

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

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

Domiciled in Malaysia
Registered Office:
19th Floor Menara OCBC
18 Jalan Tun Perak
50050 Kuala Lumpur

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

CONTENTS	PAGE
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	5 - 29

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

ASSETS	Note	30 June 2017 RM'000	31 December 2016 RM'000
Cash and cash equivalents	8	1,318,019	1,960,773
Financial investments available-for-sale	9	3,869,036	3,244,999
Financing and advances	10	10,000,043	9,621,734
Derivative financial assets	12	143	75
Other assets	13	34,161	73,419
Tax recoverable		313	8,079
Statutory deposits with Bank Negara Malaysia		303,000	327,000
Property and equipment		11,328	13,416
Deferred tax assets		760	5,135
Total assets		<u>15,536,803</u>	<u>15,254,630</u>
 LIABILITIES			
Islamic deposits from customers	14	10,811,983	11,320,720
Investment accounts due to designated financial institution	15	2,278,914	1,367,037
Deposits and placements of banks and other financial institutions	16	778,998	1,022,718
Bills and acceptances payable		22,483	30,483
Derivative financial liabilities	12	107	410
Other liabilities	17	215,255	182,322
Subordinated sukuk	18	200,000	200,000
Zakat payable		70	45
Total liabilities		<u>14,307,810</u>	<u>14,123,735</u>
 EQUITY			
Share capital		555,000	185,000
Reserves		673,993	945,895
Total equity		<u>1,228,993</u>	<u>1,130,895</u>
 Total liabilities and equity		 <u>15,536,803</u>	 <u>15,254,630</u>
 Commitments and contingencies	 28	 <u>2,956,449</u>	 <u>2,806,487</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.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017**

	Note	Quarter Ended		Year-To-Date Ended	
		30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of depositors' funds and others	19	152,070	183,318	310,809	364,863
Income derived from investment of investment account funds	20	22,783	11,095	42,789	22,573
Income derived from investment of shareholders fund	21	36,314	26,026	65,320	51,205
Impairment allowance on financing and advances	22	1,117	(18,265)	(14,741)	(35,078)
Total distributable income		212,284	202,174	404,177	403,563
Income attributable to depositors	23	(83,472)	(97,493)	(169,856)	(189,358)
Income attributable to investment account holder	24	(15,949)	(7,796)	(29,958)	(15,831)
Total net income		112,863	96,885	204,363	198,374
Operating expenses	25	(47,079)	(54,529)	(93,365)	(106,424)
Profit before zakat and taxation		65,784	42,356	110,998	91,950
Income tax expense	26	(15,078)	(8,523)	(25,233)	(19,409)
Zakat		(13)	(11)	(25)	(22)
Profit for the period		50,693	33,822	85,740	72,519
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		5,713	9,490	15,885	22,595
- Transferred to profit or loss		286	1,037	381	1,649
Income tax effect		(1,441)	(2,527)	(3,908)	(5,856)
Other comprehensive income for the period, net of income tax		4,558	8,000	12,358	18,388
Total comprehensive income for the period		55,251	41,822	98,098	90,907
Profit attributable to owner of the Bank		50,693	33,822	85,740	72,519
Total comprehensive income attributable to the owner of the Bank		55,251	41,822	98,098	90,907
Basic earnings per ordinary share (sen)		27.41	18.28	46.35	39.20

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 JUNE 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	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	-	-	-	-	15,885	-	15,885
- Transferred to profit or loss	-	-	-	-	381	-	381
Income tax effect	-	-	-	-	(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	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
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	-	-	-	-	22,595	-	22,595
- Transferred to profit or loss	-	-	-	-	1,649	-	1,649
Income tax effect	-	-	-	-	(5,856)	-	(5,856)
Total other comprehensive income for the period	-	-	-	-	18,388	-	18,388
Profit for the period	-	-	-	-	-	72,519	72,519
Total comprehensive income for the period	-	-	-	-	18,388	72,519	90,907
At 30 June 2016	185,000	370,000	185,000	-	15,621	321,267	1,076,888

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

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

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.

