

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

Domiciled in Malaysia
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50050 Kuala Lumpur

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019**

		31 March 2019	31 December 2018
ASSETS	Note	RM'000	RM'000
Cash and cash equivalents	8	459,948	959,600
Financial assets at fair value through profit or loss	9	16,098	9,980
Financial investments at fair value through other comprehensive income	10	4,351,224	4,290,701
Financing and advances	11	10,602,973	10,319,599
Derivative financial assets	13	5,279	2,218
Other assets	14	39,413	74,178
Tax recoverable		14,885	9,088
Statutory deposits with Bank Negara Malaysia		368,200	351,200
Property and equipment		12,799	9,884
Deferred tax assets		8,028	8,078
Total assets		<u>15,878,847</u>	<u>16,034,526</u>
 LIABILITIES			
Deposits from customers	15	11,809,145	11,802,860
Investment accounts due to designated financial institution	16	1,258,001	1,322,168
Deposits and placements of banks and other financial institutions	17	910,330	1,073,057
Bills and acceptances payable		12,947	14,549
Derivative financial liabilities	13	6,040	3,789
Other liabilities	18	181,302	147,473
Tax payable and zakat		50	50
Subordinated sukuk	19	200,000	200,000
Total liabilities		<u>14,377,815</u>	<u>14,563,946</u>
 EQUITY			
Share capital		555,000	555,000
Reserves		946,032	915,580
Total equity		<u>1,501,032</u>	<u>1,470,580</u>
 Total liabilities and equity		<u>15,878,847</u>	<u>16,034,526</u>
 Commitments and contingencies	29	<u>4,439,804</u>	<u>4,713,286</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 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019**

	Note	Year-To-Date Ended	
		31 March 2019 RM'000	31 March 2018 RM'000
Income derived from investment of depositors' funds and others	20	158,558	151,811
Income derived from investment of investment account funds	21	14,343	15,505
Income derived from investment of shareholder's funds	22	29,348	36,510
Impairment allowance	23	(27,478)	(1,047)
Total distributable income		174,771	202,779
Income attributable to depositors	24	(91,545)	(90,491)
Income attributable to investment account holder	25	(10,698)	(10,853)
Total net income		72,528	101,435
Operating expenses	26	(47,459)	(45,835)
Profit before taxation and zakat		25,069	55,600
Income tax expense	27	(5,139)	(13,509)
Profit for the period		19,930	42,091
Other comprehensive income/(expense), net of income tax			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Movement in fair value (debt instruments)			
- Change in fair value		14,616	(5,605)
- Transferred to profit or loss		(681)	219
- Related tax		(3,342)	1,444
Change in expected credit loss reserve on debt instruments at fair value through other comprehensive income		(71)	(734)
Other comprehensive income/(expense) for the period, net of income tax		10,522	(4,676)
Total comprehensive income for the period		30,452	37,415
Profit attributable to owner of the Bank		19,930	42,091
Total comprehensive income attributable to the owner of the Bank		30,452	37,415
Basic earnings per ordinary share (sen)		10.77	22.75

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	<i>Non-distributable</i>			<i>Distributable</i>		Total Equity
	Share Capital	Regulatory Reserve	ECL Reserve	Fair Value Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019						
At 1 January 2019	555,000	91,000	249	2,610	821,721	1,470,580
Fair value reserve						
- Change in fair value	-	-	-	14,616	-	14,616
- Transferred to profit or loss	-	-	-	(681)	-	(681)
- Related tax	-	-	-	(3,342)	-	(3,342)
Expected credit loss ("ECL") reserve						
- Change in expected credit loss	-	-	(71)	-	-	(71)
Total other comprehensive (expense)/income for the period	-	-	(71)	10,593	-	10,522
Profit for the period	-	-	-	-	19,930	19,930
Total comprehensive (expense)/income for the period	-	-	(71)	10,593	19,930	30,452
At 31 March 2019	555,000	91,000	178	13,203	841,651	1,501,032
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	-	-	-	(5,605)	-	(5,605)
- Transferred to profit or loss	-	-	-	219	-	219
- Related tax	-	-	-	1,444	-	1,444
Expected credit loss reserve						
- Change in expected credit loss	-	-	(734)	-	-	(734)
Total other comprehensive expense for the period	-	-	(734)	(3,942)	-	(4,676)
Profit for the period	-	-	-	-	42,091	42,091
Total comprehensive (expense)/income for the period	-	-	(734)	(3,942)	42,091	37,415
At 31 March 2018	555,000	91,000	1,912	(86)	734,849	1,382,675

