

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

Domiciled in Malaysia
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(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

		30 September	31 December
		2016	2015
ASSETS	Note	RM'000	RM'000
Cash and cash equivalents		1,912,701	1,131,012
Financial investments available-for-sale	6	3,815,012	3,123,191
Financing and advances	7	9,233,883	9,887,792
Derivative financial assets	9	118	620
Other assets	10	45,902	41,258
Current tax assets		683	4,765
Statutory deposits with Bank Negara Malaysia		356,400	406,100
Property and equipment		14,287	14,226
Deferred tax assets		-	2,171
Total assets		<u>15,378,986</u>	<u>14,611,135</u>
LIABILITIES			
Islamic deposits from customers	11	11,855,681	10,177,748
Investment accounts due to designated financial institution	12	901,587	1,049,063
Deposits and placements of banks and other financial institutions	13	1,043,353	2,009,812
Bills and acceptances payable		15,208	18,670
Subordinated sukuk	14	200,000	200,000
Derivative financial liabilities	9	129	790
Other liabilities	15	233,095	169,031
Zakat payable		34	40
Deferred tax liabilities		7,132	-
Total liabilities		<u>14,256,219</u>	<u>13,625,154</u>
SHAREHOLDER'S EQUITY			
Share capital		185,000	185,000
Reserves		937,767	800,981
Total shareholder's equity		<u>1,122,767</u>	<u>985,981</u>
Total liabilities and shareholder's equity		<u>15,378,986</u>	<u>14,611,135</u>
Commitments and contingencies	25	<u>3,358,447</u>	<u>3,479,220</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 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016**

	Note	Quarter Ended		Year-To-Date Ended	
		30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of depositors' funds and others	16	180,447	185,593	545,310	550,207
Income derived from investment of investment account funds	17	10,680	12,947	33,253	34,273
Income derived from investment of shareholder's funds	18	29,934	26,316	81,139	76,399
Impairment allowance on financing and advances	19	(19,875)	(36,456)	(54,953)	(93,619)
Total distributable income		201,186	188,400	604,749	567,260
Income attributable to depositors	20	(101,419)	(88,547)	(290,777)	(265,309)
Income attributable to investment account holder	21	(7,474)	(9,118)	(23,305)	(25,318)
Total net income		92,293	90,735	290,667	276,633
Operating expenses	22	(51,550)	(53,686)	(157,974)	(142,940)
Profit before zakat and taxation		40,743	37,049	132,693	133,693
Zakat		(12)	(10)	(34)	(30)
Income tax expense	23	(8,430)	(7,719)	(27,839)	(28,301)
Profit for the period		32,301	29,320	104,820	105,362
Items that will be reclassified subsequently to profit or loss when specific conditions are met					
Fair value (available-for-sale) reserve:					
- Change in fair value		17,867	(14,537)	40,462	(9,068)
- Transferred to profit or loss		-	(8)	1,649	(3,366)
Income tax effect		(4,289)	3,639	(10,145)	3,108
Other comprehensive income/(expense) for the period net of income tax		13,578	(10,906)	31,966	(9,326)
Total comprehensive income for the period		45,879	18,414	136,786	96,036
Profit attributable to owner of the Bank		32,301	29,320	104,820	105,362
Total comprehensive income attributable to the owner of the Bank		45,879	18,414	136,786	96,036
Basic earnings per ordinary share (sen)		17.46	15.32	56.66	61.01

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 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	<i>Non-distributable</i>			<i>Distributable</i>	Total Equity
	Share Capital	Share Premium	Statutory Reserve	Retained Profits	
	RM'000	RM'000	RM'000	RM'000	RM'000
2016					
At 1 January 2016	185,000	370,000	185,000	248,748	985,981
Fair value (available-for-sale) reserve					
- Change in fair value	-	-	-	40,462	40,462
- Transferred to profit or loss	-	-	-	1,649	1,649
Income tax effect	-	-	-	(10,145)	(10,145)
Total other comprehensive income for the period	-	-	-	31,966	31,966
Profit for the period	-	-	-	104,820	104,820
Total comprehensive income for the period	-	-	-	104,820	136,786
At 30 September 2016	185,000	370,000	185,000	353,568	1,122,767
2015					
At 1 January 2015	165,000	330,000	142,653	153,453	788,764
Fair value (available-for-sale) reserve					
- Change in fair value	-	-	-	(9,068)	(9,068)
- Transferred to profit or loss	-	-	-	(3,366)	(3,366)
Income tax effect	-	-	-	3,108	3,108
Total other comprehensive loss for the period	-	-	-	(9,326)	(9,326)
Profit for the period	-	-	-	105,362	105,362
Total comprehensive (loss)/income for the period	-	-	-	105,362	96,036
Issue of ordinary shares	20,000	40,000	-	-	60,000
Transferred to statutory reserve	-	-	42,347	(42,347)	-
At 30 September 2015	185,000	370,000	185,000	216,468	944,800