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	30 June 2017 RM'000	30 June 2016 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	110,998	91,950
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial investments available-for-sale	(381)	1,649
- Property and equipment	8	33
Depreciation of property and equipment	2,316	2,657
Impairment allowance on financing and advances	14,741	35,078
Share-based expenses	105	88
Unrealised gain on revaluation of derivatives	(369)	(635)
Operating profit before changes in working capital	<u>127,418</u>	<u>130,820</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financing and advances	(403,929)	319,458
Derivative financial assets	(68)	(418)
Other assets	39,638	(1,519)
Statutory deposits with Bank Negara Malaysia	24,000	47,700
Islamic deposits from customers	(508,737)	1,919,977
Investment accounts due to designated financial institution	922,756	(114,909)
Deposits and placements of banks and other financial institutions	(243,720)	(845,522)
Bills and acceptances payable	(8,000)	(971)
Derivative financial liabilities	(303)	(219)
Other liabilities	32,828	46,523
Cash (used in)/generated from operations	<u>(18,117)</u>	<u>1,500,920</u>
Income tax and zakat paid	(17,000)	(19,660)
Net cash (used in)/generated from operating activities	<u>(35,117)</u>	<u>1,481,260</u>
Cash flows from investing activities		
Acquisition of financial investments available-for-sale	(3,939,000)	(2,768,932)
Proceeds from disposal of financial investments available-for-sale	3,331,610	2,211,242
Acquisition of property and equipment	(250)	(4,147)
Proceeds from disposal of property and equipment	3	2
Net cash used in investing activities	<u>(607,637)</u>	<u>(561,835)</u>
Net (decrease)/increase in cash and cash equivalents	(642,754)	919,425
Cash and cash equivalents at 1 January	<u>1,960,773</u>	<u>1,131,012</u>
Cash and cash equivalents at 30 June	<u>1,318,019</u>	<u>2,050,437</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 JUNE 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 RM85.7 million for the financial period ended 30 June 2017, a 18% or RM13.2 million increase against the corresponding period last year. The increase was mainly due to lower allowances of RM20.3 million, higher income from shareholders fund of RM14.1 million, lower operating expenses of RM13.1 million, higher net income from investment account funds of RM6.1 million and lower income attributable to depositors of RM19.5 million partially offset by lower income from investment of depositors' funds and others of RM54.1 million and higher taxes of RM5.8 million.

Allowances decreased by RM20.3 million mainly due to higher recoveries of RM16.2 million and lower collective impairment allowance of RM4.8 million.

The increase in income from investment of shareholder funds was mainly from higher fee and commission income of RM12.2 million and foreign exchange gains of RM2.8 million while income attributable to depositors decline in tandem with decreased customer deposits.

Operating expenses decreased by RM13.1 million or -12% mainly due to lower shared service costs of RM8.6 million and personnel costs of RM2.5 million on account of tighter cost management and moderated growth.

Gross financing and advances increased by RM0.4 billion or 4% in the first half of 2017, mainly from several large corporate drawdowns during the period. Deposits from customers decreased by RM0.5 billion or 5% over the same period to RM10.8 billion, mainly from domestic non-bank financial institutions and business enterprises which reduced by RM0.3 billion and RM0.2 billion respectively.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 capital ratios of 17.263% and total capital ratio of 20.794%.

ECONOMIC PERFORMANCE AND PROSPECTS

The global economy continues to strengthen with growth across countries. Industrial activity and global trade have been exceeding earlier projections. In the advanced economies, the broad-based increase in investments amid the steady growth in consumption is raising growth prospects. In Asia, growth is expected to be driven by domestic activity and stronger external demand. Risks to the global growth outlook arise mainly from political and policy uncertainties in the major economies, geopolitical and financial market developments, and volatility of commodity prices.

The Malaysian economy performed better than expected in the first quarter of 2017. Growth was lifted by stronger domestic demand with additional impetus from exports. Going forward, favourable global growth is expected with sustained export performance and positive spillovers to the domestic economy. Private consumption will be underpinned by higher wages and employment. The improved investment outlook is being driven by new and ongoing infrastructure projects, and stronger capacity expansion in the manufacturing and services sectors. Barring unforeseen circumstances, the economy is expected to register higher growth in 2017. Headline inflation moderated to 3.9% in May, driven mainly by lower domestic fuel prices. Headline inflation is expected to moderate in the second half of the year mainly reflecting the waning effect of global cost factors while domestic inflation is expected to remain contained. The Government has maintained its full-year GDP growth forecast for 2017 in the 4.2% to 4.8% range.

The domestic financial markets have been resilient. The ringgit has remained stable with more balanced demand and supply of foreign currencies following the implementation of the two financial market development measures.

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 JUNE 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 annual periods commencing on or after 1 January 2019

- MFRS 16, *Leases*

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.

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.

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

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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.

(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 revised component of capital funds shall exclude share premium and reserve fund.

The adoption of the Revised Policy Document will not have any financial impact on the Bank.

2 SIGNIFICANT ACCOUNTING POLICIES

The Accounting policies applied in the unaudited condensed interim financial statements are 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.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****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 June 2017.

6 SIGNIFICANT AND SUBSEQUENT EVENTS

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

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 June 2017.

