

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

Domiciled in Malaysia
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50050 Kuala Lumpur

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018**

		30 June 2018 RM'000	31 December 2017 RM'000
ASSETS	Note		
Cash and cash equivalents	8	352,555	957,860
Deposits and placements with banks and other financial institutions	9	200,000	-
Financial assets at fair value through profit or loss	10	9,977	-
Financial investments at fair value through other comprehensive income	11	4,295,033	4,795,143
Financing and advances	12	9,858,528	9,718,087
Derivative financial assets	14	1,693	362
Other assets	15	41,276	65,401
Statutory deposits with Bank Negara Malaysia		318,600	325,500
Property and equipment		10,139	9,325
Deferred tax assets		4,273	1,666
Total assets		<u>15,092,074</u>	<u>15,873,344</u>
 LIABILITIES			
Islamic deposits from customers	16	10,795,129	11,251,184
Investment accounts due to designated financial institution	17	1,578,973	1,801,572
Deposits and placements of banks and other financial institutions	18	768,643	923,900
Bills and acceptances payable		13,912	20,757
Derivative financial liabilities	14	1,826	589
Other liabilities	19	277,576	332,201
Subordinated sukuk	20	200,000	200,000
Tax payable and zakat		21,380	7,253
Total liabilities		<u>13,657,439</u>	<u>14,537,456</u>
 EQUITY			
Share capital		555,000	555,000
Reserves		879,635	780,888
Total equity		<u>1,434,635</u>	<u>1,335,888</u>
 Total liabilities and equity		<u>15,092,074</u>	<u>15,873,344</u>
 Commitments and contingencies	30	<u>4,819,279</u>	<u>2,981,214</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 2017 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 JUNE 2018**

	Note	Quarter Ended		Year-To-Date Ended	
		30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of depositors' funds and others	21	149,213	152,070	301,024	310,809
Income derived from investment of investment account funds	22	16,353	22,783	31,858	42,789
Income derived from investment of shareholder's funds	23	42,815	36,314	79,325	65,320
Impairment allowance	24	10,557	1,117	11,758	(14,741)
Total distributable income		218,938	212,284	423,965	404,177
Income attributable to depositors	25	(85,671)	(83,472)	(176,162)	(169,856)
Income attributable to investment account holder	26	(11,447)	(15,949)	(22,300)	(29,958)
Total net income		121,820	112,863	225,503	204,363
Operating expenses	27	(48,824)	(47,079)	(94,659)	(93,365)
Profit before zakat and taxation		72,996	65,784	130,844	110,998
Income tax expense	28	(18,552)	(15,078)	(32,061)	(25,233)
Zakat		-	(13)	-	(25)
Profit for the period		54,444	50,693	98,783	85,740
Other comprehensive (expense)/income, net of income tax					
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
Movement in fair value reserve (debt instruments)					
- Change in fair value		(4,055)	5,713	(9,660)	15,885
- Transferred to profit or loss		50	286	269	381
- Related tax		961	(1,441)	2,405	(3,908)
Change in expected credit loss reserve on debt instruments at fair value through other comprehensive income		(1,688)	-	(2,422)	-
Other comprehensive (expense)/income for the period, net of income tax		(4,732)	4,558	(9,408)	12,358
Total comprehensive income for the period		49,712	55,251	89,375	98,098
Profit attributable to owner of the Bank		54,444	50,693	98,783	85,740
Total comprehensive income attributable to the owner of the Bank		49,712	55,251	89,375	98,098
Basic earnings per ordinary share (sen)		29.44	27.41	53.40	46.35

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 2017 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 JUNE 2018

	<i>Non-distributable</i>				<i>Distributable</i>			
	Share Capital	Share Premium	Statutory Reserve**	Regulatory Reserve*	Expected Credit Loss Reserve	Fair Value Reserve	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
2018								
At 1 January 2018 (as previously reported)	555,000	-	-	91,000	-	4,473	685,415	1,335,888
Effect of adopting MFRS 9	-	-	-	-	2,646	(617)	7,343	9,372
Restated at 1 January 2018	555,000	-	-	91,000	2,646	3,856	692,758	1,345,260
Fair value reserve								
- Change in fair value	-	-	-	-	-	(9,660)	-	(9,660)
- Transferred to profit or loss	-	-	-	-	-	269	-	269
- Related tax	-	-	-	-	-	2,405	-	2,405
Expected credit loss reserve								
- Change in expected credit loss	-	-	-	-	(2,422)	-	-	(2,422)
Total other comprehensive expense for the period	-	-	-	-	(2,422)	(6,986)	-	(9,408)
Profit for the period	-	-	-	-	-	-	98,783	98,783
Total comprehensive (expense)/income for the period	-	-	-	-	(2,422)	(6,986)	98,783	89,375
At 30 June 2018	555,000	-	-	91,000	224	(3,130)	791,541	1,434,635
2017								
At 1 January 2017	185,000	370,000	185,000	-	-	(8,845)	399,740	1,130,895
Fair value reserve								
- Change in fair value	-	-	-	-	-	15,885	-	15,885
- Transferred to profit or loss	-	-	-	-	-	381	-	381
- Related tax	-	-	-	-	-	(3,908)	-	(3,908)
Total other comprehensive income for the period	-	-	-	-	-	12,358	-	12,358
Profit for the period	-	-	-	-	-	-	85,740	85,740
Total comprehensive income for the period	-	-	-	-	-	12,358	85,740	98,098
Transfer pursuant to Companies Act 2016 under no par regime	370,000	(370,000)	-	-	-	-	-	-
Transfer to/from retained earnings	-	-	(185,000)	56,000	-	-	129,000	-
At 30 June 2017	555,000	-	-	56,000	-	3,513	614,480	1,228,993

* During the financial period ended 30 June 2017, the Bank transferred RM56 million from retained earnings to regulatory reserve.

** During the financial period ended 30 June 2017, the Bank transferred RM185 million from its statutory reserve account to retained earnings pursuant to Bank Negara Malaysia's (BNM) revised policy document on Capital Funds for Islamic Banks which is effective from 3 May 2017.