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2019

	31 March 2019 RM'000	31 March 2018 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	25,069	55,600
<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	(681)	219
- Property and equipment	-	1
Depreciation of property and equipment	1,400	1,069
Impairment allowance	27,478	1,047
Finance cost	36	-
Equity settled share-based payment transactions	89	81
Unrealised loss/(gain) on:		
- Financial assets at fair value through profit or loss	2	469
- Derivatives	(806)	(596)
Operating profit before changes in working capital	<u>52,587</u>	<u>57,397</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at fair value through profit or loss	(6,120)	122,765
Financing and advances	(340,646)	276,573
Derivative financial assets	(3,061)	(692)
Other assets	35,572	26,839
Statutory deposits with Bank Negara Malaysia ("BNM")	(17,000)	10,000
Deposits from customers	6,285	308,657
Investment accounts due to designated financial institution	(34,373)	(260,249)
Deposits and placements of banks and other financial institutions	(162,727)	(197,451)
Bills and acceptances payable	(1,602)	(2,730)
Derivative financial liabilities	2,251	97
Other liabilities	30,114	(104,266)
Cash (used in)/generated from operations	<u>(438,720)</u>	<u>236,940</u>
Income tax and zakat paid	(14,229)	(9,192)
Net cash (used in)/generated from operating activities	<u>(452,949)</u>	<u>227,748</u>
Cash flows from investing activities		
Acquisition of financial investments at fair value through other comprehensive income	(1,910,000)	(1,706,560)
Proceeds from disposal of financial investments at fair value through other comprehensive income	1,864,022	1,775,175
Acquisition of property and equipment	(32)	(562)
Payment of lease liabilities	(693)	-
Net cash (used in)/generated from investing activities	<u>(46,703)</u>	<u>68,053</u>
Net (decrease)/increase in cash and cash equivalents	(499,652)	295,801
Cash and cash equivalents at 1 January	<u>959,600</u>	<u>957,860</u>
Cash and cash equivalents at 31 March	<u>459,948</u>	<u>1,253,661</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 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019

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 RM19.9 million for the financial period ended 31 March 2019, a drop of 53% or RM22.2 million against the corresponding period last year. The decrease was mainly due to higher impairment allowances of RM26.4 million, lower income from shareholder's funds of RM7.2 million, higher operating overheads of RM1.6 million, higher income attributable to depositors of RM1.1 million, lower net income from investment account funds of RM1.0 million partly offset by higher income from investment of depositors' funds and others of RM6.7 million and lower tax of RM8.4 million.

Allowances increased by RM26.4 million mainly due to higher Stage 3 ECL of RM33.0 million, Stage 1 and Stage 2 expected credit loss ("ECL") of RM21.8 million and partly offset by higher other recoveries of RM28.4 million.

Overheads increased by RM1.6 million or 4% mainly from higher personnel costs of RM1.9 million partially offset by lower establishment costs of RM0.5 million.

In the first quarter of 2019, gross financing and advances increased by RM0.3 billion or 3% mainly from corporate drawdowns whilst customer deposits was flattish over the same period.

The Bank remains well capitalised after taking into account the effects of Restricted Profit Sharing Investment Account, with Common Equity Tier 1 Capital Ratio and Total Capital Ratio of 14.466 % and 17.143% respectively.

ECONOMIC PERFORMANCE AND PROSPECTS

The global economy is expected to grow at a slower pace in 2019 due to global trade developments such as the trade tensions between the US and China as well as the uncertain pace of the monetary policy normalisation of the US.

Despite the downside risks affecting the global economy, the Malaysian economy is well supported by the country's strong fundamentals amid a low inflation regime. These fundamentals include a surplus in the current account of the balance of payments, strong domestic demand with high growth in private consumption, a strong financial sector and a stable labour market.