8 CASH AND CASH EQUIVALENTS

	30 June 2017 RM'000	31 December 2016 RM'000
Cash and balances with banks and other financial institutions	69,180	26,978
Deposit placements with BNM	1,248,839	1,933,795
	<u>1,318,019</u>	<u>1,960,773</u>

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

Malaysia	1,276,267	1,955,769
Singapore	9,341	1,219
Other Asean	1,846	97
Rest of the world	30,565	3,688
	<u>1,318,019</u>	<u>1,960,773</u>

9 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30 June 2017 RM'000	31 December 2016 RM'000
At fair value		
Malaysian Government Investment Issues	1,965,037	1,728,949
Malaysian Government Sukuk	97,829	92,778
Malaysian Government Islamic Treasury Bills	49,081	49,871
Islamic Corporate Sukuk	623,810	430,869
Islamic Negotiable Instruments of Deposit	896,168	698,689
Sanadat Mudharabah Cagamas	10,130	10,123
Foreign Government Sukuk	226,981	233,720
	<u>3,869,036</u>	<u>3,244,999</u>

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

(i) By type and Shariah contract

	Sale based contracts					Lease based contracts			Equity based contracts		Total
	Bai' Bithaman		Tawarruq	Murabahah	Bai' Dayn	Ijarah Thumma Al- Bai	Ijarah		Musharakah Mutanaqisah	Others	
	Bai' Inah	Ajil					Bi	Al-Tamlik			
30 June 2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At amortised cost and net of unearned income											
Cash line financing	57,028	24,475	-	-	-	-	206,464	-	-	950	288,917
Term Financing											
- House financing	-	12,888	-	-	-	-	-	1,915,330	96,231	-	2,024,449
- Syndicated term financing	-	-	50,024	-	-	-	-	319,294	-	-	369,318
- Hire purchase receivables	-	-	-	-	-	292,845	-	189,507	-	-	482,352
- Other term financing	860,189	132,337	324,094	-	-	-	-	2,282,482	125,666	-	3,724,768
Bills receivable	-	-	-	-	38,004	-	-	-	-	-	38,004
Revolving credit	-	-	2,813,198	-	-	-	-	-	-	-	2,813,198
Claims on customers under acceptance credits	-	-	-	338,417	86,672	-	-	-	-	-	425,089
Other financing	-	-	-	104,605	-	-	-	-	-	-	104,605
Gross financing and advances	917,217	169,700	3,187,316	443,022	124,676	292,845	206,464	4,706,613	221,897	950	10,270,700
Allowance for financing and advances											
- Individual impairment											(90,178)
- Collective impairment											(180,479)
Net financing and advances											10,000,043

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 impairment and individual impairment allowances arising thereon.

As at 30 June 2017, the gross exposure relating to RPSIA financing is RM2,302 million (2016: RM1,333 million) and the collective impairment and individual impairment relating to these RPSIA financing 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 JUNE 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 Thumma Al- Bai RM'000	Ijarah Ijarah RM'000	Ijarah Muntahiah Bi Al-Tamlik RM'000		Musharakah Mutanaqisah RM'000		Others RM'000
	Bai' Inah RM'000	Ajil RM'000						Others 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 JUNE 2017 (continued)**10 FINANCING AND ADVANCES (continued)**

	30 June 2017 RM'000	31 December 2016 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	26,213	49,867
Domestic business enterprises		
- Small and medium enterprises	2,179,172	2,444,209
- Others	4,053,840	4,102,921
Individuals	2,638,025	2,764,562
Foreign entities	1,373,450	527,197
	<u>10,270,700</u>	<u>9,888,756</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	21,430	23,120
- Hire purchase receivables	295,887	375,310
- Other fixed rate financing	2,113,437	2,461,961
Variable rate		
- Base financing rate plus	3,320,764	3,407,135
- Cost plus	4,234,503	3,359,799
- Other variable rates	284,679	261,431
	<u>10,270,700</u>	<u>9,888,756</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,180,525	1,150,070
Mining and quarrying	257,278	301,638
Manufacturing	1,612,797	1,760,308
Electricity, gas and water	57,894	61,218
Construction	400,412	448,263
Real estate	611,651	586,417
Wholesale & retail trade and restaurants & hotels	1,078,960	1,200,474
Transport, storage and communication	228,526	240,846
Finance, insurance and business services	265,663	323,396
Community, social and personal services	564,872	523,126
Household		
- Purchase of residential properties	2,066,005	2,070,568
- Purchase of non-residential properties	43,635	45,001
- Others	646,471	757,580
Others	1,256,011	419,851
	<u>10,270,700</u>	<u>9,888,756</u>
(v) By geographical distribution		
Malaysia	9,141,283	9,624,679
Singapore	656,595	53,753
Other ASEAN	261,481	2,826
Rest of the world	211,341	207,498
	<u>10,270,700</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 JUNE 2017 (continued)****10 FINANCING AND ADVANCES (continued)**