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 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2016

	30 September 2016 RM'000	30 September 2015 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	132,693	133,693
<i>Adjustments for:</i>		
Net loss/(gain) from disposal of:		
- Financial investments available-for-sale	1,649	(3,366)
- Property and equipment	608	32
Depreciation of property and equipment	4,017	1,531
Impairment allowance on financing and advances	54,953	93,619
Share-based expenses	185	198
Unrealised (gain)/loss on revaluation of derivatives	(152)	213
Operating profit before changes in working capital	<u>193,953</u>	<u>225,920</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financing and advances	598,956	(1,160,469)
Derivative financial assets	502	3,771
Other assets	(4,492)	48,870
Statutory deposits with Bank Negara Malaysia	49,700	2,700
Islamic deposits from customers	1,677,933	806,418
Investment accounts due to designated financial institution	(147,476)	425,526
Deposits and placements of banks and other financial institutions	(966,459)	135,434
Bills and acceptances payable	(3,462)	(8,640)
Derivative financial liabilities	(661)	(3,560)
Other liabilities	63,878	176,723
Cash generated from operations	<u>1,462,372</u>	<u>652,693</u>
Income tax and zakat paid	(24,639)	(14,485)
Net cash generated from operating activities	<u>1,437,733</u>	<u>638,208</u>
Cash flows from investing activities		
Acquisition of financial investments available-for-sale	(3,875,122)	(4,498,193)
Proceeds from disposal of financial investments available-for-sale	3,223,763	4,258,956
Acquisition of property and equipment	(4,687)	(3,351)
Proceeds from disposal of property and equipment	2	66
Net cash used in investing activities	<u>(656,044)</u>	<u>(242,522)</u>
Cash flows from financing activity		
Proceeds from issuance of ordinary shares	-	60,000
Net cash generated from financing activity	<u>-</u>	<u>60,000</u>
Net increase in cash and cash equivalents	781,689	455,686
Cash and cash equivalents at 1 January	<u>1,131,012</u>	<u>1,179,551</u>
Cash and cash equivalents at 30 September	<u>1,912,701</u>	<u>1,635,237</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 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016**

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 RM104.8 million for the financial period ended 30 September 2016, a marginal decrease by RM0.5 million against the corresponding period last year. The decrease was mainly due to income attributable to depositors and operating expenses which increased by RM25.5 million and RM15.0 million respectively, partially offset by allowances which decreased by RM38.7 million.

Income attributable to depositors rose in tandem with increased deposits from customers.

Operating expenses increased by RM15.0 million or +11% mainly due to higher support costs for an expanded branch network and increased wholesale guarantee coverage on the unsecured financing portfolio.

Allowances decreased by RM38.7 million mainly due to collective impairment allowances and individual impairment allowances decreasing respectively by RM26.7 million and RM8.5 million, in tandem with slower financing growth and better asset quality with a greater skew towards more secured financing.

The RM0.7 billion or 6% decrease in gross financing and advances against December 2015 was attributable to lower small and medium enterprise financing to manufacturing sector (-RM0.3 billion), wholesale & retail trade (-RM0.2 billion) and finance, insurance and business services (-RM0.2 billion).

Deposits from customers increased by RM1.7 billion or 16% against December 2015 to RM11.9 billion, garnered mainly from government and statutory bodies (+RM0.7 billion), business enterprises (+RM0.7 billion) and individuals (+RM0.3 billion).