Riding on the sustained growth momentum of the Malaysian economy, which is expected to expand by between 4.3% and 4.8% in 2019, the Bank will continue to deepen its presence in its core businesses and focus on cross selling innovative products to existing and potential customers. The Bank will invest in expanding its existing capabilities as well as introduce more initiatives in its digital transformation journey in order to meet customers' needs.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019

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 as disclosed in Note 1(a).

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 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 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)*

The adoption of above accounting standards, interpretations and amendments did not have any significant impact on the Bank.

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

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

On transition to MFRS 16, the Bank recognized an additional RM4.3 million of right-of-use assets and RM4.3 million of lease liabilities.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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 2020

- Amendments to MFRS 2, *Share-Based Payment*
- Amendments to MFRS 101, *Presentation of Financial Statements* and 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*

Effective for annual periods commencing on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

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.

(b) Use of estimates and judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2018, except as disclosed in Note 1(a).

2 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

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 31 March 2019.

5 DIVIDEND

No dividend was paid in respect of the financial period ended 31 March 2019.

6 SIGNIFICANT AND SUBSEQUENT EVENTS

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**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 31 March 2019.

8 CASH AND CASH EQUIVALENTS

	31 March 2019 RM'000	31 December 2018 RM'000
Cash and balances with banks and other financial institutions	68,475	53,859
Deposit placements with BNM	391,473	905,741
	<u>459,948</u>	<u>959,600</u>

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

	31 March 2019 RM'000	31 December 2018 RM'000
At fair value		
Islamic Corporate Sukuk	16,098	9,980

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

	31 March 2019 RM'000	31 December 2018 RM'000
At fair value		
Malaysian Government Investment Issues	2,611,848	2,322,794
Malaysian Government Sukuk	245,713	244,573
Islamic Corporate Sukuk	283,181	350,805
Islamic Negotiable Instruments of Deposit	998,848	1,146,898
Cagamas Sukuk	55,389	55,279
Foreign Government Sukuk	156,245	170,352
	<u>4,351,224</u>	<u>4,290,701</u>

ECL for FVOCI is recognised in the ECL reserve.

	31 March 2019			31 December 2018		
	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL non credit impaired RM'000	Total RM'000	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL non credit impaired RM'000	Total RM'000
At 1 January 2019/2018	199	50	249	-	-	-
Effect of adopting MFRS 9	-	-	-	1,916	730	2,646
As restated 1 January 2019/2018	199	50	249	1,916	730	2,646
Transferred to/(from) Stage 1	-	-	-	18	(18)	-
Transferred (from)/to Stage 2	-	-	-	(8)	8	-
New financial assets originated or purchased	44	-	44	486	-	486
Financial assets derecognised	(22)	-	(22)	(1,053)	-	(1,053)
Net remeasurement during the period/year	(89)	(4)	(93)	(1,161)	(669)	(1,830)
Other movements	-	-	-	1	(1)	-
At 31 March/31 December	<u>132</u>	<u>46</u>	<u>178</u>	<u>199</u>	<u>50</u>	<u>249</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019

11 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		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	Muntahiah RM'000				
31 March 2019												
At amortised cost and net of unearned income												
Cash line financing	19,749	9,045	-	-	-	-	343,961	-	-	1,194	373,949	
Term Financing												
- House financing	-	9,209	-	-	-	-	-	1,869,162	82,825	-	1,961,196	
- Syndicated term financing	-	-	464,518	-	-	-	-	225,247	-	-	689,765	
- Hire purchase receivables	-	-	-	-	-	168,571	-	195,887	-	-	364,458	
- Other term financing	298,831	18,058	1,572,645	-	-	-	-	1,797,886	108,951	-	3,796,371	
Bills receivable	-	-	-	-	7,309	-	-	-	-	-	7,309	
Trust receipts	-	-	-	110	-	-	-	-	-	-	110	
Revolving credit	-	-	3,073,002	-	-	-	-	-	-	-	3,073,002	
Claims on customers under acceptance credits	-	-	-	385,463	94,695	-	-	-	-	-	480,158	
Other financing	-	-	142,436	-	-	-	-	-	-	-	142,436	
Gross financing and advances	318,580	36,312	5,252,601	385,573	102,004	168,571	343,961	4,088,182	191,776	1,194	10,888,754	
Expected credit loss											(285,781)	
Net financing and advances											10,602,973	