	30 June 2017 RM'000	31 December 2016 RM'000
(vi) By residual contractual maturity		
Within one year	3,803,161	3,044,307
One year to less than three years	1,047,316	1,295,556
Three years to less than five years	805,181	733,563
Over five years	4,615,042	4,815,330
	<u>10,270,700</u>	<u>9,888,756</u>

11 IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	30 June 2017 RM'000	31 December 2016 RM'000
At 1 January	297,552	285,424
Impaired during the period/year	278,541	322,408
Reclassified as unimpaired	(39,664)	(60,439)
Amount recovered	(62,447)	(163,270)
Amount written off	(35,416)	(90,350)
Effect of foreign exchange difference	(4,007)	3,779
At 30 June/31 December	<u>434,559</u>	<u>297,552</u>
Individual impairment allowance	(90,178)	(80,043)
Collective impairment allowance	(6,105)	(4,146)
Net impaired financing and advances	<u>338,276</u>	<u>213,363</u>

(i) By sector

Agriculture, hunting, forestry and fishing	261	529
Mining and quarrying	90,984	91,796
Manufacturing	35,406	38,394
Construction	2,708	2,977
Real estate	7,037	8,244
Wholesale & retail trade and restaurants & hotels	48,510	38,638
Transport, storage and communication	5,028	7,096
Finance, insurance and business services	12,777	6,352
Community, social and personal services	1,760	2,784
Household		
- Purchase of residential properties	69,523	55,374
- Purchase of non-residential properties	255	252
- Others	41,496	44,535
Others	118,814	581
	<u>434,559</u>	<u>297,552</u>

(ii) By geographical distribution

Malaysia	<u>434,559</u>	<u>297,552</u>
----------	----------------	----------------

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****11 IMPAIRED FINANCING AND ADVANCES (continued)**

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

	30 June 2017 RM'000	31 December 2016 RM'000
(iii) By period overdue		
Less than 3 months	99,098	91,663
3 months to less than 6 months	173,674	58,263
6 months to less than 9 months	15,486	104,226
Over 9 months	146,301	43,400
	<u>434,559</u>	<u>297,552</u>
(iv) By collateral type		
Property	108,719	84,736
Machinery	3,077	3,202
Secured - others	234,712	115,660
Unsecured - corporate and other guarantees	431	8
Unsecured - clean	87,620	93,946
	<u>434,559</u>	<u>297,552</u>

(b) Movements in allowance for financing and advances

Individual impairment allowance

At 1 January	80,043	82,433
Made during the period/year	79,215	154,465
Written back	(33,203)	(65,613)
Written off	(35,415)	(90,350)
Financing income earned on impaired financing	(462)	(892)
At 30 June/31 December	<u>90,178</u>	<u>80,043</u>

Collective impairment allowance

At 1 January	186,979	190,479
Made during the period/year	3,500	-
Written back	(10,000)	(3,500)
At 30 June/31 December	<u>180,479</u>	<u>186,979</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****11 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance for financing and advances (continued)

	Individual impairment allowance RM'000	Individual impairment made during the year RM'000	Individual impairment allowance written off RM'000	Collective impairment allowance RM'000
(i) By sector				
30 June 2017				
Agriculture, hunting, forestry and fishing	19	19	-	20,928
Mining and quarrying	163	-	-	4,558
Manufacturing	4,507	2,826	1,731	28,512
Electricity, gas and water	-	-	-	1,026
Construction	851	634	571	7,083
Real estate	2,673	-	-	10,796
Wholesale & retail trade and restaurants & hotels	14,581	9,476	6,088	18,869
Transport, storage and communication	1,569	897	749	4,023
Finance, insurance and business services	3,263	3,669	2,156	4,652
Community, social and personal services	742	771	838	10,001
Household				
- Purchase of residential properties	11,714	4,734	195	36,418
- Purchase of non-residential properties	19	3	-	773
- Others	39,198	45,307	23,087	10,766
Others	10,879	10,879	-	22,074
	<u>90,178</u>	<u>79,215</u>	<u>35,415</u>	<u>180,479</u>
31 December 2016				
Agriculture, hunting, forestry and fishing	32	118	425	21,923
Mining and quarrying	180	235	-	5,746
Manufacturing	4,559	4,148	4,955	33,469
Electricity, gas and water	-	-	-	1,167
Construction	1,005	1,815	1,590	8,526
Real estate	2,680	298	-	11,127
Wholesale & retail trade and restaurants & hotels	13,551	21,881	17,921	22,626
Transport, storage and communication	1,818	3,235	2,181	4,556
Finance, insurance and business services	2,731	6,670	5,428	6,113
Community, social and personal services	1,169	1,806	2,193	9,950
Household				
- Purchase of residential properties	9,685	9,655	347	39,286
- Purchase of non-residential properties	16	1	-	858
- Others	42,563	104,580	55,310	13,630
Others	54	23	-	8,002
	<u>80,043</u>	<u>154,465</u>	<u>90,350</u>	<u>186,979</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****11 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance for financing and advances (continued)