The Bank remains well capitalised with common equity Tier 1 and Tier 1 capital ratios of 14.496% and total capital ratio of 16.293%.

ECONOMIC PERFORMANCE AND PROSPECTS

The global economy continues to expand at a moderate pace with growth across major advanced economies remaining modest. Downside risks to global growth remain high with the uncertainty over the growth momentum and policy shifts in major economies, as well as several unresolved issues post-EU referendum in the United Kingdom. In Asia, persistent weakness in the external sector has weighed heavily on Malaysia's Gross Domestic Product ("GDP") growth, although domestic demand remains steady. The Malaysian government's measures on investment activity will continue to be anchored on the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors.

Amid the downside risks to domestic growth arising from both domestic uncertainties and external headwinds, the Bank will continue to maintain a selective lending profile while focusing on retail financing and innovative wealth products. We will continue to invest in building capacity through our expanded branch network in the country. From a risk management perspective, we will continue to strive to preserve the quality of our assets and monitor our liquidity and capital positions closely.

1 BASIS OF PREPARATION

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)

1 BASIS OF PREPARATION (continued)

Amended Bank Negara Malaysia ("BNM") Policy Document on Financial Reporting for Islamic Banking Institutions

On 5 February 2016, BNM amended the Policy Document on Financial Reporting for Islamic Banking Institutions to include requirements on the presentation and disclosure of investment account in the financial statements.

The Bank has presented the carrying amount and income and expenses related to investment account in separate line items in the financial statements.

(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: Interim Financial Reporting issued by Malaysian Accounting Standards Board ("MASB") and Bank Negara Malaysia ("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 2015. The explanatory notes attached to the 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 2015.

The significant accounting policies and method of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2015.

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 2017

- Amendments to MFRS 107, *Disclosure Initiative*
- Amendments to MFRS 112, *Recognition of Deferred Tax Assets for Unrealised Losses*

Effective for financial periods commencing on or after 1 January 2018

- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*
- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contracts with Customers*

Effective for financial 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:

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)**

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRS 9, *Financial Instruments*

In November 2014, MASB issued MFRS 9, *Financial Instruments* effective for annual periods beginning or after 1 January 2018 which replaces 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.

MFRS 16, *Leases*

On 15 April 2016, MASB issued MFRS 16 effective for annual periods beginning on or after 1 January 2019. MFRS 16 requires recognition of operating lease commitments on balance sheet together with a right of use asset.

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

(b) Use of estimates and judgements

The preparation of the unaudited condensed interim financial statements 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 2015.

2 SEASONALITY OF OPERATIONS

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

3 SHARE CAPITAL

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)

4 DIVIDEND

No dividend was paid in respect of the financial period ended 30 September 2016.

5 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.

6 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30 September 2016 RM'000	31 December 2015 RM'000
At fair value		
Malaysian Government Investment Issues	2,352,974	1,865,605
Malaysian Government Sukuk	94,497	130,024
Malaysian Government Islamic Treasury Bills	99,506	230,005
Bank Negara Malaysia Monetary Notes	-	99,760
Islamic Corporate Sukuk	506,341	423,709
Islamic Negotiable Instruments of Deposit	498,877	149,654
Sanadat Mudharabah Cagamas	30,584	4,962
Foreign Government Sukuk	232,233	219,472
	<u>3,815,012</u>	<u>3,123,191</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)**7 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 Thumma Al- Bai RM'000	Ijarah		Musharakah Mutanaqisah RM'000	Others RM'000	
	Bai' Inah RM'000	Bithaman Ajil RM'000					Bit	Al-Tamlik RM'000			
30 September 2016											
At amortised cost											
Cash line financing	61,716	39,559	-	-	-	-	183,755	-	-	1,132	286,162
Term Financing											
- House financing	-	14,755	-	-	-	-	-	1,892,402	104,130	-	2,011,287
- Syndicated financing	-	-	50,040	-	-	-	-	361,872	-	-	411,912
- Hire purchase receivables	-	-	-	-	-	416,379	-	229,343	-	-	645,722
- Other term financing	1,247,294	160,071	374,816	-	-	-	-	2,178,423	140,118	-	4,100,722
Bills receivable	-	-	-	-	23,839	-	-	-	-	-	23,839
Trust receipts	-	-	-	238	-	-	-	-	-	-	238
Revolving credit	-	-	1,534,395	-	-	-	-	-	-	-	1,534,395
Claims on customers under acceptance credits	-	-	-	283,170	52,990	-	-	-	-	-	336,160
Other financing	-	-	-	154,254	-	-	-	-	-	-	154,254
Gross financing and advances	1,309,010	214,385	1,959,251	437,662	76,829	416,379	183,755	4,662,040	244,248	1,132	9,504,691
Allowance for financing and advances											
- Individual impairment											(83,829)
- Collective impairment											(186,979)
Net financing and advances											<u>9,233,883</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)**7 FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contract (continued)