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

As at 31 March 2019, the gross exposure and ECL relating to RPSIA financing amounted to RM1,348 million (31 December 2018: RM1,384 million) and RM90.5 million (31 December 2018: RM60.5 million) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019

11 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		Ijarah Muntahiah		Musharakah Mutanaqisah RM'000		Others RM'000
	Bai' Inah RM'000	Ajil RM'000				Al- Bai RM'000	Ijarah RM'000	Bi Al-Tamlik RM'000				
31 December 2018												
At amortised cost and net of unearned income												
Cash line financing	22,684	10,304	-	-	-	-	318,483	-	-	-	1,276	352,747
Term Financing												
- House financing	-	9,607	-	-	-	-	-	1,864,017	84,113	-	-	1,957,737
- Syndicated term financing	-	-	458,982	-	-	-	-	235,389	-	-	-	694,371
- Hire purchase receivables	-	-	-	-	-	184,956	-	191,530	-	-	-	376,486
- Other term financing	344,587	20,541	1,124,155	-	-	-	-	1,838,937	111,960	-	-	3,440,180
Bills receivable	-	-	-	-	17,506	-	-	-	-	-	-	17,506
Revolving credit	-	-	3,112,097	-	-	-	-	-	-	-	-	3,112,097
Claims on customers under acceptance credits	-	-	-	350,325	106,235	-	-	-	-	-	-	456,560
Other financing	-	-	148,235	-	-	-	-	-	-	-	-	148,235
Gross financing and advances	367,271	40,452	4,843,469	350,325	123,741	184,956	318,483	4,129,873	196,073	1,276		10,555,919
Expected credit loss												(236,320)
Net financing and advances												10,319,599

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**11 FINANCING AND ADVANCES (continued)**

	31 March 2019 RM'000	31 December 2018 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	82,205	54,321
Domestic business enterprises		
- Small and medium enterprises	2,125,008	2,026,792
- Others	5,177,302	5,047,692
Individuals	2,281,119	2,303,919
Foreign entities	1,223,120	1,123,195
	<u>10,888,754</u>	<u>10,555,919</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	16,527	9,607
- Hire purchase receivables	168,828	185,320
- Other fixed rate financing	1,679,783	1,740,698
Variable rate		
- Base rate/Base financing rate plus	3,924,361	3,790,274
- Cost plus	5,085,677	4,824,493
- Other variable rate	13,578	5,527
	<u>10,888,754</u>	<u>10,555,919</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,635,185	1,559,605
Mining and quarrying	99,548	117,728
Manufacturing	1,609,150	1,510,859
Electricity, gas and water	35,783	37,606
Construction	862,255	792,340
Real estate	1,057,396	961,780
Wholesale & retail trade and restaurants & hotels	1,004,454	1,033,566
Transport, storage and communication	103,261	202,391
Finance, insurance and business services	258,414	207,626
Community, social and personal services	717,810	703,996
Household		
- Purchase of residential properties	1,972,019	1,968,855
- Purchase of non-residential properties	41,038	40,093
- Others	387,837	418,830
Others	1,104,604	1,000,644
	<u>10,888,754</u>	<u>10,555,919</u>
(v) By geographical distribution		
Malaysia	9,795,862	9,563,513
Singapore	609,028	631,827
Other ASEAN countries	191,794	194,521
Rest of the world	292,070	166,058
	<u>10,888,754</u>	<u>10,555,919</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**11 FINANCING AND ADVANCES (continued)**

	31 March 2019 RM'000	31 December 2018 RM'000
(vi) By residual contractual maturity		
Within one year	4,124,270	4,169,816
One year to less than three years	562,726	642,487
Three years to less than five years	1,380,109	1,142,855
Over five years	4,821,649	4,600,761
	<u>10,888,754</u>	<u>10,555,919</u>