	30 June 2017 RM'000	31 December 2016 RM'000
(ii) By geographical distribution		
Individual impairment allowance		
Malaysia	90,178	80,043
Collective impairment allowance		
Malaysia	160,458	181,945
Singapore	11,640	1,025
Other ASEAN	4,635	54
Rest of the world	3,746	3,955
	<u>180,479</u>	<u>186,979</u>

12 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	<u>30 June 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	41,201	143	106	67,266	75	410
- Swaps	631	-	1	-	-	-
	<u>41,832</u>	<u>143</u>	<u>107</u>	<u>67,266</u>	<u>75</u>	<u>410</u>

13 OTHER ASSETS

	30 June 2017 RM'000	31 December 2016 RM'000
Profit receivable	25,698	25,817
Other receivables, deposits and prepayments	7,418	3,451
Amount due from immediate holding company	956	44,145
Amount due from ultimate holding company	89	6
	<u>34,161</u>	<u>73,419</u>

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

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

	30 June 2017 RM'000	31 December 2016 RM'000
a) By type of deposit		
Savings deposits		
- Wadiah	254,636	257,886
- Tawarruq	199,073	176,509
- Qard	503	824
Demand deposits		
- Wadiah	3,452,369	3,558,672
- Tawarruq	16,215	6,069
- Qard	602	182
Term Deposits		
- Commodity Murabahah	6,563,003	6,821,131
- Qard	17,073	53,562
Negotiable instruments of deposits		
- Bai Bithaman Ajil	69,618	68,149
Short-term deposits		
- Tawarruq	238,744	377,592
General investment deposits		
- Mudharabah	147	144
	<u>10,811,983</u>	<u>11,320,720</u>
b) By type of customer		
Government and statutory bodies	1,464,848	1,408,402
Non-bank financial institutions	633,957	960,027
Business enterprises	5,469,656	5,648,386
Individuals	3,020,987	3,098,872
Foreign entities	88,721	81,777
Others	133,814	123,256
	<u>10,811,983</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	5,028,707	5,160,684
Six months to one year	1,618,892	2,018,533
One year to three years	171,359	72,912
Three years to five years	69,627	68,449
	<u>6,888,585</u>	<u>7,320,578</u>

15 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	30 June 2017 RM'000	31 December 2016 RM'000
Mudharabah restricted investment account (RPSIA)		
Licensed bank	2,289,793	1,367,037
Amount receivable from immediate holding company under RPSIA	(10,879)	-
	<u>2,278,914</u>	<u>1,367,037</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)**16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	30 June 2017 RM'000	31 December 2016 RM'000
Non-Mudharabah		
Licensed banks	776,787	1,020,173
Other financial institutions	2,211	2,545
	<u>778,998</u>	<u>1,022,718</u>

17 OTHER LIABILITIES

	30 June 2017 RM'000	31 December 2016 RM'000
Profit payable	94,177	98,905
Other payables and accruals	96,106	74,779
Amount due to immediate holding company	24,417	7,931
Equity compensation benefits	555	707
	<u>215,255</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 JUNE 2017 (continued)****19 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	Quarter Ended		Year-To-Date Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Income derived from investment of:				
(i) General investment deposits	86,330	107,365	178,081	205,806
(ii) Other deposits	65,740	75,953	132,728	159,057
	<u>152,070</u>	<u>183,318</u>	<u>310,809</u>	<u>364,863</u>

(i) Income derived from investment of general investment deposits

Finance income and hibah

Unimpaired financing and advances	64,328	85,166	132,875	165,245
Impaired financing and advances	128	125	240	200
Financial investments available-for-sale	14,997	17,107	30,644	31,347
Deposits and placements with banks and other financial institutions	6,518	5,478	13,933	9,780
	<u>85,971</u>	<u>107,876</u>	<u>177,692</u>	<u>206,572</u>

Other operating income

Net gain/(loss) from sale of financial investments available-for-sale	244	(562)	195	(868)
Others	115	51	194	102
	<u>86,330</u>	<u>107,365</u>	<u>178,081</u>	<u>205,806</u>

(ii) Income derived from investment of other deposits

Finance income and hibah

Unimpaired financing and advances	48,985	60,249	99,032	127,853
Impaired financing and advances	97	88	179	151
Financial investments available-for-sale	11,421	12,101	22,845	24,122
Deposits and placements with banks and other financial institutions	4,964	3,876	10,378	7,507
	<u>65,467</u>	<u>76,314</u>	<u>132,434</u>	<u>159,633</u>