	Sale based contracts					Lease based contracts			Equity based contracts		Total RM'000
	Bai'		Tawarruq	Murabahah	Bai' Dayn	Ijarah Thumma Al- Bai	Ijarah		Musharakah Mutanaqisah	Others	
	Bai' Inah	Bithaman Ajil					Bit Al-Tamlik				
31 December 2015	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At amortised cost											
Cash line financing	61,410	44,149	-	-	-	-	128,019	-	-	435	234,013
Term Financing											
- House financing	-	16,931	-	-	-	-	-	1,746,928	113,957	-	1,877,816
- Syndicated term financing	-	-	-	-	-	-	-	394,311	-	-	394,311
- Hire purchase receivables	-	-	-	-	-	554,944	-	283,213	-	-	838,157
- Other term financing	1,655,677	189,394	389,729	-	-	-	-	2,247,040	161,669	-	4,643,509
Bills receivable	-	-	-	-	14,344	-	-	-	-	-	14,344
Trust receipts	-	-	-	210	-	-	-	-	-	-	210
Revolving credit	-	-	1,664,040	-	-	-	-	-	-	-	1,664,040
Claims on customers under acceptance credits	-	-	-	324,128	64,311	-	-	-	-	-	388,439
Other financing	-	-	-	105,865	-	-	-	-	-	-	105,865
Gross financing and advances	1,717,087	250,474	2,053,769	430,203	78,655	554,944	128,019	4,671,492	275,626	435	10,160,704
Allowance for financing and advances											
- Individual impairment											(82,433)
- Collective impairment											(190,479)
Net financing and advances											<u>9,887,792</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)**7 FINANCING AND ADVANCES (continued)**

	30 September 2016 RM'000	31 December 2015 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	46,041	168,126
Domestic business enterprises		
- Small and medium enterprises	2,556,821	2,897,665
- Others	3,571,113	3,679,719
Individuals	2,813,197	2,836,833
Foreign entities	517,519	578,361
	<u>9,504,691</u>	<u>10,160,704</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	23,725	25,618
- Hire purchase receivables	416,379	566,487
- Other fixed rate financing	2,480,690	2,879,833
Variable rate		
- Base rate / base financing rate plus	2,640,558	2,517,679
- Cost plus	3,943,339	4,171,087
	<u>9,504,691</u>	<u>10,160,704</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	665,586	756,239
Mining and quarrying	263,430	217,929
Manufacturing	1,750,225	2,072,886
Electricity, gas and water	63,173	74,973
Construction	371,997	342,060
Real estate	589,321	441,279
Wholesale & retail trade and restaurants & hotels	1,282,781	1,491,032
Transport, storage and communication	333,583	320,103
Finance, insurance and business services	338,474	518,480
Community, social and personal services	514,087	509,106
Household		
- Purchase of residential properties	2,053,922	1,921,028
- Purchase of non-residential properties	45,083	44,513
- Others	817,133	962,928
Others	415,896	488,148
	<u>9,504,691</u>	<u>10,160,704</u>
(v) By geographical distribution		
Malaysia	9,305,937	9,933,624
Singapore	17,955	14,448
Rest of the world	180,799	212,632
	<u>9,504,691</u>	<u>10,160,704</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)****7 FINANCING AND ADVANCES (continued)**

	30 September 2016 RM'000	31 December 2015 RM'000
(vi) By residual contractual maturity		
Within one year	2,383,305	2,512,175
One year to less than three years	1,361,918	1,410,102
Three years to less than five years	881,510	1,334,684
Over five years	4,877,958	4,903,743
	<u>9,504,691</u>	<u>10,160,704</u>