12 IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	31 March 2019 RM'000	31 December 2018 RM'000
At 1 January	375,100	383,572
Impaired during the period/year	52,695	293,527
Reclassified as unimpaired	(17,530)	(90,471)
Amount recovered	(30,053)	(99,614)
Amount written off	(11,214)	(113,770)
Effect of foreign exchange difference	(192)	1,856
At 31 March/31 December	<u>368,806</u>	<u>375,100</u>
Stage 3 ECL	<u>(150,512)</u>	<u>(120,198)</u>
Net impaired financing and advances	<u>218,294</u>	<u>254,902</u>

Included in impaired financing and advances are specific business ventures funded by the RPSIA arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad. The immediate holding company, as the RPSIA holder, is exposed to the risks and rewards of the business venture and accounts for the Stage 3 ECL arising thereon. As at 31 March 2019, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM115 million (31 December 2018: RM116 million) and RM86 million (31 December 2018: RM57 million) respectively.

(i) By sector

Agriculture, hunting, forestry and fishing	203	2,281
Manufacturing	22,189	25,113
Construction	12,688	9,104
Real estate	6,868	6,967
Wholesale & retail trade and restaurants & hotels	101,714	102,609
Transport, storage and communication	4,424	5,598
Finance, insurance and business services	9,728	9,763
Community, social and personal services	1,245	1,391
Household		
- Purchase of residential properties	58,598	60,136
- Purchase of non-residential properties	1,294	746
- Others	20,232	21,223
Others	129,623	130,169
	<u>368,806</u>	<u>375,100</u>

(ii) By geographical distribution

Malaysia	<u>368,806</u>	<u>375,100</u>
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The analysis by geography is determined based on where the credit risk resides.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**12 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in ECL for financing and advances are as follows:

	31 March 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	12 months ECL	Lifetime ECL non-credit impaired	Lifetime ECL credit-impaired		12 months ECL	Lifetime ECL non-credit impaired	Lifetime ECL credit-impaired	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2019/2018	58,957	57,165	120,198	236,320	-	-	-	-
Effect of adopting MFRS 9	-	-	-	-	35,854	97,447	125,877	259,178
At 1 January, as restated under MFRS 9	58,957	57,165	120,198	236,320	35,854	97,447	125,877	259,178
Transferred to/(from) Stage 1	15,529	(12,869)	(2,660)	-	140,788	(113,483)	(27,305)	-
Transferred (from)/to Stage 2	(4,951)	8,289	(3,338)	-	(22,221)	29,790	(7,569)	-
Transferred (from)/to Stage 3	(5)	(19,143)	19,148	-	(1,165)	(63,276)	64,441	-
New financial assets originated or purchased	7,798	465	-	8,263	51,175	10,434	-	61,609
Financial assets derecognised	(6,266)	(1,397)	(1,397)	(9,060)	(22,863)	(17,067)	(5,406)	(45,336)
Net remeasurement during the period/year	(1,106)	33,008	32,148	64,050	(122,102)	112,961	89,028	79,887
Amount written-off	-	-	(11,214)	(11,214)	-	-	(113,770)	(113,770)
Other movements	(205)	-	(2,373)	(2,578)	(509)	359	(5,098)	(5,248)
At 31 March/31 December	69,751	65,518	150,512	285,781	58,957	57,165	120,198	236,320
At 1 January								
- Financing and advances	55,816	56,927	120,198	232,941	32,598	96,136	125,877	254,611
- Financing commitments and financial guarantee	3,141	238	-	3,379	3,256	1,311	-	4,567
	58,957	57,165	120,198	236,320	35,854	97,447	125,877	259,178
At 31 March/December								
- Financing and advances	67,100	60,323	150,512	277,935	55,816	56,927	120,198	232,941
- Financing commitments and financial guarantee	2,651	5,195	-	7,846	3,141	238	-	3,379
	69,751	65,518	150,512	285,781	58,957	57,165	120,198	236,320

