

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

Domiciled in Malaysia
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

		30 September	31 December
		2017	2016
ASSETS	Note	RM'000	RM'000
Cash and cash equivalents	8	1,250,790	1,960,773
Financial investments available-for-sale	9	3,872,973	3,244,999
Financing and advances	10	9,783,833	9,621,734
Derivative financial assets	12	316	75
Other assets	13	61,220	73,419
Tax recoverable		-	8,079
Statutory deposits with Bank Negara Malaysia		324,500	327,000
Property and equipment		10,300	13,416
Deferred tax assets		563	5,135
Total assets		15,304,495	15,254,630
LIABILITIES			
Islamic deposits from customers	14	10,538,345	11,320,720
Investment accounts due to designated financial institution	15	2,236,285	1,367,037
Deposits and placements of banks and other financial institutions	16	813,239	1,022,718
Bills and acceptances payable		20,035	30,483
Derivative financial liabilities	12	150	410
Other liabilities	17	181,185	182,322
Subordinated sukuk	18	200,000	200,000
Current tax liabilities		16,749	-
Zakat payable		82	45
Total liabilities		14,006,070	14,123,735
EQUITY			
Share capital	4	555,000	185,000
Reserves		743,425	945,895
Total equity		1,298,425	1,130,895
Total liabilities and equity		15,304,495	15,254,630
Commitments and contingencies	28	3,512,791	2,806,487

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 30 SEPTEMBER 2017**

	Note	Quarter Ended		Year-To-Date Ended	
		30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of depositors' funds and others	19	147,432	180,447	458,241	545,310
Income derived from investment of investment account funds	20	21,286	10,680	64,075	33,253
Income derived from investment of shareholder's funds	21	32,382	29,934	97,702	81,139
Impairment writeback/(allowance) on financing and advances	22	30,312	(19,875)	15,571	(54,953)
Total distributable income		231,412	201,186	635,589	604,749
Income attributable to depositors	23	(80,966)	(101,419)	(250,822)	(290,777)
Income attributable to investment account holder	24	(14,900)	(7,474)	(44,858)	(23,305)
Total net income		135,546	92,293	339,909	290,667
Operating expenses	25	(47,094)	(51,550)	(140,459)	(157,974)
Profit before zakat and taxation		88,452	40,743	199,450	132,693
Income tax expense	26	(23,175)	(8,430)	(48,408)	(27,839)
Zakat		(13)	(12)	(38)	(34)
Profit for the period		65,264	32,301	151,004	104,820
Other comprehensive income, net of income tax					
<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		5,855	17,867	21,740	40,462
- Transferred to profit or loss		(368)	-	13	1,649
Income tax effect		(1,319)	(4,289)	(5,227)	(10,145)
Other comprehensive income for the period, net of income tax		4,168	13,578	16,526	31,966
Total comprehensive income for the period		69,432	45,879	167,530	136,786
Profit attributable to owner of the Bank		65,264	32,301	151,004	104,820
Total comprehensive income attributable to the owner of the Bank		69,432	45,879	167,530	136,786
Basic earnings per ordinary share (sen)		35.27	17.46	81.62	56.66

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 CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

	<i>Non-distributable</i>				<i>Distributable</i>		Total Equity
	Share Capital	Share Premium	Statutory Reserve*	Regulatory Reserve**	Fair Value Reserve	Retained Earnings	
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
2017							
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	-	-	-	-	21,740	-	21,740
- Transferred to profit or loss	-	-	-	-	13	-	13
Income tax effect	-	-	-	-	(5,227)	-	(5,227)
Total other comprehensive income for the period	-	-	-	-	16,526	-	16,526
Profit for the period	-	-	-	-	-	151,004	151,004
Total comprehensive income for the period	-	-	-	-	16,526	151,004	167,530
Transfer pursuant to Companies Act 2016 (Note 4)	370,000	(370,000)	-	-	-	-	-
Transfer (to)/from retained earnings	-	-	(185,000)	56,000	-	129,000	-
At 30 September 2017	555,000	-	-	56,000	7,681	679,744	1,298,425
2016							
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	-	-	-	-	40,462	-	40,462
- Transferred to profit or loss	-	-	-	-	1,649	-	1,649
Income tax effect	-	-	-	-	(10,145)	-	(10,145)
Total other comprehensive income for the period	-	-	-	-	31,966	-	31,966
Profit for the period	-	-	-	-	-	104,820	104,820
Total comprehensive income for the period	-	-	-	-	31,966	104,820	136,786
At 30 September 2016	185,000	370,000	185,000	-	29,199	353,568	1,122,767