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 2017 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 30 JUNE 2018

	30 June 2018 RM'000	30 June 2017 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	130,844	110,998
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial assets at fair value through profit or loss	(493)	-
- Financial investments at fair value through other comprehensive income	269	(381)
- Property and equipment	1	8
Depreciation of property and equipment	2,245	2,316
Impairment allowance	(11,758)	14,741
Share-based expenses	175	105
Unrealised loss/(gain) on:		
- Financial assets at fair value through profit or loss	467	-
- Derivatives	(97)	(369)
Operating profit before changes in working capital	<u>121,653</u>	<u>127,418</u>
<i>Changes in operating assets and operating liabilities:</i>		
Deposits and placements with banks and other financial institutions	(200,000)	-
Financial assets at fair value through profit or loss	122,766	-
Financing and advances	(116,654)	(403,929)
Derivative financial assets	(1,331)	(68)
Other assets	23,690	39,638
Statutory deposits with Bank Negara Malaysia	6,900	24,000
Deferred tax asset	194	-
Islamic deposits from customers	(456,055)	(508,737)
Investment accounts due to designated financial institution	(222,599)	922,756
Deposits and placements of banks and other financial institutions	(155,257)	(243,720)
Bills and acceptances payable	(6,845)	(8,000)
Derivative financial liabilities	1,237	(303)
Other liabilities	(54,800)	32,828
Cash used in operations	<u>(937,101)</u>	<u>(18,117)</u>
Income tax and zakat paid	<u>(20,454)</u>	<u>(17,000)</u>
Net cash used in operating activities	<u>(957,555)</u>	<u>(35,117)</u>
Cash flows from investing activities		
Acquisition of financial investments at fair value through other comprehensive income	(3,926,560)	(3,939,000)
Proceeds from disposal of financial investments at fair value through other comprehensive income	4,281,871	3,331,610
Acquisition of property and equipment	(3,061)	(250)
Proceeds from disposal of property and equipment	-	3
Net cash generated from/(used in) investing activities	<u>352,250</u>	<u>(607,637)</u>
Net decrease in cash and cash equivalents	(605,305)	(642,754)
Cash and cash equivalents at 1 January	<u>957,860</u>	<u>1,960,773</u>
Cash and cash equivalents at 30 June	<u>352,555</u>	<u>1,318,019</u>

Details of cash and cash equivalents are disclosed in Note 8 of the unaudited condensed interim financial statements.

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 2017 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018

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 RM98.8 million for the financial period ended 30 June 2018, a 15% or RM13.0 million increase against the corresponding period last year. The increase was mainly due to lower allowances of RM26.5 million and higher income from shareholders fund of RM14.0 million partially offset by lower income from investment of depositors' funds and others of RM9.8 million, higher taxes of RM6.8 million, higher income attributable to depositors of RM6.3 million, lower net income from investment account funds of RM3.3 million and overheads of RM1.3 million.

Allowances decreased by RM26.5 million mainly due to lower Stage 3 expected credit loss ("ECL") of RM29.3 million and net write back of Stage 1 and 2 ECL of RM7.3 million partially offset by lower other recoveries from restricted profit sharing investment account holder of RM10.1 million.

The increase in income from investment of shareholder funds was mainly from higher fee and commission income of RM7.9 million and trading derivatives of RM2.2 million.

Gross financing and advances increased by RM0.1 billion in the first half of 2018, mainly from corporate drawdowns. Deposits from customers decreased by RM0.5 billion or 4% over the same period to RM10.8 billion, mainly from business enterprises which reduced by RM0.4 billion.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 capital ratios of 16.576% and total capital ratio of 19.626%.

ECONOMIC PERFORMANCE AND PROSPECTS

The current escalating trade tensions between the US and China, coupled with indications that the Federal Reserve rate hikes, may give rise to uncertainties in the global economic environment. These uncertainties are expected to pressure the roughly 3.2% anticipated growth of the global economy in 2018.

On the domestic front, although local indicators are showing positive signs of growth – net financing grew at 6.8% in May 2018 while exports accelerated by 14% in April 2018 and banks' liquidity and funding positions remained healthy – there remain post-election events leading to fiscal uncertainty risks. The market weakness amid uncertainty has caused the KLSE to shed 6.9% in May 2018 mainly from the outflow of foreign funds from equities.

Against this backdrop, the Bank will take a cautious stance in preserving its asset quality and continue to grow on selected financing sectors while focusing on its wealth management business. We will continue to build our capability and invest more in digitalisation, while managing our expenses and resources optimally.

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 by the Bank, except for the adoption of MFRS 9, *Financial Instruments* ("MFRS 9") which came into effect on 1 January 2018. As allowed under MFRS 9, the Bank has not restated its comparative information and the transition impact arising from the adoption of MFRS 9 is recognised in the opening Retained Earnings. The impact on classification and measurement of the Bank's financial assets is disclosed in Note 35 of the 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 - 30 JUNE 2018 (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 Accounting Standard 34 and the requirements of the Companies Act 2016 in Malaysia and Shariah requirements.

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

- 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*

The adoption of the other accounting standards, interpretations and amendments did not have any significant impact on the Bank other than as disclosed in Note 35.

The following are accounting standards and amendments that have been issued by the Malaysian Accounting Standards Board ("MASB") which are applicable but have not been adopted by the Bank:

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- 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)*

Effective for annual periods commencing on or after 1 January 2020

- Amendments to MFRS 2, *Share-Based Payment*
- Amendments to MFRS 101, *Presentation of Financial Statements*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 134, *Interim Financial Reporting*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*
- Amendments to IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

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 16, Leases

MFRS 16 requires the recognition of operating lease commitments on right of use assets in the statement of financial position.

The Bank is currently assessing the financial impact of adopting MFRS 16.

(b) Use of estimates and judgements

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

In preparing the 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 2017, except as disclosed in Note 35 on adoption of MFRS 9.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank in these unaudited condensed interim financial statements are the same as those applied by the Bank in its audited financial statements as at and for the financial year ended 31 December 2017, except as disclosed in Note 1(a) and Note 35 of the interim financial statements.

3 SEASONALITY OF OPERATIONS

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

4 SHARE CAPITAL

There were no changes to the share capital of the Bank during the financial period ended 30 June 2018.

5 DIVIDEND

No dividend was paid in respect of the financial period ended 30 June 2018.

6 SIGNIFICANT AND SUBSEQUENT EVENTS

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

7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity and net income or cash flows of the Bank for the financial period ended 30 June 2018.

8 CASH AND CASH EQUIVALENTS

	30 June 2018 RM'000	31 December 2017 RM'000
Cash and balances with banks and other financial institutions	46,144	141,604
Deposit placements with Bank Negara Malaysia	306,411	816,256
	<u>352,555</u>	<u>957,860</u>

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

Malaysia	333,813	841,316
Singapore	16,966	23,225
Other ASEAN countries	94	304
Rest of the world	1,682	93,015
	<u>352,555</u>	<u>957,860</u>

All balances are within Stage 1 allocation (12 months expected credit loss) with immaterial impairment allowance.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**9 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS**

	30 June 2018 RM'000	31 December 2017 RM'000
Bank Negara Malaysia	200,000	-

All balances are within Stage 1 allocation (12 months expected credit loss) with no impairment allowance.