8 IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	30 September 2016 RM'000	31 December 2015 RM'000
At 1 January	285,424	196,682
Impaired during the period/year	239,563	430,924
Reclassified as unimpaired	(44,496)	(46,667)
Amount recovered	(106,954)	(227,433)
Amount written off	(70,157)	(85,582)
Effect of foreign exchange difference	(3,410)	17,500
At 30 September/31 December	<u>299,970</u>	<u>285,424</u>
Individual impairment allowance	(83,829)	(82,433)
Collective impairment allowance	(4,290)	(3,837)
Net impaired financing and advances	<u>211,851</u>	<u>199,154</u>

(i) By sector

Agriculture, hunting, forestry and fishing	658	1,622
Mining and quarrying	84,943	92,662
Manufacturing	42,767	45,475
Electricity, gas and water	-	61
Construction	2,111	4,556
Real estate	24,125	23,197
Wholesale & retail trade and restaurants & hotels	34,979	33,974
Transport, storage and communication	11,425	8,242
Finance, insurance and business services	8,029	7,572
Community, social and personal services	2,546	3,007
Household		
- Purchase of residential properties	45,723	25,348
- Purchase of non-residential properties	252	430
- Others	41,763	38,621
Others	649	657
	<u>299,970</u>	<u>285,424</u>

(ii) By geographical distribution

Malaysia	<u>299,970</u>	<u>285,424</u>
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The analysis by geography is determined based on where the credit risk resides.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)**8 IMPAIRED FINANCING AND ADVANCES (continued)**

	30 September	31 December
	2016	2015
	RM'000	RM'000
(b) Movements in allowance for impaired financing and advances		
Individual impairment allowance		
At 1 January	82,433	62,398
Made during the period/year	116,393	155,222
Amount written back	(44,189)	(49,199)
Amount written off	(70,157)	(85,582)
Financing income earned on impaired financing	(651)	(406)
At 30 September/31 December	<u>83,829</u>	<u>82,433</u>
Collective impairment allowance		
At 1 January	190,479	153,810
(Written back)/Made during the period/year	(3,500)	36,669
At 30 September/31 December	<u>186,979</u>	<u>190,479</u>

9 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Financial derivatives are instruments whose values change in response to the change in one or more "underlying" such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Bank customises derivatives to meet the specific needs of their customers. While the Bank also enters into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The tables below analyses the principal amounts and the positive (assets) and negative (liabilities) fair values of the Bank's financial derivatives. The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting date for trading instruments. They do not necessarily indicate the amount of future cash flows or the fair value of the derivatives and therefore do not represent total amount of risk. The positive (assets) and negative (liabilities) fair values represent the favourable and unfavourable fair value respectively of trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

	30 September 2016			31 December 2015		
	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	51,660	118	129	69,135	432	790
- Swaps	-	-	-	6,095	188	-
	<u>51,660</u>	<u>118</u>	<u>129</u>	<u>75,230</u>	<u>620</u>	<u>790</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)

10 OTHER ASSETS	30 September 2016 RM'000	31 December 2015 RM'000
Profit receivable	30,389	25,679
Other receivables, deposits and prepayments	4,573	10,936
Amount due from immediate holding company	10,935	4,598
Amount due from ultimate holding company	5	6
Amount due from related companies	-	39
	<u>45,902</u>	<u>41,258</u>

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

11 ISLAMIC DEPOSITS FROM CUSTOMERS	30 September 2016 RM'000	31 December 2015 RM'000
a) By type of deposit		
Savings deposits		
- Wadiah	260,148	266,153
- Tawarruq	158,834	1,465
- Qard	521	-
Demand deposits		
- Wadiah	3,188,488	2,998,319
- Tawarruq	571	-
- Qard	2	-
Term Deposits		
- Commodity Murabahah	7,803,914	6,288,858
- Qard	17,916	-
Negotiable instruments of deposits		
- Bai Bithaman Ajil	67,414	164,975
Short term deposits		
- Tawarruq	357,717	457,792
General investment deposits		
- Mudharabah	156	186
	<u>11,855,681</u>	<u>10,177,748</u>
b) By type of customer		
Government and statutory bodies	1,903,928	1,158,643
Non-bank financial institutions	1,070,083	1,083,979
Business enterprises	5,995,316	5,276,209
Individuals	2,684,222	2,376,161
Foreign entities	84,952	72,684
Others	117,180	210,072
	<u>11,855,681</u>	<u>10,177,748</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)