* Pursuant to Bank Negara Malaysia's revised policy document on Capital Funds for Islamic Banks which is effective from 3 May 2017, the Bank transferred RM185 million from its statutory reserve account to retained earnings.

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

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 30 SEPTEMBER 2017

	30 September 2017 RM'000	30 September 2016 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	199,450	132,693
<i>Adjustments for:</i>		
Net loss/(gain) from disposal of:		
- Financial investments available-for-sale	13	1,649
- Property and equipment	8	608
Depreciation of property and equipment	3,419	4,017
Impairment (writeback)/allowance on financing and advances	(15,571)	54,953
Share-based expenses	196	185
Unrealised gain on revaluation of derivatives	(498)	(152)
Operating profit before changes in working capital	<u>187,017</u>	<u>193,953</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financing and advances	(157,407)	598,956
Derivative financial assets	(241)	502
Other assets	12,707	(4,492)
Statutory deposits with Bank Negara Malaysia	2,500	49,700
Islamic deposits from customers	(782,375)	1,677,933
Investment accounts due to designated financial institution	880,127	(147,476)
Deposits and placements of banks and other financial institutions	(209,479)	(966,459)
Bills and acceptances payable	(10,448)	(3,462)
Derivative financial liabilities	(260)	(661)
Other liabilities	(1,333)	63,878
Cash (used in)/generated from operations	<u>(79,192)</u>	<u>1,462,372</u>
Income tax and zakat paid	(24,235)	(24,639)
Net cash (used in)/generated from operating activities	<u>(103,427)</u>	<u>1,437,733</u>
Cash flows from investing activities		
Acquisition of financial investments available-for-sale	(5,900,000)	(3,875,122)
Proceeds from disposal of financial investments available-for-sale	5,293,766	3,223,763
Acquisition of property and equipment	(325)	(4,687)
Proceeds from disposal of property and equipment	3	2
Net cash used in investing activities	<u>(606,556)</u>	<u>(656,044)</u>
Net (decrease)/increase in cash and cash equivalents	(709,983)	781,689
Cash and cash equivalents at 1 January	<u>1,960,773</u>	<u>1,131,012</u>
Cash and cash equivalents at 30 September	<u>1,250,790</u>	<u>1,912,701</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
- 30 SEPTEMBER 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 RM151.0 million for the financial period ended 30 September 2017, a 44% or RM46.2 million increase against the corresponding period last year. The increase was mainly due to lower allowances of RM70.5 million, lower operating expenses of RM17.5 million, higher income from shareholders fund of RM16.6 million, higher net income from investment account funds of RM9.2 million and lower income attributable to depositors of RM40.0 million partially offset by lower income from investment of depositors' funds and others of RM87.1 million and higher taxes of RM20.5 million.

Allowances decreased by RM70.5 million mainly due to higher net collective impairment allowance written-back of RM34.9 million, higher other recoveries of RM18.4 million and lower net individual impairment allowance charged of RM17.2 million.

Operating expenses decreased by RM17.5 million or 11% mainly due to lower shared service costs of RM11.4 million and personnel costs of RM3.3 million on account of tighter cost management and moderated business growth.

The increase in income from investment of shareholder funds by RM16.6 million was mainly from higher fee and commission income of RM13.1 million and better foreign exchange gains of RM3.3 million.

Gross financing and advances increased by RM122.4 million or 1% mainly from corporate drawdowns funded by Restricted Profit Sharing Investment Accounts ("RPSIA"). Whilst RPSIA grew by RM869 million, deposits from customers decreased by RM782 million or 7% over the same period, mainly from domestic non-bank financial institutions, business enterprises and government and statutory bodies which reduced by RM300 million, RM207 million and RM158 million respectively.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 capital ratios of 17.665% and total capital ratio of 21.254%.