10 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	30 June 2018 RM'000	31 December 2017 RM'000
At fair value		
Islamic Corporate Sukuk	9,977	-

11 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	30 June 2018 RM'000	31 December 2017 RM'000
At fair value		
Malaysian Government Investment Issues	2,318,946	2,154,016
Malaysian Government Sukuk	143,712	95,188
Malaysian Government Islamic Treasury Bills	-	49,881
Islamic Corporate Sukuk	304,983	645,373
Islamic Negotiable Instruments of Deposit	1,225,308	1,563,487
Cagamas Sukuk	105,058	85,201
Foreign Government Sukuk	197,026	201,997
	<u>4,295,033</u>	<u>4,795,143</u>

Movements in expected credit loss ("ECL") are as follows:

	Stage 1	Stage 2	
	12 Months ECL RM'000	Lifetime ECL non credit impaired RM'000	Total ECL RM'000
At 1 January 2018	-	-	-
Effect of adopting MFRS 9	1,916	730	2,646
As restated 1 January 2018	1,916	730	2,646
Written back	(1,692)	(730)	(2,422)
At 30 June 2018	<u>224</u>	<u>-</u>	<u>224</u>

Expected credit loss for financial investments at fair value through other comprehensive income is recognised in the expected credit loss reserve.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**12 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									
30 June 2018											
At amortised cost and net of unearned income											
Cash line financing	26,684	9,506	-	-	-	-	279,633	-	-	2,376	318,199
Term Financing											
- House financing	-	10,315	-	-	-	-	-	1,866,708	88,648	-	1,965,671
- Syndicated term financing	-	-	301,774	-	-	-	-	263,391	-	-	565,165
- Hire purchase receivables	-	-	-	-	-	210,935	-	184,098	-	-	395,033
- Other term financing	467,174	107,243	456,286	-	-	-	-	1,916,275	117,162	-	3,064,140
Bills receivable	-	-	-	-	27,356	-	-	-	-	-	27,356
Trust receipts	-	-	-	17,486	-	-	-	-	-	-	17,486
Revolving credit	-	-	3,209,656	-	-	-	-	-	-	-	3,209,656
Claims on customers under acceptance credits	-	-	-	298,357	101,866	-	-	-	-	-	400,223
Other financing	-	-	132,494	-	-	-	-	-	-	-	132,494
Gross financing and advances	493,858	127,064	4,100,210	315,843	129,222	210,935	279,633	4,230,472	205,810	2,376	10,095,423
Expected credit loss											(236,895)
Net financing and advances											9,858,528

Included in financing and advances are specific business ventures funded by the Restricted Profit Sharing Investment Account ("RPSIA") arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad (Note 17). The immediate holding company, being the RPSIA depositor, is exposed to the risks and rewards of the business venture and accounts for the impairment allowances arising thereon.

As at 30 June 2018, the gross exposure relating to RPSIA financing is RM1,643 million (31 December 2017: RM1,867 million) and the expected credit loss amounted to RM62.6 million. (31 December 2017: RM68.4 million of which the associated individually assessed and collectively assessed impairment allowances amounted to RM59.8 million and RM8.6 million respectively.)

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**12 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									
31 December 2017											
At amortised cost and net of unearned income											
Cash line financing	54,009	11,508	-	-	-	-	235,901	-	-	792	302,210
Term Financing											
- House financing	-	11,766	-	-	-	-	-	1,895,330	92,738	-	1,999,834
- Syndicated term financing	-	-	50,048	-	-	-	-	292,131	-	-	342,179
- Hire purchase receivables	-	-	-	-	-	255,683	-	170,301	-	-	425,984
- Other term financing	639,315	121,208	284,789	-	-	-	-	2,137,173	120,913	-	3,303,398
Bills receivable	-	-	-	-	20,403	-	-	-	-	-	20,403
Trust receipts	-	-	-	118	-	-	-	-	-	-	118
Revolving credit	-	-	3,015,080	-	-	-	-	-	-	-	3,015,080
Claims on customers under acceptance credits	-	-	-	366,386	95,241	-	-	-	-	-	461,627
Other financing	-	-	104,670	13,819	-	-	-	-	-	-	118,489
Gross financing and advances	693,324	144,482	3,454,587	380,323	115,644	255,683	235,901	4,494,935	213,651	792	9,989,322
Impairment allowances											
- Individually assessed											(125,877)
- Collectively assessed											(145,358)
Net financing and advances											9,718,087

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**12 FINANCING AND ADVANCES (continued)**

	30 June 2018 RM'000	31 December 2017 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	52,864	53,002
Domestic business enterprises		
- Small and medium enterprises	2,045,334	1,981,414
- Others	4,334,004	4,134,011
Individuals	2,387,801	2,511,671
Foreign entities	1,275,420	1,309,224
	<u>10,095,423</u>	<u>9,989,322</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	10,315	20,583
- Hire purchase receivables	211,551	256,952
- Other fixed rate financing	1,796,438	1,826,506
Variable rate		
- Base rate/Base financing rate plus	3,673,031	3,551,704
- Cost plus	4,404,088	4,333,577
	<u>10,095,423</u>	<u>9,989,322</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,591,792	1,392,683
Mining and quarrying	228,610	260,208
Manufacturing	1,142,007	1,410,896
Electricity, gas and water	45,753	53,965
Construction	598,320	449,102
Real estate	685,622	555,595
Wholesale & retail trade and restaurants & hotels	960,156	1,005,363
Transport, storage and communication	170,722	174,277
Finance, insurance and business services	229,633	247,134
Community, social and personal services	748,473	608,545
Household		
- Purchase of residential properties	2,003,636	2,039,830
- Purchase of non-residential properties	41,782	42,629
- Others	463,610	549,309
Others	1,185,307	1,199,786
	<u>10,095,423</u>	<u>9,989,322</u>
(v) By geographical distribution		
Malaysia	9,013,109	8,872,089
Singapore	633,495	650,635
Other ASEAN countries	199,852	227,090
Rest of the world	248,967	239,508
	<u>10,095,423</u>	<u>9,989,322</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**12 FINANCING AND ADVANCES (continued)**

	30 June 2018 RM'000	31 December 2017 RM'000
(vi) By residual contractual maturity		
Within one year	4,299,941	4,131,977
One year to less than three years	648,058	746,454
Three years to less than five years	918,088	939,000
Over five years	4,229,336	4,171,891
	<u>10,095,423</u>	<u>9,989,322</u>

13 IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	30 June 2018 RM'000	31 December 2017 RM'000
At 1 January 2018 / 2017	383,572	297,552
Impaired during the period / year	118,882	406,233
Reclassified as unimpaired	(46,820)	(101,860)
Amount recovered	(50,851)	(129,692)
Amount written off	(26,315)	(79,583)
Effect of foreign exchange difference	(130)	(9,078)
At 30 June / 31 December	<u>378,338</u>	<u>383,572</u>
Stage 3 ECL	(114,429)	-
Individually assessed impairment allowance	-	(125,877)
Collectively assessed impairment allowance	-	(3,636)
Net impaired financing and advances	<u>263,909</u>	<u>254,059</u>

Included in the impaired 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 Bank (Malaysia) Berhad. The immediate holding company, being the RPSIA holder, is exposed to the risks and rewards of the business venture and accounts for the individually assessed credit loss arising thereon. As at 30 June 2018, the gross exposures relating to RPSIA financing are RM116 million (31 December 2017: RM116 million) and the associated Stage 3 ECL that was recoverable from the RPSIA holder amounted to RM59 million (31 December 2017: RM60 million).

