	5,593	44,145
Amount due from ultimate holding company	4	6
	<u>31,361</u>	<u>73,419</u>

The amount due from ultimate and immediate holding companies are unsecured, profit-free and repayable on demand.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2017 (continued)****11 ISLAMIC DEPOSITS FROM CUSTOMERS**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
a) By type of deposit		
Savings deposits		
- Wadiah	258,552	257,886
- Tawarruq	185,666	176,509
- Qard	252	824
Demand deposits		
- Wadiah	3,273,943	3,558,672
- Tawarruq	9,931	6,069
- Qard	2,695	182
Term Deposits		
- Commodity Murabahah	6,900,074	6,821,131
- Qard	3,193	53,562
Negotiable instruments of deposits		
- Bai Bithaman Ajil	68,875	68,149
Short-term deposits		
- Tawarruq	314,202	377,592
General investment deposits		
- Mudharabah	146	144
	<u>11,017,529</u>	<u>11,320,720</u>
b) By type of customer		
Government and statutory bodies	1,415,737	1,408,402
Non-bank financial institutions	787,243	960,027
Business enterprises	5,361,110	5,648,386
Individuals	3,240,742	3,098,872
Foreign entities	82,786	81,777
Others	129,911	123,256
	<u>11,017,529</u>	<u>11,320,720</u>
c) Maturity structure of term/general investment deposits, negotiable instruments of deposits and short-term deposits		
Within six months	5,241,248	5,160,684
Six months to one year	1,974,554	2,018,533
One year to three years	1,513	72,912
Three years to five years	69,175	68,449
	<u>7,286,490</u>	<u>7,320,578</u>

**12 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Mudharabah restricted investment account</b>		
Licensed bank	<u>2,468,516</u>	<u>1,367,037</u>



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2017 (continued)****13 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Non-Mudharabah</b>		
Licensed banks	923,901	1,020,173
Other financial institutions	<u>2,373</u>	<u>2,545</u>
	<u>926,274</u>	<u>1,022,718</u>

**14 OTHER LIABILITIES**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Profit payable	102,821	98,905
Other payables and accruals	89,677	74,779
Amount due to immediate holding company	22,203	7,931
Equity compensation benefits	<u>810</u>	<u>707</u>
	<u>215,511</u>	<u>182,322</u>

The amount due to immediate holding company is unsecured, profit free and repayable on demand.

**15 SUBORDINATED SUKUK**

On 24 November 2016, the Bank issued to its immediate holding company, OCBC Bank (Malaysia) Berhad, a RM200 million Basel III-compliant redeemable 10 years non-callable 5 years subordinated sukuk 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 sukuk, whichever is earlier. The Bank may, at its option and subject to the prior approval of BNM, exercise its call option and may redeem in whole or in part, whichever is earlier, the Murabahah subordinated sukuk on 24 November 2021 and any coupon payment date thereafter. In addition to the first call in 2021, the Murabahah subordinated sukuk may also be redeemed if a qualifying tax event or a change of qualification event occurs. The Murabahah subordinated sukuk can be written off, in whole or in part, if the Bank is determined by BNM and/or Malaysia Deposit Insurance Corporation to be non-viable.

This Murabahah subordinated sukuk qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

**16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
Income derived from investment of:		
(i) General investment deposits	91,751	98,441
(ii) Other deposits	<u>66,988</u>	<u>83,104</u>
	<u>158,739</u>	<u>181,545</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2017 (continued)****16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
(i) Income derived from investment of general investment deposits		
<b>Finance income and hibah</b>		
Unimpaired financing and advances	68,547	80,079
Impaired financing and advances	112	75
Financial investments available-for-sale	15,647	14,240
Deposits and placements with banks and other financial institutions	7,415	4,302
	<u>91,721</u>	<u>98,696</u>
<b>Other operating income</b>		
Net loss from sale of financial investments available-for-sale	(49)	(306)
Others	79	51
	<u>91,751</u>	<u>98,441</u>