ECONOMIC PERFORMANCE AND PROSPECTS

On the global economic front, the earlier projected increase in growth is strengthening. Notable pickups in investment, trade, and industrial production, coupled with stronger business and consumer confidence, are supporting the recovery. In Asia, growth is driven by sustained domestic activity and strong external demand.

In September 2017, Bank Negara Malaysia ("BNM") announced that the Malaysian economy recorded faster growth in the second quarter of 2017, driven by firmer domestic activity and exports. Looking ahead, growth prospects will be sustained by the more positive global growth outlook and stronger spillovers from the external sector to the domestic economy. Domestic demand will remain the key driver of growth, supported by improving incomes and overall labour market conditions, new and ongoing infrastructure projects and sustained capital investment by firms in the manufacturing and services sectors. Overall, growth in 2017 will be stronger than earlier expected.

Headline inflation is projected to moderate on expectations of a smaller effect from global cost factors. Underlying inflation, as measured by core inflation, will be sustained by the more robust domestic demand but is expected to remain contained. Banking system liquidity remains sufficient with financial institutions continuing to operate with strong capital and liquidity buffers. The growth of financing to the private sector has been sustained and is supportive of economic activity. Though the Bank has observed strength in the domestic economy, we will remain watchful of headwinds in the operating environment. We will continue to maintain a selective financing profile, with our operations continuing to be underpinned by business banking and retail banking, in particular the wealth management segment. We will continue to strive to preserve the quality of our assets and monitor our liquidity and capital position closely.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)

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.

(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, the requirements of the Companies Act 2016 in Malaysia 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 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*

Effective for financial periods commencing on or after 1 January 2019

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

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
- 30 SEPTEMBER 2017 (continued)**

1 BASIS OF PREPARATION (continued)

MFRS 15, Revenue from Contracts with Customers

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

MFRS 16, Leases

MFRS 16 requires statement of financial position recognition of operating lease commitments for 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.

(c) Companies Act 2016

The unaudited condensed interim financial statements of the Bank are prepared in accordance with the requirements of the Companies Act 2016 which replaced the Companies Act 1965. The key changes introduced which affected the financial statements of the Bank are:

- (i) the removal of the authorised share capital;
- (ii) the ordinary shares of the Bank will cease to have par or nominal value; and
- (iii) the Bank's share premium will become part of the share capital.

Pursuant to the Companies Act 2016, the Bank no longer maintains a share premium account which balance has been transferred to share capital during the year.

(d) Revised Policy Document on Capital Funds for Islamic Banks issued by BNM

On 3 May 2017, BNM issued a revised Policy Document on Capital Funds for Islamic Banks ("Revised Policy Document"). The key changes are:

- (i) the removal of the requirement on maintenance of a reserve fund; and
- (ii) the removal of share premium and reserve fund as a component of capital funds.

Pursuant to the revised policy document, the Bank transferred the balance in its statutory reserve fund to retained earnings during the year.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)**

2 SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies applied in the 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 2016.

3 SEASONALITY OF OPERATIONS

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

4 SHARE CAPITAL

The share capital of the Bank increased to RM555 million as at 30 June 2017 via transfer of share premium amounting to RM370 million to share capital pursuant to Companies Act 2016.

5 DIVIDEND

No dividend was paid in respect of the financial period ended 30 September 2017.

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 was no unusual item affecting the assets, liabilities, equity and net income or cash flows of the Bank for the financial period ended 30 September 2017.