(i) By sector

Agriculture, hunting, forestry and fishing	475	435
Manufacturing	27,587	26,319
Construction	4,843	4,159
Real estate	5,104	5,295
Wholesale & retail trade and restaurants & hotels	42,253	44,933
Transport, storage and communication	4,869	4,539
Finance, insurance and business services	10,400	10,899
Community, social and personal services	1,200	1,370
Household		
- Purchase of residential properties	63,668	60,604
- Purchase of non-residential properties	-	262
- Others	24,935	32,827
Others	193,004	191,930
	<u>378,338</u>	<u>383,572</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**13 IMPAIRED FINANCING AND ADVANCES (continued)**

(a) Movements in impaired financing and advances (continued)

	30 June 2018 RM'000	31 December 2017 RM'000
(ii) By geographical distribution		
Malaysia	378,338	383,572
The analysis by geography is determined based on where the credit risk resides.		
(iii) By period overdue		
Less than 3 months	57,036	61,807
3 months to less than 6 months	36,373	47,168
6 months to less than 9 months	14,139	132,766
Over 9 months	270,790	141,831
	<u>378,338</u>	<u>383,572</u>
(iv) By collateral type		
Property	96,865	94,107
Machinery	149	997
Secured - others	141,988	216,166
Unsecured - corporate and other guarantees	1,267	471
Unsecured - clean	138,069	71,831
	<u>378,338</u>	<u>383,572</u>

(b) Movements in impairment allowance on financing and advances are as follows:

	30 June 2018			31 December 2017
	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL non credit impaired RM'000	Total ECL non credit impaired RM'000	Collective impairment allowance RM'000
At 1 January, under MFRS 139	-	-	-	186,979
Effect of adopting MFRS 9	35,854	97,447	133,301	-
At 1 January, as restated under MFRS9	35,854	97,447	133,301	186,979
Made/(Written back) during the period	8,711	(19,546)	(10,835)	(41,621)
At 30 June 2018 / 31 December 2017	<u>44,565</u>	<u>77,901</u>	<u>122,466</u>	<u>145,358</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**13 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in impairment allowance on financing and advances are as follows: (continued)

	30 June 2018	31 December 2017
	Stage 3 Lifetime ECL credit impaired RM'000	Individual impairment allowance RM'000
At 1 January 2018 / 2017	125,877	80,043
Made during the period	52,121	196,732
Written back	(35,435)	(70,311)
Written off	(26,315)	(79,583)
Discount unwind and financing income earned on impaired financing	(1,819)	(1,004)
At 30 June 2018 / 31 December 2017	<u>114,429</u>	<u>125,877</u>
Total expected credit loss / impairment allowances	<u>236,895</u>	<u>271,235</u>

(i) By sector

	ECL			
	Stage 1 and 2 RM'000	Stage 3 RM'000	Stage 3 made during the year RM'000	Stage 3 written off RM'000
30 June 2018				
Agriculture, hunting, forestry and fishing	9,195	3	8	21
Mining and quarrying	3,334	-	-	-
Manufacturing	16,630	1,824	1,846	1,404
Electricity, gas and water	667	-	-	-
Construction	8,714	913	1,533	640
Real estate	9,961	2,698	51	-
Wholesale & retail trade and restaurants & hotels	13,850	10,574	8,796	5,069
Transport, storage and communication	2,467	1,556	1,908	656
Finance, insurance and business services	3,323	1,839	1,562	1,195
Community, social and personal services	10,913	261	437	266
Household				
- Purchase of residential properties	29,036	12,896	8,202	1,666
- Purchase of non-residential properties	610	-	60	92
- Others	6,425	23,113	27,718	15,306
Others	7,341	58,752	-	-
	<u>122,466</u>	<u>114,429</u>	<u>52,121</u>	<u>26,315</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**13 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in impairment allowance on financing and advances are as follows: (continued)

(i) By sector (continued)

	Collective impairment allowance RM'000	Individual impairment allowance RM'000	Individual impairment allowance made during the year RM'000	Individual impairment allowance written off RM'000
31 December 2017				
Agriculture, hunting, forestry and fishing	7,419	211	280	37
Mining and quarrying	4,695	-	-	154
Manufacturing	25,387	3,855	6,211	3,327
Electricity, gas and water	974	-	-	-
Construction	8,086	965	1,631	1,325
Real estate	9,976	2,703	39	-
Wholesale & retail trade and restaurants & hotels	17,921	12,102	17,038	13,249
Transport, storage and communication	3,126	998	1,868	1,487
Finance, insurance and business services	4,420	2,170	5,946	3,094
Community, social and personal services	10,974	338	1,096	1,431
Household				
- Purchase of residential properties	36,596	11,583	10,243	1,359
- Purchase of non-residential properties	768	49	50	-
- Others	9,350	31,085	81,195	42,802
Others	5,666	59,818	71,135	11,318
	<u>145,358</u>	<u>125,877</u>	<u>196,732</u>	<u>79,583</u>

(ii) By geographical distribution

	30 June 2018 RM'000	31 December 2017 RM'000
Stage 1 and 2 ECL / Collectively assessed allowance		
Malaysia	114,936	135,804
Singapore	984	1,136
Other ASEAN countries	2,915	4,097
Rest of the world	3,631	4,321
	<u>122,466</u>	<u>145,358</u>
Stage 3 ECL / Individually assessed allowance		
Malaysia	114,429	125,877

14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	30 June 2018			31 December 2017		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	70,264	140	273	63,844	362	589
- Swaps	360,000	1,553	1,553	-	-	-
	<u>430,264</u>	<u>1,693</u>	<u>1,826</u>	<u>63,844</u>	<u>362</u>	<u>589</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**15 OTHER ASSETS**

	30 June 2018 RM'000	31 December 2017 RM'000
Profit receivable	30,672	28,707
Other receivables, deposits and prepayments	9,258	6,750
Amount due from immediate holding company	838	21,654
Amount due from ultimate holding company	508	8,153
Amount due from related company	-	137
	<u>41,276</u>	<u>65,401</u>