Other operating income

Net gain/(loss) from sale of financial investments available-for-sale	186	(397)	149	(656)
Others	87	36	145	80
	<u>65,740</u>	<u>75,953</u>	<u>132,728</u>	<u>159,057</u>

20 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Finance income and hibah				
Unimpaired financing and advances	22,783	10,298	42,029	20,701
Deposits and placements with banks and other financial institutions	-	797	760	1,872
	<u>22,783</u>	<u>11,095</u>	<u>42,789</u>	<u>22,573</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****21 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS FUND**

	Quarter Ended		Year-To-Date Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Finance income and hibah				
Unimpaired financing and advances	12,015	11,808	23,669	24,067
Impaired financing and advances	24	17	43	28
Financial investments available-for-sale	2,802	2,371	5,462	4,551
Deposits and placements with banks and other financial institutions	1,218	760	2,479	1,418
	<u>16,059</u>	<u>14,956</u>	<u>31,653</u>	<u>30,064</u>
Other operating income				
Commission	4,825	2,983	9,248	6,102
Service charges and fees	11,975	4,508	17,527	8,498
Net gain/(loss) from sale of financial investments available-for-sale	46	(78)	37	(125)
Others	21	7	34	15
Other trading income				
Net trading gain/(loss)				
- Foreign currency	372	(339)	379	(2,374)
- Trading derivatives	3,034	5,619	6,073	8,390
- Revaluation of derivatives	(18)	(1,630)	369	635
	<u>36,314</u>	<u>26,026</u>	<u>65,320</u>	<u>51,205</u>

22 IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES

	Quarter Ended		Year-To-Date Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Individual impairment allowance				
- Made during the period	43,379	41,033	79,215	76,299
- Written back	(16,602)	(16,432)	(33,203)	(30,980)
Collective impairment allowance				
- Made during the period	-	-	3,500	-
- Written back	(10,000)	(1,700)	(10,000)	(1,700)
Impaired financing written off	-	-	-	4
Impaired financing recovered	(7,015)	(4,636)	(13,892)	(8,545)
Recovery from RPSIA holder*	(10,879)	-	(10,879)	-
	<u>(1,117)</u>	<u>18,265</u>	<u>14,741</u>	<u>35,078</u>

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

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

	Quarter Ended		Year-To-Date Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Deposits from customers				
- Non-Mudharabah	78,057	90,680	159,017	169,728
- Mudharabah	1	1	2	2
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	3,020	4,095	6,076	14,223
Subordinated sukuk	2,394	2,717	4,761	5,405
	83,472	97,493	169,856	189,358

24 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	15,949	7,796	29,958	15,831

25 OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Personnel expenses				
Wages, salaries and bonus	5,285	6,573	11,079	13,206
Employees Provident Fund contributions	904	1,076	1,775	2,100
Share-based expenses	16	9	105	88
Others	618	712	1,368	1,482
	6,823	8,370	14,327	16,876
Establishment expenses				
Depreciation of property and equipment	1,155	1,669	2,316	2,657
Rental of premises	723	777	1,432	1,521
Repair and maintenance	199	195	377	364
Information technology costs	76	140	126	340
Others	660	802	1,282	1,462
	2,813	3,583	5,533	6,344
Marketing expenses				
Advertising and business promotion	117	118	201	461
Transport and travelling	96	148	182	313
Others	22	75	27	49
	235	341	410	823

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

	Quarter Ended		Year-To-Date Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
General administrative expenses				
Shared service fees to immediate holding company	24,990	28,695	47,861	56,478
Transaction processing fees to related companies	6,120	6,307	12,712	12,751
Others	6,098	7,233	12,522	13,152
	<u>37,208</u>	<u>42,235</u>	<u>73,095</u>	<u>82,381</u>
Total operating expenses	<u>47,079</u>	<u>54,529</u>	<u>93,365</u>	<u>106,424</u>

26 INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 June 2017 RM'000	30 June 2016 RM'000	30 June 2017 RM'000	30 June 2016 RM'000
Malaysian income tax				
- Current period	15,016	9,061	24,772	19,362
- Prior periods	(6)	1,437	(6)	1,437
Deferred tax				
- Origination and reversal of temporary differences	68	(538)	467	47
- Prior periods	-	(1,437)	-	(1,437)
	<u>15,078</u>	<u>8,523</u>	<u>25,233</u>	<u>19,409</u>

27 CAPITAL COMMITMENTS

	30 June 2017 RM'000	31 December 2016 RM'000
Capital expenditure in respect of property and equipment		
- Contracted but not provided for	<u>31</u>	<u>91</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 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 Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (CAFIB Basel II) - Disclosure Requirements (Pillar 3).