8 CASH AND CASH EQUIVALENTS

	30 September 2017 RM'000	31 December 2016 RM'000
Cash and balances with banks and other financial institutions	39,018	26,978
Deposit placements with BNM	1,211,772	1,933,795
	<u>1,250,790</u>	<u>1,960,773</u>

9 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30 September 2017 RM'000	31 December 2016 RM'000
At fair value		
Malaysian Government Investment Issues	1,968,758	1,728,949
Malaysian Government Sukuk	97,440	92,778
Malaysian Government Islamic Treasury Bills	49,499	49,871
Islamic Corporate Sukuk	642,612	430,869
Islamic Negotiable Instruments of Deposit	804,336	698,689
Sanadat Mudharabah Cagamas	85,327	10,123
Foreign Government Sukuk	225,001	233,720
	<u>3,872,973</u>	<u>3,244,999</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)**10 FINANCING AND ADVANCES**

(i) By type and Shariah contract

	Sale based contracts				Lease based contracts			Equity based contracts		Total RM'000	
	Bai'		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah		Musharakah Mutanaqisah RM'000	Others RM'000		
	Bai' Inah RM'000	Bithaman Ajil RM'000				Thumma Al- Bai RM'000	Ijarah Bi Al-Tamlik RM'000				
30 September 2017											
At amortised cost and net of unearned income											
Cash line financing	55,385	20,148	-	-	-	231,420	-	-	3,064	310,017	
Term Financing											
- House financing	-	12,230	-	-	-	-	1,909,915	94,533	-	2,016,678	
- Syndicated term financing	-	-	50,048	-	-	-	305,729	-	-	355,777	
- Hire purchase receivables	-	-	-	-	-	276,651	178,062	-	-	454,713	
- Other term financing	744,439	127,037	311,056	-	-	-	2,217,960	122,929	-	3,523,421	
Bills receivable	-	-	-	-	42,377	-	-	-	-	42,377	
Trust receipts	-	-	-	84	-	-	-	-	-	84	
Revolving credit	-	-	2,737,221	-	-	-	-	-	-	2,737,221	
Claims on customers under acceptance credits	-	-	-	391,398	74,821	-	-	-	-	466,219	
Other financing	-	-	30,101	74,505	-	-	-	-	-	104,606	
Gross financing and advances	799,824	159,415	3,128,426	465,987	117,198	276,651	231,420	4,611,666	217,462	3,064	10,011,113
Allowance for financing and advances											
- Individual impairment											(78,756)
- Collective impairment											(148,524)
Net financing and advances											9,783,833

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. The immediate holding company, being the RPSIA depositor, is exposed to the risks and rewards of the business venture and accounts for the collective and individual impairment allowances arising thereon.

As at 30 September 2017, the gross exposure relating to RPSIA financing is RM2,257 million (2016: RM1,333 million) and the associated collective and individual allowances amounted to RM32.0 million (2016: RM10.8 million) and RM10.9 million (2016: nil) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)**10 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		Musharakah Mutanaqisah RM'000	Others RM'000		
	Bai' Inah RM'000	Ajil RM'000				Thumma Al- Bai RM'000	Ijarah Bi Al-Tamlik RM'000				
31 December 2016											
At amortised cost and net of unearned income											
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
Gross financing and advances	1,173,535	207,673	2,444,120	527,911	89,338	369,168	205,741	4,631,841	238,565	864	9,888,756
Allowance for financing and advances											
- Individual impairment											(80,043)
- Collective impairment											(186,979)
Net financing and advances											9,621,734

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)****10 FINANCING AND ADVANCES (continued)**

	30 September 2017 RM'000	31 December 2016 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	76,538	49,867
Domestic business enterprises		
- Small and medium enterprises	2,110,464	2,444,209
- Others	3,894,708	4,102,921
Individuals	2,575,287	2,764,562
Foreign entities	1,354,116	527,197
	<u>10,011,113</u>	<u>9,888,756</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	24,440	23,120
- Hire purchase receivables	278,700	375,310
- Other fixed rate financing	1,994,026	2,461,961
Variable rate		
- Base rate/base financing rate plus	3,579,945	3,668,566
- Cost plus	4,134,002	3,359,799
	<u>10,011,113</u>	<u>9,888,756</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,177,118	1,150,070
Mining and quarrying	280,479	301,638
Manufacturing	1,528,661	1,760,308
Electricity, gas and water	55,927	61,218
Construction	424,598	448,263
Real estate	545,244	586,417
Wholesale & retail trade and restaurants & hotels	1,013,264	1,200,474
Transport, storage and communication	196,200	240,846
Finance, insurance and business services	296,768	323,396
Community, social and personal services	559,119	523,126
Household		
- Purchase of residential properties	2,057,524	2,070,568
- Purchase of non-residential properties	42,998	45,001
- Others	594,373	757,580
Others	1,238,840	419,851
	<u>10,011,113</u>	<u>9,888,756</u>
(v) By geographical distribution		
Malaysia	8,862,732	9,576,389
Singapore	653,135	53,753
Other ASEAN	247,136	2,826
Rest of the world	248,110	255,788
	<u>10,011,113</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
- 30 SEPTEMBER 2017 (continued)****10 FINANCING AND ADVANCES (continued)**