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

16 ISLAMIC DEPOSITS FROM CUSTOMERS

	30 June 2018 RM'000	31 December 2017 RM'000
a) By type of deposit		
Savings deposits		
- Tawarruq	252,576	208,680
- Qard	225,074	275,652
Demand deposits		
- Tawarruq	15,187	21,770
- Qard	3,598,975	3,709,810
Term deposits		
- Commodity Murabahah	6,254,223	6,533,850
- Qard	13,331	78,164
Negotiable instruments of deposits		
- Bai Bithaman Ajil	72,676	71,143
Short-term deposits		
- Tawarruq	363,044	352,012
General investment deposits		
- Mudharabah	43	103
	<u>10,795,129</u>	<u>11,251,184</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**16 ISLAMIC DEPOSITS FROM CUSTOMERS (continued)**

	30 June 2018 RM'000	31 December 2017 RM'000
b) By type of customer		
Government and statutory bodies	1,347,750	1,346,287
Non-bank financial institutions	738,185	720,886
Business enterprises	5,290,310	5,725,498
Individuals	3,184,014	3,214,938
Foreign entities	108,319	102,959
Others	126,551	140,616
	<u>10,795,129</u>	<u>11,251,184</u>
c) Maturity structure of term/general investment deposits, negotiable instruments of deposit and short-term deposits		
Within six months	4,896,705	4,816,251
Six months to one year	1,731,343	1,981,575
One year to three years	75,203	236,935
Three years to five years	66	511
	<u>6,703,317</u>	<u>7,035,272</u>

17 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	30 June 2018 RM'000	31 December 2017 RM'000
Mudharabah restricted profit sharing investment account ("RPSIA")		
Licensed bank	1,637,725	1,861,390
Amount receivable from immediate holding company under RPSIA	(58,752)	(59,818)
	<u>1,578,973</u>	<u>1,801,572</u>

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2018 RM'000	31 December 2017 RM'000
Non-Mudharabah		
Licensed banks	761,501	922,004
Other financial institutions	7,142	1,896
	<u>768,643</u>	<u>923,900</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**19 OTHER LIABILITIES**

	30 June 2018 RM'000	31 December 2017 RM'000
Profit payable	80,461	75,884
Other payables and accruals	95,810	78,191
Amount due to immediate holding company	95,957	177,430
Amount due to related companies	4,766	-
Equity compensation benefits	582	696
	<u>277,576</u>	<u>332,201</u>

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

20 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.

21 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Quarter Ended		Year-To-Date Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Income derived from investment of:				
(i) Term deposits/General investment deposits	80,875	86,330	167,249	178,081
(ii) Other deposits	68,338	65,740	133,775	132,728
	<u>149,213</u>	<u>152,070</u>	<u>301,024</u>	<u>310,809</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**21 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
(i) Income derived from investment of term/general investment deposits				
Finance income and hibah				
Unimpaired financing and advances	58,561	64,328	119,069	132,875
Impaired financing and advances	577	128	895	240
Financial assets at fair value through profit or loss	54	-	146	-
Financial investments at fair value through other comprehensive income	18,778	14,997	38,603	30,644
Deposits and placements with banks and other financial institutions	2,833	6,518	8,471	13,933
	80,803	85,971	167,184	177,692
Other trading income				
Net gain from sale of financial assets at fair value through profit or loss	-	-	252	-
Unrealised gain/(loss) on financial assets at fair value through profit or loss	1	-	(239)	-
Other operating income				
Net (loss)/gain from sale of financial investments at fair value through other comprehensive income	(24)	244	(136)	195
Others	95	115	188	194
	80,875	86,330	167,249	178,081
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Unimpaired financing and advances	49,484	48,985	95,325	99,032
Impaired financing and advances	488	97	729	179
Financial assets at fair value through profit or loss	45	-	114	-
Financial investments at fair value through other comprehensive income	15,867	11,421	30,886	22,845
Deposits and placements with banks and other financial institutions	2,393	4,964	6,665	10,378
	68,277	65,467	133,719	132,434
Other trading income				
Net gain from sale of financial assets at fair value through profit or loss	-	-	191	-
Unrealised gain/(loss) on financial assets at fair value through profit or loss	1	-	(181)	-
Other operating income				
Net (loss)/gain from sale of financial investments at fair value through other comprehensive income	(20)	186	(105)	149
Others	80	87	151	145
	68,338	65,740	133,775	132,728

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**22 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS**

	Quarter Ended		Year-To-Date Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Finance income and hibah				
Unimpaired financing and advances	16,353	22,783	31,858	42,029
Deposits and placements with banks and other financial institutions	-	-	-	760
	<u>16,353</u>	<u>22,783</u>	<u>31,858</u>	<u>42,789</u>

23 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUND

	Quarter Ended		Year-To-Date Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Finance income and hibah				
Unimpaired financing and advances	13,404	12,015	25,371	23,669
Impaired financing and advances	132	24	195	43
Financial assets at fair value through profit or loss	12	-	30	-
Financial investments at fair value through other comprehensive income	4,298	2,802	8,219	5,462
Deposits and placements with banks and other financial institutions	648	1,218	1,763	2,479
	<u>18,494</u>	<u>16,059</u>	<u>35,578</u>	<u>31,653</u>
Other trading income				
Net gain from sale of financial assets at fair value through profit or loss	-	-	50	-
Unrealised loss on financial assets at fair value through profit or loss	-	-	(47)	-
Other operating income				
Commission	7,830	4,825	17,990	9,248
Service charges and fees	12,140	11,975	16,668	17,527
Net (loss)/gain from sale of financial investments at fair value through other comprehensive income	(6)	46	(28)	37
Others	22	21	40	34
Other trading income				
Net trading gain/(loss)				
- Foreign currency	698	372	441	379
- Trading derivatives	4,136	3,034	8,536	6,073
- Revaluation of derivatives	(499)	(18)	97	369
	<u>42,815</u>	<u>36,314</u>	<u>79,325</u>	<u>65,320</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**24 IMPAIRMENT ALLOWANCE**

	Quarter Ended		Year-To-Date Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Financing and advances				
Stage 3 / Individually assessed				
- Made during the period	27,161	43,379	52,121	79,215
- Written back	(21,390)	(16,602)	(35,435)	(33,203)
Stage 1 and 2 / Collectively assessed				
- Made/(Written back) during the period	(8,795)	(10,000)	(10,835)	(6,500)
Impaired financing recovered	(7,533)	(7,015)	(14,627)	(13,892)
Recovery from RPSIA holder*	-	(10,879)	-	(10,879)
Other assets				
Stage 1 and 2 / Collectively assessed	-	-	(2,982)	-
	(10,557)	(1,117)	(11,758)	14,741

* The RPSIA holder is the Bank's immediate holding company.