11 ISLAMIC DEPOSITS FROM CUSTOMERS (continued)	30 September 2016 RM'000	31 December 2015 RM'000
c) Maturity structure of term deposits		
Within six months	6,184,775	5,614,624
Six months to one year	1,979,596	1,224,726
One year to three years	14,932	6,788
Three years to five years	67,814	65,673
	<u>8,247,117</u>	<u>6,911,811</u>

12 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	30 September 2016 RM'000	31 December 2015 RM'000
Mudharabah restricted investment accounts		
Licensed bank	<u>901,587</u>	<u>1,049,063</u>

The placements are from its immediate holding company, OCBC Bank (Malaysia) Berhad.

13 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2016 RM'000	31 December 2015 RM'000
Non-Mudharabah		
Licensed banks	1,040,638	2,006,685
Other financial institutions	2,715	3,127
	<u>1,043,353</u>	<u>2,009,812</u>

14 SUBORDINATED SUKUK

On 1 December 2008, the Bank issued RM200 million non-tradeable non-transferable redeemable Islamic subordinated sukuk due in 2021 and non-callable until 2016 under the principle of Mudharabah (profit sharing contract) at a projected constant rate of 5.45% per annum for the period from the issue date up to 23 November 2016 and a step up of 100 basis points commencing from 24 November 2016 and ending on the date of full redemption of the subordinated sukuk, subject to the availability of profits and the investors' entitlement under the profit sharing ratio. Unless the call option is exercised by the Bank, the subordinated sukuk shall be redeemed in full by five equal and consecutive annual payments. The call option, subject to prior approval from Bank Negara Malaysia and Monetary Authority of Singapore, is redeemable in whole but not in part on 24 November 2016 and on every Profit Payment Date thereafter. The subordinated sukuk was fully subscribed by its immediate holding company, OCBC Bank (Malaysia) Berhad.

The restricted subordinated sukuk qualifies as Tier 2 capital subject to gradual phase out as required under Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Component).

15 OTHER LIABILITIES

	30 September 2016 RM'000	31 December 2015 RM'000
Profit payable	107,714	88,263
Other payables and accruals	85,170	71,423
Amount due to immediate holding company	40,211	9,345
	<u>233,095</u>	<u>169,031</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)****16 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	Quarter Ended		Year-To-Date Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Income derived from investment of:				
(i) General investment deposits	109,422	109,311	315,228	322,503
(ii) Other deposits	71,025	76,282	230,082	227,704
	<u>180,447</u>	<u>185,593</u>	<u>545,310</u>	<u>550,207</u>
(i) Income derived from investment of general investment deposits				
Finance income and hibah				
Unimpaired financing and advances	83,787	89,562	249,032	260,821
Impaired financing and advances	152	65	352	149
Financial investments available-for-sale	18,083	14,572	49,430	43,686
Deposits and placements with banks and other financial institutions	7,681	5,039	17,461	15,740
	<u>109,703</u>	<u>109,238</u>	<u>316,275</u>	<u>320,396</u>
Other operating income				
Net gain/(loss) from sale of financial investments available-for-sale	-	4	(868)	1,902
Others	(281)	69	(179)	205
	<u>109,422</u>	<u>109,311</u>	<u>315,228</u>	<u>322,503</u>
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Unimpaired financing and advances	54,385	62,500	182,238	184,199
Impaired financing and advances	99	46	250	107
Financial investments available-for-sale	11,738	10,169	35,860	30,949
Deposits and placements with banks and other financial institutions	4,985	3,516	12,492	11,047
	<u>71,207</u>	<u>76,231</u>	<u>230,840</u>	<u>226,302</u>
Other operating income				
Net gain/(loss) from sale of financial investments available-for-sale	-	3	(656)	1,257
Others	(182)	48	(102)	145
	<u>71,025</u>	<u>76,282</u>	<u>230,082</u>	<u>227,704</u>