	30 September 2017 RM'000	31 December 2016 RM'000
(vi) By residual contractual maturity		
Within one year	3,875,925	3,044,307
One year to less than three years	852,841	1,295,556
Three years to less than five years	1,009,600	733,563
Over five years	4,272,747	4,815,330
	<u>10,011,113</u>	<u>9,888,756</u>

11 IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	30 September 2017 RM'000	31 December 2016 RM'000
At 1 January	297,552	285,424
Impaired during the period/year	344,032	322,408
Reclassified as unimpaired	(66,694)	(60,439)
Amount recovered	(96,941)	(163,270)
Amount written off	(55,667)	(90,350)
Effect of foreign exchange difference	(5,285)	3,779
At 30 September/31 December	<u>416,997</u>	<u>297,552</u>
Individual impairment allowance	(78,756)	(80,043)
Collective impairment allowance	(5,058)	(4,146)
Net impaired financing and advances	<u>333,183</u>	<u>213,363</u>

(i) By sector

Agriculture, hunting, forestry and fishing	433	529
Mining and quarrying	-	180
Manufacturing	30,028	38,394
Construction	2,732	2,977
Real estate	5,342	8,244
Wholesale & retail trade and restaurants & hotels	47,992	38,638
Transport, storage and communication	4,913	7,096
Finance, insurance and business services	14,752	6,352
Community, social and personal services	1,001	2,784
Household		
- Purchase of residential properties	67,051	55,374
- Purchase of non-residential properties	258	252
- Others	34,711	44,535
Others	207,784	92,197
	<u>416,997</u>	<u>297,552</u>

(ii) By geographical distribution

Malaysia	<u>416,997</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
- 30 SEPTEMBER 2017 (continued)****11 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance for impaired financing and advances

	30 September 2017 RM'000	31 December 2016 RM'000
Individual impairment allowance		
At 1 January	80,043	82,433
Made during the period/year	107,288	154,465
Written back	(52,269)	(65,613)
Written off	(55,667)	(90,350)
Financing income earned on impaired financing	(639)	(892)
At 30 September/31 December	<u>78,756</u>	<u>80,043</u>
Collective impairment allowance		
At 1 January	186,979	190,479
Made during the period/year	3,500	-
Written back	(41,955)	(3,500)
At 30 September/31 December	<u>148,524</u>	<u>186,979</u>

12 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	<u>30 September 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
Trading						
Foreign exchange derivatives						
- Forwards	64,510	306	150	67,266	75	410
- Swaps	1,277	10	-	-	-	-
	<u>65,787</u>	<u>316</u>	<u>150</u>	<u>67,266</u>	<u>75</u>	<u>410</u>

13 OTHER ASSETS

	30 September 2017 RM'000	31 December 2016 RM'000
Profit receivable	28,016	25,817
Other receivables, deposits and prepayments	10,674	3,451
Amount due from immediate holding company	22,207	44,145
Amount due from ultimate holding company	323	6
	<u>61,220</u>	<u>73,419</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)****14 ISLAMIC DEPOSITS FROM CUSTOMERS**