25 INCOME ATTRIBUTABLE TO DEPOSITORS

	Quarter Ended		Year-To-Date Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Deposits from customers				
- Non-Mudharabah	80,136	78,057	165,092	159,017
- Mudharabah	-	1	1	2
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	3,141	3,020	6,308	6,076
Subordinated sukuk	2,394	2,394	4,761	4,761
	85,671	83,472	176,162	169,856

26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	11,447	15,949	22,300	29,958

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**27 OPERATING EXPENSES**

	Quarter Ended		Year-To-Date Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Personnel expenses				
Wages, salaries and bonus	5,867	5,285	10,329	11,079
Employees Provident Fund contributions	893	904	1,668	1,775
Share-based expenses	94	16	175	105
Others	1,249	618	2,288	1,368
	<u>8,103</u>	<u>6,823</u>	<u>14,460</u>	<u>14,327</u>
Establishment expenses				
Depreciation of property and equipment	1,176	1,155	2,245	2,316
Rental of premises	746	723	1,483	1,432
Repair and maintenance	204	199	429	377
Information technology costs	433	76	855	126
Others	607	660	1,213	1,282
	<u>3,166</u>	<u>2,813</u>	<u>6,225</u>	<u>5,533</u>
Marketing expenses				
Advertising and business promotion	135	117	143	201
Transport and travelling	78	96	134	182
Others	7	22	14	27
	<u>220</u>	<u>235</u>	<u>291</u>	<u>410</u>
General administrative expenses				
Shared service fees to immediate holding company	26,887	24,990	52,525	47,861
Transaction processing fees to related companies	5,455	6,120	11,237	12,712
Others	4,993	6,098	9,921	12,522
	<u>37,335</u>	<u>37,208</u>	<u>73,683</u>	<u>73,095</u>
Total operating expenses	<u>48,824</u>	<u>47,079</u>	<u>94,659</u>	<u>93,365</u>

28 INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 June 2018 RM'000	30 June 2017 RM'000	30 June 2018 RM'000	30 June 2017 RM'000
Malaysian income tax				
- Current period	18,948	15,016	32,263	24,772
- Prior periods	-	(6)	-	(6)
Deferred tax				
- Origination and reversal of temporary differences	(396)	68	(202)	467
	<u>18,552</u>	<u>15,078</u>	<u>32,061</u>	<u>25,233</u>

29 CAPITAL COMMITMENTS

	30 June 2018 RM'000	31 December 2017 RM'000
Capital expenditure in respect of property and equipment		
- Contracted but not provided for	1,967	3,642

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**30 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).

	30 June 2018					31 December 2017				
	Principal Amount	Positive Fair Value of Derivative Contracts	Negative Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount	Principal Amount	Positive Fair Value of Derivative Contracts	Negative Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	101,079			101,079	99,652	99,291			99,291	89,356
Transaction-related contingent items	374,728			189,037	146,236	400,522			201,991	157,885
Short-term self-liquidating trade-related contingencies	54,372			11,278	7,856	76,207			16,423	10,239
Foreign exchange related contracts										
- Less than one year	70,088	140	273	464	260	64,013	362	589	586	313
Profit rate related contracts										
- Five years and above	360,000	1,553	1,553	2,452	2,452	-	-	-	-	-
Formal standby facilities and credit lines										
- Maturity exceeding one year	1,105,048			847,001	895,818	362,715			292,428	215,284
Other unconditionally cancellable commitments	2,753,964			68,372	10,146	1,978,466			61,413	8,514
	4,819,279	1,693	1,826	1,219,683	1,162,420	2,981,214	362	589	672,132	481,591

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**31 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

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

	30 June 2018 RM'000	31 December 2017 RM'000
Aggregate value of outstanding credit exposures with connected parties[^]		
Credit facility and leasing (except guarantee)	101,331	8,353
Commitments and contingencies*	<u>30,791</u>	<u>31,477</u>
	<u>132,122</u>	<u>39,830</u>
Impaired or in default	<u>-</u>	<u>-</u>
Outstanding credit exposures to connected parties		
As a proportion of total credit exposures	<u>1.12%</u>	<u>0.35%</u>

[^] Comprises total outstanding balance and unutilised limit.

* Commitments and contingencies transactions that give rise to credit and/or counterparty risk.

32 CREDIT RISK

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

	Note	30 June 2018 RM'000	31 December 2017 RM'000
Cash and cash equivalents		352,555	957,860
Deposits and placements with banks and other financial institutions		200,000	-
Financial assets at fair value through profit or loss	(a)	9,977	-
Financial investments at fair value through other comprehensive income	(b)	4,295,033	4,795,143
Financing and advances	(c)	10,095,423	9,989,322
Derivative financial assets	(d)	1,693	362
Other assets		41,276	65,401
Contingent liabilities and credit commitments	(e)	<u>4,389,191</u>	<u>2,917,201</u>
		<u>19,385,148</u>	<u>18,725,289</u>

(a) Credit quality of financial assets at fair value through profit or loss

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

	30 June 2018 RM'000	31 December 2017 RM'000
(i) By issuer		
Business enterprise	<u>9,977</u>	<u>-</u>
(ii) By geography		
Malaysia	<u>9,977</u>	<u>-</u>
(iii) By credit rating		
Investment grade (AAA)	<u>9,977</u>	<u>-</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**32 CREDIT RISK (continued)****(a) Credit quality of financial assets at fair value through profit or loss (continued)**

	30 June 2018 RM'000	31 December 2017 RM'000
(iv) By sector		
Other	9,977	-
(v) By residual contractual maturity		
One to five years	4,980	-
Over five years	4,997	-
	<u>9,977</u>	<u>-</u>

(b) Credit quality of financial investments at fair value through other comprehensive income

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

	30 June 2018 RM'000	31 December 2017 RM'000
(i) By issuer		
Government and Central Bank	2,462,658	2,299,085
Foreign government	197,026	201,997
Public sector	169,873	367,042
Banking institutions	1,225,308	1,563,487
Non-bank financial institutions	134,986	115,258
Business enterprises	105,182	248,274
	<u>4,295,033</u>	<u>4,795,143</u>
(ii) By geography		
Malaysia	4,098,007	4,593,146
Other ASEAN countries	100,323	103,820
Rest of the world	96,703	98,177
	<u>4,295,033</u>	<u>4,795,143</u>
(iii) By credit rating		
Government and Central Bank (unrated)	1,319,866	1,332,530
Government (AAA to A)	1,142,792	966,555
Foreign government (unrated)	21,442	22,282
Foreign government (AAA to BBB)	175,584	179,715
Investment grade (AAA to BBB)	240,168	240,782
Unrated	1,395,181	2,053,279
	<u>4,295,033</u>	<u>4,795,143</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**32 CREDIT RISK (continued)****(b) Credit quality of financial investments at fair value through other comprehensive income (continued)**

	30 June 2018 RM'000	31 December 2017 RM'000
(iv) By sector		
Agriculture, hunting, forestry and fishing	29,903	29,990
Electricity, gas and water	80,358	90,846
Transport, storage and communication	144,793	44,901
Finance, insurance and business services	1,360,294	1,801,495
Others	2,679,685	2,827,911
	<u>4,295,033</u>	<u>4,795,143</u>
(v) By residual contractual maturity		
Within one year	2,362,717	2,647,948
One to five years	1,581,264	1,958,788
Over five years	351,052	188,407
	<u>4,295,033</u>	<u>4,795,143</u>

(c) Credit quality of financing and advances

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

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

Past due but not impaired financing and advances are financing where the customer has failed to make a principal or profit payment when contractually due, and includes financing which are due one or more days after the contractual due date but less than (3) months or 90 days past due.