	30 June 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	88,301			88,301	58,143	84,883			84,883	54,263
Transaction-related contingent items	333,230			168,478	110,889	321,947			164,357	126,990
Short-term self-liquidating trade-related contingencies	40,632			8,230	4,677	22,781			4,556	2,876
Foreign exchange related contracts - Less than one year	41,832	143	107	218	179	67,266	75	410	364	229
Formal standby facilities and credit lines - Maturity exceeding one year	338,444			278,279	132,339	263,145			231,541	57,790
Other unconditionally cancellable commitments	2,114,010			50,732	8,293	2,046,465			43,629	7,530
	2,956,449	143	107	594,238	314,520	2,806,487	75	410	529,330	249,678

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****29 CREDIT EXPOSURE TO CONNECTED PARTIES**

	30 June 2017 RM'000	31 December 2016 RM'000
Aggregate value of outstanding credit exposures with connected parties[^]		
Credit facility and leasing (except guarantee)	1,086	6,454
Commitments and contingencies*	<u>32,433</u>	<u>32,261</u>
	<u>33,519</u>	<u>38,715</u>
Impaired or in default	<u>-</u>	<u>-</u>
Outstanding credit exposures to connected parties		
As a proportion of total credit exposures	<u>0.29%</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.

30 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 2017 RM'000	31 December 2016 RM'000
Cash and cash equivalents		1,318,019	1,960,773
Financial investments available-for-sale	(a)	3,869,036	3,244,999
Financing and advances	(b)	10,270,700	9,888,756
Derivative financial assets	(c)	143	75
Other assets		34,161	73,419
Contingent liabilities and credit commitments	(d)	<u>2,914,617</u>	<u>2,739,221</u>
		<u>18,406,676</u>	<u>17,907,243</u>

(a) Credit quality of financial investments available-for-sale

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 2017 RM'000	31 December 2016 RM'000
(i) By issuer		
Government and Central Bank	2,111,947	1,871,598
Foreign government	226,981	233,720
Public sector	315,255	34,658
Banking institutions	896,168	698,689
Non-bank financial institutions	40,180	50,190
Business enterprises	<u>278,505</u>	<u>356,144</u>
	<u>3,869,036</u>	<u>3,244,999</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****30 CREDIT RISK (continued)****(a) Credit quality of financial investments available-for-sale (continued)**

	30 June 2017 RM'000	31 December 2016 RM'000
(ii) By geography		
Malaysia	3,642,055	3,011,279
Other ASEAN	123,114	126,664
Rest of the world	103,867	107,056
	<u>3,869,036</u>	<u>3,244,999</u>
(iii) By credit rating		
Government and Central Bank (unrated)	1,052,468	1,036,700
Government (AAA to A)	1,059,479	834,898
Foreign government (unrated)	23,064	23,040
Foreign government (AAA to BBB)	203,917	210,680
Investment grade (AAA to BBB)	175,507	231,316
Unrated	1,354,601	908,365
	<u>3,869,036</u>	<u>3,244,999</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	29,744	29,341
Electricity, gas and water	115,912	115,330
Transport, storage and communication	34,866	34,658
Finance, insurance and business services	1,079,525	935,382
Others	2,608,989	2,130,288
	<u>3,869,036</u>	<u>3,244,999</u>
(v) By residual contractual maturity		
Within one year	2,054,654	1,513,601
One to five years	1,425,925	1,340,417
Over five years	388,457	390,981
	<u>3,869,036</u>	<u>3,244,999</u>

(b) 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 90 days.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****30 CREDIT RISK (continued)****(b) Credit quality of financing and advances (continued)**

	30 June 2017 RM'000	31 December 2016 RM'000
Neither past due nor impaired	9,674,011	9,430,850
Past due financing	537,101	392,501
- Unimpaired	162,130	160,354
- Impaired	374,971	232,147
Impaired but not past due	59,588	65,405
Gross financing and advances	10,270,700	9,888,756
Neither past due nor impaired		
(i) By internal grading		
Pass	9,085,584	8,889,850
Special mention	588,427	541,000
	9,674,011	9,430,850
Past due but not impaired		
(i) By period overdue		
Less than 2 months	136,337	135,167
2 months to less than 3 months	25,793	25,187
	162,130	160,354
(ii) By geographical distribution		
Malaysia	162,130	160,354
(iii) By sector		
Agriculture, hunting, forestry and fishing	840	783
Manufacturing	16,904	14,194
Construction	4,259	2,234
Real estate	588	-
Wholesale & retail trade and restaurants & hotels	33,877	34,233
Transport, storage and communication	5,866	3,326
Finance, insurance and business services	9,592	9,533
Community, social and personal services	1,287	2,675
Household		
- Purchase of residential properties	52,545	49,746
- Others	36,372	43,630
	162,130	160,354

The analysis of impaired financing and advances are detailed in Note 11 of the financial statements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****30 CREDIT RISK (continued)****(b) Credit quality of financing and advances (continued)*****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 2017 and 31 December 2016, 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.