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019

13 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	31 March 2019			31 December 2018		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	65,870	74	32	51,596	82	144
- Swaps	80,063	390	393	31,503	-	1,291
Profit rate derivatives						
- Swaps	360,000	4,815	5,615	360,000	2,136	2,354
	<u>505,933</u>	<u>5,279</u>	<u>6,040</u>	<u>443,099</u>	<u>2,218</u>	<u>3,789</u>

14 OTHER ASSETS

	31 March 2019 RM'000	31 December 2018 RM'000
Profit receivable	35,291	32,640
Other receivables, deposits and prepayments	3,001	3,819
Amount due from immediate holding company	1,107	36,850
Amount due from ultimate holding company	14	869
	<u>39,413</u>	<u>74,178</u>

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

15 DEPOSITS FROM CUSTOMERS

	31 March 2019 RM'000	31 December 2018 RM'000
a) By type of deposit		
Savings deposits		
- Tawarruq	327,871	320,117
- Qard	199,592	198,718
Demand deposits		
- Tawarruq	306,943	279,644
- Qard	3,469,957	3,672,992
Term Deposits		
- Commodity Murabahah	6,560,115	6,056,503
- Qard	16,202	2,289
Negotiable instruments of deposit		
- Bai' Inah	49,853	-
- Bai Bithaman Ajil	75,060	74,269
Short term deposits		
- Tawarruq	803,536	1,198,312
General investment deposits		
- Mudharabah	16	16
	<u>11,809,145</u>	<u>11,802,860</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**15 DEPOSITS FROM CUSTOMERS (continued)**

	31 March 2019 RM'000	31 December 2018 RM'000
b) By type of customer		
Government and statutory bodies	1,974,980	1,699,447
Non-bank financial institutions	1,474,869	1,521,931
Business enterprises	5,015,156	5,329,983
Individuals	3,107,511	3,010,715
Foreign entities	113,577	112,348
Others	123,052	128,436
	<u>11,809,145</u>	<u>11,802,860</u>
c) Maturity structure of term/general investment deposits, negotiable instruments of deposit and short-term deposits		
Within six months	4,984,288	5,300,290
Six months to one year	2,241,165	1,939,961
One year to three years	279,329	91,128
Three years to five years	-	10
	<u>7,504,782</u>	<u>7,331,389</u>

16 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	31 March 2019 RM'000	31 December 2018 RM'000
Mudharabah RPSIA		
Licensed bank	1,344,101	1,379,286
Amount receivable from immediate holding company under RPSIA	(86,100)	(57,118)
	<u>1,258,001</u>	<u>1,322,168</u>

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	31 March 2019 RM'000	31 December 2018 RM'000
Non-Mudharabah		
Licensed banks	903,874	1,066,131
Other financial institutions	6,456	6,926
	<u>910,330</u>	<u>1,073,057</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**18 OTHER LIABILITIES**

	31 March 2019 RM'000	31 December 2018 RM'000
Profit payable	76,129	78,705
Other payables and accruals	80,178	58,064
Amount due to immediate holding company	20,611	10,028
Equity compensation benefits	758	676
Lease liabilities	3,626	-
	<u>181,302</u>	<u>147,473</u>

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

19 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.

20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	31 March 2019 RM'000	31 March 2018 RM'000
Income derived from investment of:		
(i) Term deposits/General investment deposits	81,978	86,374
(ii) Other deposits	76,580	65,437
	<u>158,558</u>	<u>151,811</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	31 March 2019 RM'000	31 March 2018 RM'000
(i) Income derived from investment of term/general investment deposits		
Finance income and hibah		
Unimpaired financing and advances	62,144	60,508
Impaired financing and advances	1,098	318
Financial assets at FVTPL	60	92
Financial investments at FVOCI	16,911	19,825
Deposits and placements with banks and other financial institutions	1,305	5,638
	<u>81,518</u>	<u>86,381</u>
Other trading income		
Net gain from sale of financial assets at FVTPL	-	252
Unrealised loss on financial assets at FVTPL	(1)	(240)
Other operating income		
Net gain/(loss) from sale of financial investments at FVOCI	315	(112)
Others	146	93
	<u>81,978</u>	<u>86,374</u>
(ii) Income derived from investment of other deposits		
Finance income and hibah		
Unimpaired financing and advances	58,051	45,841
Impaired financing and advances	1,025	241
Financial assets at FVTPL	57	69
Financial investments at FVOCI	15,798	15,019
Deposits and placements with banks and other financial institutions	1,220	4,272
	<u>76,151</u>	<u>65,442</u>
Other trading income		
Net gain from sale of financial assets at FVTPL	-	191
Unrealised loss on financial assets at FVTPL	(1)	(182)
Other operating income		
Net gain/(loss) from sale of financial investments at FVOCI	294	(85)
Others	136	71
	<u>76,580</u>	<u>65,437</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**21 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS**