	30 September 2017 RM'000	31 December 2016 RM'000
a) By type of deposit		
Savings deposits		
- Wadiah	263,695	257,886
- Tawarruq	195,057	176,509
- Qard	1,010	824
Demand deposits		
- Wadiah	3,245,693	3,558,672
- Tawarruq	12,322	6,069
- Qard	567	182
Term Deposits		
- Commodity Murabahah	6,357,020	6,821,131
- Qard	72,551	53,562
Negotiable instruments of deposits		
- Bai Bithaman Ajil	70,376	68,149
- Bai' Inah	49,924	-
Short term deposits		
- Tawarruq	270,027	377,592
General investment deposits		
- Mudharabah	103	144
	<u>10,538,345</u>	<u>11,320,720</u>
b) By type of customer		
Government and statutory bodies	1,250,464	1,408,402
Non-bank financial institutions	660,299	960,027
Business enterprises	5,441,079	5,648,386
Individuals	2,898,983	3,098,872
Foreign entities	99,573	81,777
Others	187,947	123,256
	<u>10,538,345</u>	<u>11,320,720</u>
c) Maturity structure of term/general investment deposits, negotiable instruments of deposit and short-term deposits		
Within six months	5,245,598	5,160,684
Six months to one year	1,375,356	2,018,533
One year to three years	199,037	72,912
Three years to five years	10	68,449
	<u>6,820,001</u>	<u>7,320,578</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)**15 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION**

	30 September 2017 RM'000	31 December 2016 RM'000
Mudharabah restricted profit sharing investment account (RPSIA)		
Licensed bank	2,247,164	1,367,037
Amount receivable from immediate holding company under RPSIA	(10,879)	-
	<u>2,236,285</u>	<u>1,367,037</u>

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2017 RM'000	31 December 2016 RM'000
Non-Mudharabah		
Licensed banks	811,183	1,020,173
Other financial institutions	2,056	2,545
	<u>813,239</u>	<u>1,022,718</u>

17 OTHER LIABILITIES

	30 September 2017 RM'000	31 December 2016 RM'000
Profit payable	83,368	98,905
Other payables and accruals	87,840	74,779
Amount due to immediate holding company	9,352	7,931
Equity compensation benefits	625	707
	<u>181,185</u>	<u>182,322</u>

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

18 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)****19 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	Quarter Ended		Year-To-Date Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Income derived from investment of:				
(i) Term deposits/general investment deposits	83,507	109,422	261,588	315,228
(ii) Other deposits	63,925	71,025	196,653	230,082
	<u>147,432</u>	<u>180,447</u>	<u>458,241</u>	<u>545,310</u>
(i) Income derived from investment of term deposits/general investment deposits				
Finance income and hibah				
Unimpaired financing and advances	62,305	83,787	195,180	249,032
Impaired financing and advances	90	152	330	352
Financial investments available-for-sale	17,931	18,083	48,575	49,430
Deposits and placements with banks and other financial institutions	3,236	7,681	17,169	17,461
	<u>83,562</u>	<u>109,703</u>	<u>261,254</u>	<u>316,275</u>
Other operating income				
Net loss from sale of financial investments available-for-sale	(201)	-	(6)	(868)
Others	146	(281)	340	(179)
	<u>83,507</u>	<u>109,422</u>	<u>261,588</u>	<u>315,228</u>
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Unimpaired financing and advances	47,695	54,385	146,727	182,238
Impaired financing and advances	69	99	248	250
Financial investments available-for-sale	13,726	11,738	36,571	35,860
Deposits and placements with banks and other financial institutions	2,477	4,985	12,855	12,492
	<u>63,967</u>	<u>71,207</u>	<u>196,401</u>	<u>230,840</u>
Other operating income				
Net loss from sale of financial investments available-for-sale	(153)	-	(4)	(656)
Others	111	(182)	256	(102)
	<u>63,925</u>	<u>71,025</u>	<u>196,653</u>	<u>230,082</u>

20 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Finance income and hibah				
Unimpaired financing and advances	21,286	9,974	63,315	30,675
Deposits and placements with banks and other financial institutions	-	706	760	2,578
	<u>21,286</u>	<u>10,680</u>	<u>64,075</u>	<u>33,253</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)****21 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS**