17 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Finance income and hibah				
Unimpaired financing and advances	9,974	10,556	30,675	28,638
Deposits and placements with banks and other financial institutions	706	2,391	2,578	5,635
	<u>10,680</u>	<u>12,947</u>	<u>33,253</u>	<u>34,273</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)****18 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS**

	Quarter Ended		Year-To-Date Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Finance income and hibah				
Unimpaired financing and advances	12,026	11,817	36,093	32,642
Impaired financing and advances	22	9	50	20
Financial investments available-for-sale	2,596	1,923	7,147	5,486
Deposits and placements with banks and other financial institutions	1,102	665	2,520	1,947
	<u>15,746</u>	<u>14,414</u>	<u>45,810</u>	<u>40,095</u>
Other operating income				
Commission	4,663	3,172	10,765	12,634
Service charges and fees	5,991	5,225	14,489	13,540
Net gain/(loss) from sale of financial investments available-for-sale	-	1	(125)	207
Others	(40)	9	(25)	25
Other trading income				
Net trading (loss)/gain				
- Foreign currency	(326)	(329)	(2,700)	234
- Trading derivatives	4,383	3,836	12,773	9,877
- Revaluation of derivatives	(483)	(12)	152	(213)
	<u>29,934</u>	<u>26,316</u>	<u>81,139</u>	<u>76,399</u>

19 IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES

	Quarter Ended		Year-To-Date Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Individual impairment allowance				
- Made during the period	40,094	37,651	116,393	113,857
- Written back	(13,209)	(11,826)	(44,189)	(33,106)
Collective impairment allowance				
- (Written back)/Made during the period	(1,800)	14,549	(3,500)	23,192
Impaired financing written off	-	-	4	5
Impaired financing recovered	(5,210)	(3,918)	(13,755)	(10,329)
	<u>19,875</u>	<u>36,456</u>	<u>54,953</u>	<u>93,619</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)**20 INCOME ATTRIBUTABLE TO DEPOSITORS**

	Quarter Ended		Year-To-Date Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Deposits from customers				
- Non-Mudharabah	95,842	82,570	265,570	246,171
- Mudharabah	2	557	4	1,593
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	2,827	2,672	17,050	9,392
Subordinated sukuk	2,748	2,748	8,153	8,153
	<u>101,419</u>	<u>88,547</u>	<u>290,777</u>	<u>265,309</u>

21 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	7,474	9,118	23,305	25,318

22 OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Personnel expenses				
Wages, salaries and bonus	6,558	6,576	19,764	19,371
Employees Provident Fund contributions	967	980	3,067	2,952
Share-based expenses	97	73	185	198
Others	724	796	2,206	2,053
	<u>8,346</u>	<u>8,425</u>	<u>25,222</u>	<u>24,574</u>
Establishment expenses				
Depreciation of property and equipment	1,360	502	4,017	1,531
Rental of premises	598	682	2,119	1,973
Repair and maintenance	153	129	517	385
Information technology costs	134	86	474	184
Others	638	583	2,100	1,462
	<u>2,883</u>	<u>1,982</u>	<u>9,227</u>	<u>5,535</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)****22 OPERATING EXPENSES (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Marketing expenses				
Advertising and business promotion	172	660	633	1,981
Transport and travelling	89	192	402	540
Others	88	22	137	58
	<u>349</u>	<u>874</u>	<u>1,172</u>	<u>2,579</u>
General administrative expenses				
Shared service fees to immediate holding company	27,178	28,139	83,656	79,875
Transaction processing fees	5,903	5,084	18,654	16,998
Others	6,891	9,182	20,043	13,379
	<u>39,972</u>	<u>42,405</u>	<u>122,353</u>	<u>110,252</u>
Total operating expenses	<u>51,550</u>	<u>53,686</u>	<u>157,974</u>	<u>142,940</u>

23 INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 September 2016 RM'000	30 September 2015 RM'000	30 September 2016 RM'000	30 September 2015 RM'000
Malaysian income tax				
- Current period	8,810	8,157	28,172	28,345
- Prior periods	(929)	-	508	-
Deferred tax				
- Origination and reversal of temporary differences	(398)	(438)	(351)	(44)
- Prior periods	947	-	(490)	-
	<u>8,430</u>	<u>7,719</u>	<u>27,839</u>	<u>28,301</u>