	31 March 2019 RM'000	31 March 2018 RM'000
Finance income and hibah		
Unimpaired financing and advances	15,155	15,505
Impaired financing and advances	(812)	-
	<u>14,343</u>	<u>15,505</u>

22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	31 March 2019 RM'000	31 March 2018 RM'000
Finance income and hibah		
Unimpaired financing and advances	14,184	11,967
Impaired financing and advances	250	63
Financial assets at FVTPL	14	18
Financial investments at FVOCI	3,860	3,921
Deposits and placements with banks and other financial institutions	298	1,115
	<u>18,606</u>	<u>17,084</u>
Other trading income		
Net gain from sale of financial assets at FVTPL	-	50
Unrealised loss on financial assets at FVTPL	-	(47)
Other operating income		
Commission	3,561	10,160
Service charges and fees	3,707	4,528
Net gain/(loss) from sale of financial investments at FVOCI	72	(22)
Others	33	18
Other trading income		
Net trading (loss)/gain		
- Foreign currency	(896)	(257)
- Trading derivatives	3,459	4,400
- Revaluation of derivatives	806	596
	<u>29,348</u>	<u>36,510</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**23 IMPAIRMENT ALLOWANCE MADE / (WRITE BACK)**

	31 March 2019 RM'000	31 March 2018 RM'000
Financing and advances		
Stage 3 ECL		
- Made during the period	53,804	24,960
- Written back	(9,903)	(14,045)
Stage 1 and Stage 2 ECL		
- Made/(Written back) during the period	19,147	(2,040)
Impaired financing recovered	(5,705)	(7,094)
Recovery from RPSIA holder*	(29,794)	-
Financial investments at FVOCI		
Stage 1 and Stage 2 ECL	(71)	(719)
Other assets		
Stage 1 and Stage 2 ECL	-	(15)
	<u>27,478</u>	<u>1,047</u>

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

24 INCOME ATTRIBUTABLE TO DEPOSITORS

	31 March 2019 RM'000	31 March 2018 RM'000
Deposits from customers		
- Non-Mudharabah	82,209	84,956
- Mudharabah	-	1
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah	6,969	3,167
Subordinated sukuk	2,367	2,367
	<u>91,545</u>	<u>90,491</u>

25 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	31 March 2019 RM'000	31 March 2018 RM'000
Investment accounts due to designated financial institution		
- Mudharabah	10,698	10,853
	<u>10,698</u>	<u>10,853</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**26 OPERATING EXPENSES**

	31 March 2019 RM'000	31 March 2018 RM'000
Personnel expenses		
Wages, salaries and bonus	6,214	4,462
Employees Provident Fund contributions	1,001	775
Equity settled share-based payment transactions	89	81
Others	947	1,039
	<u>8,251</u>	<u>6,357</u>
Establishment expenses		
Depreciation of property and equipment	1,400	1,069
Rental of premises	3	737
Repair and maintenance	226	225
Information technology costs	155	422
Others	760	606
	<u>2,544</u>	<u>3,059</u>
Marketing expenses		
Advertising and business promotion	128	8
Transport and travelling	77	56
Others	15	7
	<u>220</u>	<u>71</u>
General administrative expenses		
Shared service fees to immediate holding company	26,427	25,638
IT and transaction processing fees to related companies	7,017	5,782
Others	3,000	4,928
	<u>36,444</u>	<u>36,348</u>
Total operating expenses	<u>47,459</u>	<u>45,835</u>