	Quarter Ended		Year-To-Date Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Finance income and hibah				
Unimpaired financing and advances	12,582	12,026	36,251	36,093
Impaired financing and advances	18	22	61	50
Financial investments available-for-sale	3,621	2,596	9,083	7,147
Deposits and placements with banks and other financial institutions	654	1,102	3,133	2,520
	<u>16,875</u>	<u>15,746</u>	<u>48,528</u>	<u>45,810</u>
Other operating income				
Commission	6,935	4,663	16,183	10,765
Service charges and fees	4,631	5,991	22,158	14,489
Net loss from sale of financial investments available-for-sale	(40)	-	(3)	(125)
Others	29	(40)	63	(25)
Other trading income				
Net trading gain/(loss)				
- Foreign currency	244	(326)	623	(2,700)
- Trading derivatives	3,579	4,383	9,652	12,773
- Revaluation of derivatives	129	(483)	498	152
	<u>32,382</u>	<u>29,934</u>	<u>97,702</u>	<u>81,139</u>

22 IMPAIRMENT WRITEBACK/(ALLOWANCE) ON FINANCING AND ADVANCES

	Quarter Ended		Year-To-Date Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Individual impairment allowance				
- Made during the period	(28,073)	(40,094)	(107,288)	(116,393)
- Written back	19,066	13,209	52,269	44,189
Collective impairment allowance				
- Made during the period	-	-	(3,500)	-
- Written back	31,955	1,800	41,955	3,500
Impaired financing written off	(6)	-	(6)	(4)
Impaired financing recovered	7,370	5,210	21,262	13,755
Recovery from RPSIA holder*	-	-	10,879	-
	<u>30,312</u>	<u>(19,875)</u>	<u>15,571</u>	<u>(54,953)</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)**23 INCOME ATTRIBUTABLE TO DEPOSITORS**

	Quarter Ended		Year-To-Date Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Deposits from customers				
- Non-Mudharabah	75,654	95,842	234,671	265,570
- Mudharabah	2	2	4	4
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	2,891	2,827	8,967	17,050
Subordinated sukuk	2,419	2,748	7,180	8,153
	<u>80,966</u>	<u>101,419</u>	<u>250,822</u>	<u>290,777</u>

24 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	14,900	7,474	44,858	23,305

25 OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Personnel expenses				
Wages, salaries and bonus	5,927	6,558	17,006	19,764
Employees Provident Fund contributions	847	967	2,622	3,067
Share-based expenses	91	97	196	185
Others	767	724	2,135	2,206
	<u>7,632</u>	<u>8,346</u>	<u>21,959</u>	<u>25,222</u>
Establishment expenses				
Depreciation of property and equipment	1,103	1,360	3,419	4,017
Rental of premises	782	598	2,214	2,119
Repair and maintenance	142	153	519	517
Information technology costs	61	134	187	474
Others	526	638	1,808	2,100
	<u>2,614</u>	<u>2,883</u>	<u>8,147</u>	<u>9,227</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)****25 OPERATING EXPENSES (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Marketing expenses				
Advertising and business promotion	140	172	341	633
Transport and travelling	90	89	272	402
Others	19	88	46	137
	<u>249</u>	<u>349</u>	<u>659</u>	<u>1,172</u>
General administrative expenses				
Shared service fees to immediate holding company	24,359	27,178	72,220	83,656
Transaction processing fees to related companies	6,293	5,903	19,005	18,654
Others	5,947	6,891	18,469	20,043
	<u>36,599</u>	<u>39,972</u>	<u>109,694</u>	<u>122,353</u>
Total operating expenses	<u>47,094</u>	<u>51,550</u>	<u>140,459</u>	<u>157,974</u>

26 INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 September 2017 RM'000	30 September 2016 RM'000	30 September 2017 RM'000	30 September 2016 RM'000
Malaysian income tax				
- Current period	21,706	8,810	46,478	28,172
- Prior periods	2,591	(929)	2,585	508
Deferred tax				
- Origination and reversal of temporary differences	(1,122)	(398)	(655)	(351)
- Prior periods	-	947	-	(490)
	<u>23,175</u>	<u>8,430</u>	<u>48,408</u>	<u>27,839</u>

27 CAPITAL COMMITMENTS

	30 September 2017 RM'000	31 December 2016 RM'000
Capital commitment in respect of property and equipment		
- Authorised but not contracted for	6,304	-
- Contracted but not provided for	39	91
	<u>6,343</u>	<u>91</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)**28 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 BNM's Capital Adequacy Framework for Islamic Banks (CAFIB Basel II) - Disclosure Requirements (Pillar 3).