(ii) Income derived from investment of other deposits

<b>Finance income and hibah</b>		
Unimpaired financing and advances	50,047	67,604
Impaired financing and advances	82	63
Financial investments available-for-sale	11,424	12,021
Deposits and placements with banks and other financial institutions	5,414	3,631
	<u>66,967</u>	<u>83,319</u>
<b>Other operating income</b>		
Net loss from sale of financial investments available-for-sale	(37)	(259)
Others	58	44
	<u>66,988</u>	<u>83,104</u>

**17 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
<b>Finance income and hibah</b>		
Unimpaired financing and advances	19,246	10,403
Deposits and placements with banks and other financial institutions	760	1,075
	<u>20,006</u>	<u>11,478</u>

**18 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
<b>Finance income and hibah</b>		
Unimpaired financing and advances	11,654	12,259
Impaired financing and advances	19	11
Financial investments available-for-sale	2,660	2,180
Deposits and placements with banks and other financial institutions	1,261	658
	<u>15,594</u>	<u>15,108</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2017 (continued)****18 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS (continued)**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
<b>Other operating income</b>		
Commission	4,423	3,119
Service charges and fees	5,552	3,990
Net loss from sale of financial investments available-for-sale	(9)	(47)
Others	13	8
<b>Other trading income</b>		
Net trading gain/(loss)		
- Foreign currency	7	(2,035)
- Trading derivatives	3,039	2,771
- Revaluation of derivatives	387	2,265
	<u>29,006</u>	<u>25,179</u>

**19 IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
Individual impairment allowance		
- Made during the period	35,836	35,266
- Written back	(16,601)	(14,548)
Collective impairment allowance		
- Made during the period	3,500	-
Impaired financing written off	-	4
Impaired financing recovered	(6,877)	(3,909)
	<u>15,858</u>	<u>16,813</u>

**20 INCOME ATTRIBUTABLE TO DEPOSITORS**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
Deposits from customers		
- Non-Mudharabah	80,960	79,048
- Mudharabah	1	1
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah	3,056	10,128
Subordinated sukuk	2,367	2,688
	<u>86,384</u>	<u>91,865</u>

**21 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
Investment accounts due to designated financial institution		
- Mudharabah	14,009	8,035

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2017 (continued)****22 OPERATING EXPENSES**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
<b>Personnel expenses</b>		
Wages, salaries and bonus	5,794	6,633
Employees Provident Fund contributions	871	1,024
Share-based expenses	89	79
Others	750	770
	<u>7,504</u>	<u>8,506</u>
<b>Establishment expenses</b>		
Depreciation of property and equipment	1,161	988
Rental of premises	709	744
Repair and maintenance	178	169
Information technology costs	50	200
Others	622	660
	<u>2,720</u>	<u>2,761</u>
<b>Marketing expenses</b>		
Advertisement and business promotion	84	343
Transport and travelling	86	165
Others	5	(26)
	<u>175</u>	<u>482</u>
<b>General administrative expenses</b>		
Shared service fees to immediate holding company	22,871	27,783
Transaction processing fees to related companies	6,592	6,444
Others	6,424	5,919
	<u>35,887</u>	<u>40,146</u>
<b>Total operating expenses</b>	<u>46,286</u>	<u>51,895</u>

**23 INCOME TAX EXPENSE**

	<b>31 March 2017 RM'000</b>	<b>31 March 2016 RM'000</b>
Malaysian income tax		
- Current period	9,756	10,301
Deferred tax		
- Origination and reversal of temporary differences	399	585
	<u>10,155</u>	<u>10,886</u>

**24 CAPITAL COMMITMENTS**

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Capital commitments in respect of property and equipment		
- Contracted but not provided for	56	91
	<u>56</u>	<u>91</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2017 (continued)****25 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. There were no material losses anticipated as a result of these transactions.

The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB Basel II) - Disclosure Requirements (Pillar 3).