27 INCOME TAX EXPENSE

	31 March 2019 RM'000	31 March 2018 RM'000
Malaysian income tax		
- Current period	8,432	13,315
Deferred tax		
- Origination and reversal of temporary differences	(3,293)	194
	<u>5,139</u>	<u>13,509</u>

28 CAPITAL COMMITMENTS

	31 March 2019 RM'000	31 December 2018 RM'000
Capital commitment in respect of property and equipment		
- Contracted but not provided for	104	104
	<u>104</u>	<u>104</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**29 COMMITMENTS AND CONTINGENCIES**

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

The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined by BNM for regulatory capital adequacy purposes.

	31 March 2019			31 December 2018		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	96,121	96,121	88,148	108,967	108,967	92,241
Transaction-related contingent items	396,638	200,738	142,629	392,465	198,492	144,226
Short-term self-liquidating trade-related contingencies	35,701	8,192	5,451	37,147	8,435	5,626
Foreign exchange related contracts						
- Less than one year	65,870	147	39	83,099	739	196
- One year to five years	80,063	10,802	4,454	-	-	-
Profit rate related contracts						
- Five years and above	360,000	38,015	26,344	360,000	34,754	23,033
Formal standby facilities and credit lines						
- Maturity exceeding one year	797,313	617,472	519,237	991,141	756,472	799,448
Other unconditionally cancellable commitments	2,608,098	97,665	15,101	2,740,467	82,305	12,442
	4,439,804	1,069,152	801,403	4,713,286	1,190,164	1,077,212

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**30 FAIR VALUE 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 government 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. Deposits from customers. Investment accounts due to designated financial institutions. Deposits and placement of banks and other financial institutions. Subordinated sukuk.	

Financial instruments carried at fair value

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
31 March 2019			
Financial assets at fair value			
Financial assets at FVTPL	-	16,098	16,098
Financial investments at FVOCI	2,611,848	1,739,376	4,351,224
Derivative financial assets	32	5,247	5,279
	<u>2,611,880</u>	<u>1,760,721</u>	<u>4,372,601</u>
Financial liabilities at fair value			
Derivative financial liabilities	-	6,040	6,040
31 December 2018			
Financial assets at fair value			
Financial assets at FVTPL	-	9,980	9,980
Financial investments at FVOCI	2,322,794	1,967,907	4,290,701
Derivative financial assets	21	2,197	2,218
	<u>2,322,815</u>	<u>1,980,084</u>	<u>4,302,899</u>
Financial liabilities at fair value			
Derivative financial liabilities	86	3,703	3,789

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2019**31 CAPITAL ADEQUACY**

The capital ratios are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

	31 March 2019 RM'000	31 December 2018 RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	821,721	821,721
Other reserves	104,203	93,610
Regulatory adjustment for CET 1 capital	(106,971)	(102,233)
Eligible CET 1 / Tier 1 capital	<u>1,373,953</u>	<u>1,368,098</u>
Tier 2 capital		
Stage 1 and Stage 2 ECL and qualifying regulatory reserves under the Standardised Approach	3,921	4,160
Surplus eligible provisions over expected losses	50,254	47,604
Subordinated sukuk	200,000	200,000
Eligible Tier 2 capital	<u>254,175</u>	<u>251,764</u>
Capital base	<u>1,628,128</u>	<u>1,619,862</u>
Before the effects of PSIA		
CET 1 / Tier 1 capital ratio	12.590%	12.983%
Total capital ratio	<u>14.919%</u>	<u>15.373%</u>
After the effects of PSIA		
CET 1 / Tier 1 capital ratio	14.466%	15.054%
Total capital ratio	<u>17.143%</u>	<u>17.825%</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 RPSIA which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 31 March 2019, credit risks related to RPSIA assets excluded from the total capital ratio calculation amounted to RM1,416 million (31 December 2018: RM1,450 million).

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

	31 March 2019 RM'000	31 December 2018 RM'000
Total RWA for credit risk	8,689,373	8,266,772
Total RWA for market risk	2,154	2,616
Total RWA for operational risk	806,047	818,290
	<u>9,497,574</u>	<u>9,087,678</u>