	30 June 2017 RM'000	31 December 2016 RM'000
Fair value of collateral held against the covered portion of financing and advances	634,913	485,843
Covered portion of financing and advances	346,508	203,598
Uncovered portion of financing and advances	88,051	93,954
	434,559	297,552

(c) Credit quality of derivative assets

	30 June 2017 RM'000	31 December 2016 RM'000
(i) By counterparty		
Banking institutions	6	38
Non-bank financial institutions	2	9
Business enterprises	135	28
	143	75
(ii) By geographical distribution		
Malaysia	141	71
Singapore	2	4
	143	75
(iii) By sector		
Manufacturing	60	10
Construction	15	1
Wholesale & retail trade and restaurants & hotels	42	15
Transport, storage and communication	2	-
Finance, insurance and business services	13	49
Community, social and personal services	11	-
	143	75

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)****30 CREDIT RISK (continued)****(c) Credit quality of derivative assets (continued)**

	30 June 2017 RM'000	31 December 2016 RM'000
(iv) By residual contractual maturity		
Within one year	143	75

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

	30 June 2017 RM'000	31 December 2016 RM'000
(i) By counterparty		
Banking institutions	145,946	150,236
Non-bank financial institutions	2,530	2,052
Business enterprises	2,647,049	2,427,308
Individuals	119,092	159,625
	<u>2,914,617</u>	<u>2,739,221</u>
(ii) By geographical distribution		
Malaysia	2,821,368	2,671,944
Singapore	83,007	-
Other ASEAN	10,242	67,277
	<u>2,914,617</u>	<u>2,739,221</u>
(iii) By sector		
Agriculture, hunting, forestry and fishing	66,581	125,805
Mining and quarrying	128,898	121,694
Manufacturing	634,784	669,435
Electricity, gas and water	24,000	42,230
Construction	853,280	883,215
Real estate	18,050	16,358
Wholesale & retail trade and restaurants & hotels	197,053	162,788
Transport, storage and communication	178,354	204,128
Finance, insurance and business services	402,642	183,381
Community, social and personal services	261,425	144,368
Household	119,093	159,625
Others	30,457	26,194
	<u>2,914,617</u>	<u>2,739,221</u>
(iv) By residual contractual maturity		
Within one year	200,903	171,318
One year to five years	2,209,442	2,169,837
Over five years	504,272	398,066
	<u>2,914,617</u>	<u>2,739,221</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)**31 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 June 2017			
Financial assets at fair value			
Available-for-sale	2,108,366	1,760,670	3,869,036
Derivative financial assets	54	89	143
	<u>2,108,420</u>	<u>1,760,759</u>	<u>3,869,179</u>
Financial liabilities at fair value			
Derivative financial liabilities	29	78	107
	<u>29</u>	<u>78</u>	<u>107</u>
31 December 2016			
Financial assets at fair value			
Available-for-sale	1,548,611	1,696,388	3,244,999
Derivative financial assets	51	24	75
	<u>1,548,662</u>	<u>1,696,412</u>	<u>3,245,074</u>
Financial liabilities at fair value			
Derivative financial liabilities	21	389	410
	<u>21</u>	<u>389</u>	<u>410</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2017 (continued)**32 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 2017 RM'000	31 December 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	59,513	176,155
CET 1 capital	<u>1,228,993</u>	<u>1,130,895</u>
Regulatory adjustment for CET 1 capital	(61,108)	(7,253)
Eligible CET 1/Tier 1 capital	<u>1,167,885</u>	<u>1,123,642</u>
Tier 2 capital		
Collective impairment allowance under the Standardised Approach*	6,915	9,081
Surplus eligible provisions over expected losses	31,984	16,687
Subordinated sukuk	200,000	200,000
Eligible Tier 2 capital	<u>238,899</u>	<u>225,768</u>
Capital base	<u>1,406,784</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	12.034%	12.745%
Total capital ratio	<u>14.495%</u>	<u>15.306%</u>
After the effects of PSIA		
CET 1/Tier 1 capital ratio	17.263%	15.342%
Total capital ratio	<u>20.794%</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 June 2017, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM2,940 million (31 December 2016: RM1,492 million).

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

	30 June 2017 RM'000	31 December 2016 RM'000
Total RWA for credit risk	5,883,789	6,455,639
Total RWA for market risk	6,692	5,468
Total RWA for operational risk	874,796	862,851
	<u>6,765,277</u>	<u>7,323,958</u>