24 CAPITAL COMMITMENTS

	30 September 2016 RM'000	31 December 2015 RM'000
Capital expenditure in respect of property and equipment		
- Contracted but not provided for	<u>436</u>	<u>3,926</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)****25 COMMITMENTS AND CONTINGENCIES**

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

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

	30 September 2016					31 December 2015				
	Principal	Positive	Negative	Credit	Risk	Principal	Positive	Negative	Credit	Risk
	Amount	Fair Value of	Fair Value of	Equivalent	Weighted	Amount	Fair Value of	Fair Value of	Equivalent	Weighted
	Derivative	Derivative	Amount	Amount		Derivative	Derivative	Amount	Amount	
	Contracts	Contracts	RM'000	RM'000		Contracts	Contracts	RM'000	RM'000	
	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	94,816			94,816	62,760	69,573			69,573	51,197
Transaction-related contingent items	330,499			168,540	131,272	264,386			135,765	116,602
Short-term self-liquidating trade-related contingencies	44,427			9,838	4,534	40,412			9,339	3,987
Foreign exchange related contracts										
- Less than one year	51,660	118	129	275	126	75,230	620	790	912	429
Formal standby facilities and credit lines										
- Maturity not exceeding one year	-			-	-	1,880			376	224
- Maturity exceeding one year	306,511			268,622	73,842	476,002			420,914	182,569
Other unconditionally cancellable commitments	2,530,534			40,263	7,880	2,551,737			39,341	11,556
	3,358,447	118	129	582,354	280,414	3,479,220	620	790	676,220	366,564

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)**26 FAIR VALUE OF FINANCIAL INSTRUMENTS****Fair value hierarchy of financial instruments**

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

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

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

Financial instruments carried at fair value

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
30 September 2016			
Financial assets at fair value			
Available-for-sale	2,679,704	1,135,308	3,815,012
Derivative financial assets	58	60	118
	2,679,762	1,135,368	3,815,130
Financial liabilities at fair value			
Derivative financial liabilities	42	87	129
31 December 2015			
Financial assets at fair value			
Available-for-sale	1,743,769	1,379,422	3,123,191
Derivative financial assets	8	612	620
	1,743,777	1,380,034	3,123,811
Financial liabilities at fair value			
Derivative financial liabilities	28	762	790

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2016 (continued)**27 CAPITAL ADEQUACY****Capital Management**

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

	30 September 2016 RM'000	31 December 2015 RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	185,000	185,000
Ordinary share premium	370,000	370,000
Retained earnings	321,267	248,748
Other reserves	214,199	182,233
CET 1 capital	<u>1,090,466</u>	<u>985,981</u>
Regulatory adjustment for CET 1 capital	<u>(16,160)</u>	<u>(5,172)</u>
CET 1/Tier 1 capital	<u>1,074,306</u>	<u>980,809</u>
Tier 2 capital		
Collective impairment allowance under the Standardised Approach*	9,728	11,668
Surplus eligible provisions over expected losses	3,521	2,466
Subordinated sukuk	<u>120,000</u>	<u>140,000</u>
Tier 2 capital	<u>133,249</u>	<u>154,134</u>
Capital base	<u>1,207,555</u>	<u>1,134,943</u>
* Excludes collective impairment allowance on impaired financing and advances		
Before the effects of PSIA		
CET 1/Tier 1 capital ratio	12.746%	11.274%
Total capital ratio	<u>14.327%</u>	<u>13.046%</u>
After the effects of PSIA		
CET 1/Tier 1 capital ratio	14.496%	12.746%
Total capital ratio	<u>16.293%</u>	<u>14.749%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts ("RPSIA") which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 September 2016, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM1,017 million (31 December 2015: RM1,005 million).

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

Total RWA for credit risk	6,544,998	6,909,219
Total RWA for market risk	17,073	5,146
Total RWA for operational risk	<u>849,219</u>	<u>780,474</u>
	<u>7,411,290</u>	<u>7,694,839</u>