	31 March 2017					31 December 2016				
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Negative Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Negative Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	83,017			83,017	53,723	84,883			84,883	54,263
Transaction-related contingent items	330,610			167,924	117,799	321,947			164,357	126,990
Short-term self-liquidating trade-related contingencies	25,585			5,473	2,805	22,781			4,556	2,876
Foreign exchange related contracts - Less than one year	47,011	140	41	325	242	67,266	75	410	364	229
Formal standby facilities and credit lines - Maturity exceeding one year	359,623			300,589	135,875	263,145			231,541	57,790
Other unconditionally cancellable commitments	2,114,248			44,122	6,930	2,046,465			43,629	7,530
	<b>2,960,094</b>	<b>140</b>	<b>41</b>	<b>601,450</b>	<b>317,374</b>	<b>2,806,487</b>	<b>75</b>	<b>410</b>	<b>529,330</b>	<b>249,678</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2017 (continued)****26 FAIR VALUE OF FINANCIAL INSTRUMENTS****Fair value hierarchy of financial instruments**

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

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

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fair value determined as	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 governments and agency securities	Corporate and other governments sukuk	Private debt equity instruments
	Actively traded quoted equity securities of corporations	Over-the counter ("OTC") derivatives	Corporate sukuk with illiquid markets
		Cash and cash	Financing and advances
		Deposits and placements with banks and other financial institutions	
		Other assets	
Type of financial liabilities		OTC derivatives	
		Islamic deposits from customers	
		Deposits and placement of banks and other financial institutions	
		Other liabilities	
		Subordinated sukuk	

## (i) Financial instruments carried at fair value

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 March 2017</b>			
<b>Financial assets at fair value</b>			
Available-for-sale	1,300,305	2,523,034	3,823,339
Derivative financial assets	33	107	140
	<b>1,300,338</b>	<b>2,523,141</b>	<b>3,823,479</b>
<b>Financial liabilities at fair value</b>			
Derivative financial liabilities	11	75	86
<b>31 December 2016</b>			
<b>Financial assets at fair value</b>			
Available-for-sale	1,548,611	1,696,388	3,244,999
Derivative financial assets	51	24	75
	<b>1,548,662</b>	<b>1,696,412</b>	<b>3,245,074</b>
<b>Financial liabilities at fair value</b>			
Derivative financial liabilities	21	389	410

There are no financial instruments carried at fair value within Level 3.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2017 (continued)****27 CAPITAL ADEQUACY**

The capital ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components). Recognition of the Bank's Tier 2 capital instrument is subject to a gradual phase-out treatment as required by BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
<b>Common Equity Tier 1 ("CET 1") capital</b>		
Paid-up ordinary share capital	185,000	185,000
Ordinary share premium	370,000	370,000
Retained earnings	399,740	399,740
Other reserves	183,955	176,155
CET 1 capital	<u>1,138,695</u>	<u>1,130,895</u>
Regulatory adjustment for CET 1 capital	(5,528)	(7,253)
Eligible CET 1/Tier 1 capital	<u>1,133,167</u>	<u>1,123,642</u>
<b>Tier 2 capital</b>		
Collective impairment allowance under the Standardised Approach*	8,314	9,081
Surplus eligible provisions over expected losses	26,872	16,687
Subordinated sukuk	200,000	200,000
Eligible Tier 2 capital	<u>235,186</u>	<u>225,768</u>
<b>Capital base</b>	<u>1,368,353</u>	<u>1,349,410</u>
* Excludes collective impairment allowance on impaired financing and advances		
<b>Before the effects of PSIA</b>		
CET 1/Tier 1 capital ratio	10.867%	12.745%
Total capital ratio	<u>13.122%</u>	<u>15.306%</u>
<b>After the effects of PSIA</b>		
CET 1/Tier 1 capital ratio	16.371%	15.342%
Total capital ratio	<u>19.769%</u>	<u>18.425%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts ("RPSIA") which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 31 March 2017, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM3,506 million (31 December 2016: RM1,492 million).

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

	<b>31 March 2017 RM'000</b>	<b>31 December 2016 RM'000</b>
Total RWA for credit risk	6,045,582	6,455,639
Total RWA for market risk	7,388	5,468
Total RWA for operational risk	868,905	862,851
	<u>6,921,875</u>	<u>7,323,958</u>