	30 September 2017					31 December 2016				
	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	88,634			88,634	58,115	84,883			84,883	54,263
Transaction-related contingent items	347,490			175,839	115,675	321,947			164,357	126,990
Short-term self-liquidating trade-related contingencies	56,332			11,266	8,187	22,781			4,556	2,876
Forward asset purchases	116,134			116,134	-	-			-	-
Foreign exchange related contracts										
- Less than one year	65,787	316	150	821	475	67,266	75	410	364	229
Formal standby facilities and credit lines										
- Maturity exceeding one year	361,984			291,220	212,470	263,145			231,541	57,790
Other unconditionally cancellable commitments	2,476,430			55,563	8,942	2,046,465			43,629	7,530
	3,512,791	316	150	739,477	403,864	2,806,487	75	410	529,330	249,678

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)

29 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 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 government and agency securities. Actively traded quoted equity securities of corporations.	Corporate and other governments sukuk. Over-the counter ("OTC") derivatives. Cash and cash equivalents. Deposits and placements with banks and other financial institutions. Other assets.	Private debt equity instruments. Corporate sukuk with illiquid markets. Financing and advances.
Type of financial liabilities		OTC derivatives. Islamic deposits from customers. Deposits and placement of banks and other financial institutions. Other liabilities. Subordinated sukuk.	

Financial instruments carried at fair value

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
30 September 2017			
Financial assets at fair value			
Available-for-sale	2,242,110	1,630,863	3,872,973
Derivative financial assets	15	301	316
	2,242,125	1,631,164	3,873,289
Financial liabilities at fair value			
Derivative financial liabilities	34	116	150
31 December 2016			
Financial assets at fair value			
Available-for-sale	2,055,447	1,189,552	3,244,999
Derivative financial assets	51	24	75
	2,055,498	1,189,576	3,245,074
Financial liabilities at fair value			
Derivative financial liabilities	21	389	410

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2017 (continued)**30 CAPITAL ADEQUACY****Capital Management**

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 September 2017 RM'000	30 September 2016 RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	555,000	185,000
Ordinary share premium	-	370,000
Retained earnings	614,480	399,740
Other reserves	63,681	176,155
CET 1 capital	<u>1,233,161</u>	<u>1,130,895</u>
Regulatory adjustment for CET 1 capital	<u>(62,241)</u>	<u>(7,253)</u>
Eligible CET 1/Tier 1 capital	<u>1,170,920</u>	<u>1,123,642</u>
Tier 2 capital		
Collective impairment allowance under the Standardised Approach*	6,525	9,081
Surplus eligible provisions over expected losses	31,383	16,687
Subordinated sukuk	<u>200,000</u>	<u>200,000</u>
Eligible Tier 2 capital	<u>237,908</u>	<u>225,768</u>
Capital base	<u>1,408,828</u>	<u>1,349,410</u>
* Excludes collective impairment allowance on impaired financing and advances		
Before the effects of PSIA		
CET 1/Tier 1 capital ratio	12.909%	12.745%
Total capital ratio	<u>15.532%</u>	<u>15.306%</u>
After the effects of PSIA		
CET 1/Tier 1 capital ratio	17.665%	15.342%
Total capital ratio	<u>21.254%</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 30 September 2017, credit risks related to RPSIA assets excluded from the total capital ratio calculation amounted to RM2,442 million (31 December 2016: RM1,492 million).

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

	30 September 2017 RM'000	30 September 2016 RM'000
Total RWA for credit risk	5,752,469	6,455,639
Total RWA for market risk	6,031	5,468
Total RWA for operational risk	870,131	862,851
	<u>6,628,631</u>	<u>7,323,958</u>