	30 June 2018 RM'000	31 December 2017 RM'000
Neither past due nor impaired	9,600,858	9,484,953
Past due financing	455,074	463,656
- Unimpaired	116,227	120,797
- Impaired	338,847	342,859
Impaired but not past due	39,491	40,713
Gross financing and advances	<u>10,095,423</u>	<u>9,989,322</u>
(i) By internal grading		
Pass	9,350,575	8,921,846
Special mention	250,283	563,107
	<u>9,600,858</u>	<u>9,484,953</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**32 CREDIT RISK (continued)****(c) Credit quality of financing and advances (continued)**

	30 June 2018 RM'000	31 December 2017 RM'000
Past due but not impaired		
(i) By period overdue		
Less than 2 months	95,479	101,950
2 months to less than 3 months	20,748	18,847
	<u>116,227</u>	<u>120,797</u>
(ii) By geographical distribution		
Malaysia	<u>116,227</u>	<u>120,797</u>
(iii) By sector		
Agriculture, hunting, forestry and fishing	964	358
Mining and quarrying	49	161
Manufacturing	12,094	14,896
Construction	2,247	4,039
Real estate	2,428	-
Wholesale & retail trade and restaurants & hotels	21,441	24,426
Transport, storage and communication	7,008	3,426
Finance, insurance and business services	5,999	6,295
Community, social and personal services	1,420	1,500
Household		
- Purchase of residential properties	40,898	41,180
- Others	21,679	24,516
	<u>116,227</u>	<u>120,797</u>

The analysis of impaired financing and advances are detailed in Note 13 of the financial statements.

Collateral

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

- For personal house financing, mortgages over residential properties;
- For commercial property financing, charges over properties financed; and
- For other financing, charges over business assets such as premises, inventories, trade receivables, equipment or deposits.

As at 30 June 2018 and 31 December 2017, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

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

	30 June 2018 RM'000	31 December 2017 RM'000
Fair value of collateral held against the covered portion of financing and advances	<u>302,174</u>	<u>494,371</u>
Covered portion of financing and advances	239,002	311,270
Uncovered portion of financing and advances	139,336	72,302
	<u>378,338</u>	<u>383,572</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**32 CREDIT RISK (continued)****(d) Credit quality of derivative financial assets**

	30 June 2018 RM'000	31 December 2017 RM'000
(i) By counterparty		
Banking institutions	1,567	19
Non-bank financial institutions	-	6
Business enterprises	126	337
	<u>1,693</u>	<u>362</u>
(ii) By geographical distribution		
Malaysia	<u>1,693</u>	<u>362</u>
(iii) By sector		
Manufacturing	57	244
Wholesale & retail trade and restaurants & hotels	54	17
Transport, storage and communication	1	1
Finance, insurance and business services	1,578	100
Others	3	-
	<u>1,693</u>	<u>362</u>
(iv) By residual contractual maturity		
Within one year	140	362
Over five years	1,553	-
	<u>1,693</u>	<u>362</u>

**(e) Credit quality of contingent liabilities and credit commitments
(excluding derivative financial assets)**

	30 June 2018 RM'000	31 December 2017 RM'000
(i) By counterparty		
Banking institutions	90,752	109,938
Non-bank financial institutions	6,704	4,521
Business enterprises	4,211,117	2,718,942
Individuals	80,618	83,800
	<u>4,389,191</u>	<u>2,917,201</u>
(ii) By geographical distribution		
Malaysia	4,145,805	2,904,672
Other ASEAN countries	19,420	9,653
Others	223,966	2,876
	<u>4,389,191</u>	<u>2,917,201</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)

32 CREDIT RISK (continued)

**(e) Credit quality of contingent liabilities and credit commitments
(excluding derivative financial assets) (continued)**

	30 June 2018 RM'000	31 December 2017 RM'000
(iii) By sector		
Agriculture, hunting, forestry and fishing	132,623	94,529
Mining and quarrying	118,356	118,357
Manufacturing	768,822	669,814
Electricity, gas and water	15,500	24,000
Construction	1,272,921	913,399
Real estate	392,302	115,669
Wholesale & retail trade and restaurants & hotels	261,551	206,902
Transport, storage and communication	108,451	85,113
Finance, insurance and business services	1,084,778	347,150
Community, social and personal services	151,895	225,295
Household	78,628	83,770
Others	3,364	33,203
	<u>4,389,191</u>	<u>2,917,201</u>
(iv) By residual contractual maturity		
Within one year	163,449	225,502
One year to five years	3,499,717	2,139,647
Over five years	726,025	552,052
	<u>4,389,191</u>	<u>2,917,201</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**33 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:

	Level 1	Level 2	Level 3
Fair value determined	Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.	Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.	Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.
Type of financial assets	Actively traded government and agency securities. Actively traded quoted equity securities of corporations.	Corporate and other governments sukuk. Over-the counter ("OTC") derivatives. Deposits and placements with banks and other financial institutions.	Private debt equity instruments. Corporate sukuk with illiquid markets. Financing and advances.
Type of financial liabilities		OTC derivatives. Islamic deposits from customers. Investment accounts due to designated financial institutions. Deposits and placements with banks and other financial institutions. Subordinated sukuk.	

Financial instruments carried at fair value**30 June 2018****Financial assets at fair value**

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
Financial assets at fair value through profit or loss	-	9,977	9,977
Financial investments at fair value through other comprehensive income	2,318,946	1,976,087	4,295,033
Derivative financial assets	32	1,661	1,693
	2,318,978	1,987,725	4,306,703

Financial liabilities at fair value

Derivative financial liabilities	52	1,774	1,826
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31 December 2017**Financial assets at fair value**

Financial investments at fair value through other comprehensive income	2,154,016	2,641,127	4,795,143
Derivative financial assets	33	329	362
	2,154,049	2,641,456	4,795,505

Financial liabilities at fair value

Derivative financial liabilities	151	438	589
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There are no financial instruments carried at fair value within Level 3.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**34 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).

	30 June 2018 RM'000	31 December 2017 RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	791,541	685,415
Other reserves	87,870	95,473
CET 1 capital	<u>1,434,411</u>	<u>1,335,888</u>
Regulatory adjustment for CET 1 capital	(96,904)	(97,255)
Eligible CET 1/Tier 1 capital	<u>1,337,507</u>	<u>1,238,633</u>
Tier 2 capital		
Stage 1 and 2 expected credit loss under the Standardised Approach and qualifying regulatory reserves	5,465	5,872
Surplus eligible provisions over expected losses	40,667	36,792
Subordinated sukuk	200,000	200,000
Eligible Tier 2 capital	<u>246,132</u>	<u>242,664</u>
Capital base	<u>1,583,639</u>	<u>1,481,297</u>
Before the effects of PSIA		
CET 1/Tier 1 capital ratio	13.786%	13.358%
Total capital ratio	<u>16.323%</u>	<u>15.975%</u>
After the effects of PSIA		
CET 1/Tier 1 capital ratio	16.576%	16.569%
Total capital ratio	<u>19.626%</u>	<u>19.815%</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 30 June 2018, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM1,633 million (31 December 2017: RM1,797 million).

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

	30 June 2018 RM'000	31 December 2017 RM'000
Total RWA for credit risk	7,215,087	6,601,740
Total RWA for market risk	2,824	6,787
Total RWA for operational risk	851,063	867,121
	<u>8,068,974</u>	<u>7,475,648</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2018 (continued)**35 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9**

The Bank adopted MFRS 9 on 1 January 2018. The key changes to the Bank's accounting policies resulting from the adoption of MFRS 9 are summarised below.

Classification and measurement

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It includes three principal classification categories for financial assets measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). It eliminates the existing MFRS 139 categories of held to maturity and available-for-sale.

A financial asset is measured at amortised cost only if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows that are solely payments of principal and profit ("SPPI"). Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of the financial assets. Financial assets that are neither held at amortised cost nor at FVOCI will be measured at FVTPL.

A debt instrument such as financing and advances and investment securities are measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and profit.

For financial liabilities, MFRS 9 retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Bank did not elect fair value option for its financial liabilities.

The following table summarises the impact on classification and measurement to the Bank's financial assets on 1 January 2018:

Financial assets	Note	Original classification under MFRS 139	New classification under MFRS 9	Carrying amount under MFRS 139 RM'000	Carrying amount under MFRS 9 RM'000
Cash and cash equivalents	8	Financing and receivables	Amortised cost	957,860	957,832
Financial assets at FVTPL	10	Held-for-trading	Financial assets at FVTPL	-	132,717
Financial investments at FVOCI	11	Available-for-sale	Financial investments at FVOCI	4,795,143	4,662,426
Financing and advances	12	Financing and receivables	Amortised cost	9,718,087	9,730,144
Derivative financial assets	14	Held-for-trading	Financial assets at FVTPL	362	362
Other assets	15	Financing and receivables	Amortised cost	65,401	64,868
Statutory deposits with BNM		Financing and receivables	Amortised cost	325,500	325,500

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**35 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)****Classification and measurement (continued)**

The following table reconciles the carrying amounts under MFRS 139 in transition to the carrying amounts under MFRS 9 on 1 January 2018.

	Cash and cash equivalents RM'000	Financing and advances RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total amortised cost RM'000
Amortised cost					
MFRS 139 carrying amount as at 31 December 2017	957,860	9,718,087	65,401	325,500	11,066,848
Remeasurement due to expected credit loss	(28)	12,057	(533)	-	11,496
MFRS 9 carrying amount as at 1 January 2018	957,832	9,730,144	64,868	325,500	11,078,344

	Fair value through other comprehensive income (FVOCI)			Fair value through profit or loss (FVTPL)		
	Financial investments available-for-sale RM'000	Debt Instruments RM'000	Total FVOCI RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Total FVTPL RM'000
Fair value						
MFRS 139 carrying amount as at 31 December 2017	4,795,143	-	4,795,143	-	362	362
Reclassification from AFS to FVOCI	(4,662,426)	4,662,426	-	-	-	-
Reclassification from AFS to FVTPL	(132,717)	-	(132,717)	132,717	-	132,717
MFRS 9 carrying amount as at 1 January 2018	-	4,662,426	4,662,426	132,717	362	133,079

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

35 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)

Expected credit loss ("ECL") impairment model

Financial assets classified at amortised cost or FVOCI, and certain financing commitments and financial guarantee contracts are subject to MFRS 9 ECL impairment provisioning, unless such exposures are designated at FVTPL under fair value option due to accounting mismatch.

On initial adoption of MFRS 9, impairment would be measured as either:

- Stage 1: 12-month expected credit losses for performing exposures.
- Stage 2: Lifetime expected credit losses for exposures where credit risk has increased significantly since initial inception.
- Stage 3: For credit-impaired assets, specific provisions will be made based on lifetime expected credit losses. (similar to existing classification of financial assets that are impaired under MFRS139).

Measurement

An ECL estimate will be produced for all relevant instruments established on probability-weighted forward-looking economic scenarios. The measurement of ECL will primarily be calculated based on the PD, loss given default ("LGD"), and exposure at default ("EAD"). These parameters are derived from internal rating models after adjusting them to be un-biased and forward looking. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

12-month ECL will be based on maximum of 12-month PD while Lifetime ECL will be based on the remaining lifetime of the instrument. LGD reflects the expected loss value given default, after taking into account the effect of collateral. EAD reflects the expected exposure at default, after taking into account of any expected repayments and/or drawdown. 12-month ECL and Lifetime ECL will be the respective discounted value (using the effective profit rate) of 12-month PD and Lifetime PD, multiplied with LGD and EAD.

Movement between stages

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial inception.

In accordance with MFRS 9, financial assets are classified in Stage 2 where there is significant increase in credit risk since initial recognition, where loss allowance will be measured using lifetime ECL.

The Bank has considered both qualitative and quantitative parameters in the assessment of significant increase in credit risk. They include the following:

1. Established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition.
2. Conduct qualitative assessment to ascertain if there has been significant increase in credit risk.
3. Adopt 30 days past due as an indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under MFRS 9 will be based on objective evidence of impairment, similar to MFRS 139.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

35 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)

Movement between stages (continued)

The assessments for significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired.

Regulatory framework

Under the revised BNM guideline on Financial Reporting for Islamic Banking Institutions, the Bank must maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

Transition

Changes in accounting policies resulting from the adoption of MFRS 9 as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented for 2018 under MFRS 9.
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
 - The determination of the business model within which a financial is held and contractual cash flow characteristics of the financial asset.
 - The designation and revocation of previous designations of certain financial assets.
- If a debt security had low credit risk at the date of initial application of MFRS 9, then the Bank has assumed that the credit risk on the asset had not increased significantly since its initial recognition.

36 CONTINGENT LIABILITY

As at the year end date, the Internal Revenue Board ("IRB") had commenced a review on certain of the Bank's transactions for compliance with Income Tax Act 1967 requirements. Pending the completion and finalisation of the aforesaid review by the IRB, additional tax payable, if any cannot be presently determined.