

**OCBC AL-AMIN BANK BERHAD**

Company No. 200801017151 (818444-T)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

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

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Company No. 200801017151 (818444-T)  
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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2019**

		<b>30 September</b>	<b>31 December</b>
		<b>2019</b>	<b>2018</b>
<b>ASSETS</b>	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents	9	415,755	959,600
Financial assets at fair value through profit or loss (FVTPL)	10	16,365	9,980
Financial investments at fair value through other comprehensive income (FVOCI)	11	4,342,874	4,290,701
Financing and advances	12	11,556,194	10,319,599
Derivative financial assets	14	12,450	2,218
Other assets	15	51,902	74,178
Tax recoverable		18,184	9,088
Statutory deposits with Bank Negara Malaysia		374,000	351,200
Equipment		7,958	9,884
Right-of-use (ROU) assets		3,047	-
Deferred tax assets		2,325	8,078
<b>Total assets</b>		<b>16,801,054</b>	<b>16,034,526</b>
<b>LIABILITIES</b>			
Deposits from customers	16	11,947,914	11,802,860
Investment accounts due to designated financial institution	17	2,035,492	1,322,168
Deposits and placements of banks and other financial institutions	18	787,687	1,073,057
Bills and acceptances payable		14,111	14,549
Derivative financial liabilities	14	13,142	3,789
Other liabilities	19	194,984	147,473
Provision for taxation and zakat		83	50
Subordinated sukuk	20	200,000	200,000
<b>Total liabilities</b>		<b>15,193,413</b>	<b>14,563,946</b>
<b>EQUITY</b>			
Share capital		555,000	555,000
Reserves		1,052,641	915,580
<b>Total equity</b>		<b>1,607,641</b>	<b>1,470,580</b>
<b>Total liabilities and equity</b>		<b>16,801,054</b>	<b>16,034,526</b>
<b>Commitments and contingencies</b>	30	<b>3,935,783</b>	<b>4,713,286</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	Note	Quarter Ended		Year-To-Date Ended	
		30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income derived from investment of depositors' funds and others	21	155,628	151,642	478,854	452,666
Income derived from investment of investment account funds	22	27,509	13,710	55,868	45,568
Income derived from investment of shareholder's funds	23	34,212	33,142	99,211	112,467
Impairment writeback/(allowances and provisions)	24	31,682	(72,870)	(17,352)	(61,112)
Total distributable income		249,031	125,624	616,581	549,589
Income attributable to depositors	25	(95,918)	(85,283)	(284,101)	(261,445)
Income attributable to investment account holder	26	(19,283)	(10,912)	(40,719)	(33,212)
Total net income		133,830	29,429	291,761	254,932
Operating expenses	27	(50,460)	(49,934)	(148,118)	(144,593)
<b>Profit before taxation and zakat</b>		83,370	(20,505)	143,643	110,339
Income tax expense	28	(17,196)	5,859	(27,743)	(26,202)
Zakat		(16)	-	(33)	-
<b>Profit for the period</b>		66,158	(14,646)	115,867	84,137
<b>Other comprehensive income/(expenses), net of income tax</b>					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Fair value reserve (debt instruments)					
- Change in fair value		11,470	6,998	37,823	(2,662)
- Transferred to profit or loss		(2,917)	349	(9,778)	618
- Related tax		(2,051)	(1,767)	(6,731)	638
Change in expected credit loss (ECL) reserve on debt instruments at FVOCI		15	39	(120)	(2,383)
<b>Other comprehensive income/(expenses) for the period, net of income tax</b>		6,517	5,619	21,194	(3,789)
<b>Total comprehensive income for the period</b>		72,675	(9,027)	137,061	80,348
Profit attributable to owner of the Bank		66,158	(14,646)	115,867	84,137
Total comprehensive income attributable to the owner of the Bank		72,675	(9,027)	137,061	80,348
<b>Basic earnings per ordinary share (sen)</b>		35.76	(7.92)	62.63	45.48

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<i>Non-distributable</i>			<i>Distributable</i>		<b>Total Equity</b>
	<b>Share Capital</b>	<b>Regulatory Reserve</b>	<b>ECL Reserve</b>	<b>Fair Value Reserve</b>	<b>Retained Earnings</b>	
	<b>RM'000</b>	<b>RM'000</b>		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2019</b>						
At 1 January 2019	555,000	91,000	249	2,610	821,721	1,470,580
Fair value reserve						
- Change in fair value	-	-	-	37,823	-	37,823
- Transferred to profit or loss	-	-	-	(9,778)	-	(9,778)
- Related tax	-	-	-	(6,731)	-	(6,731)
Change in ECL reserve	-	-	(120)	-	-	(120)
<b>Total other comprehensive (expense)/income for the period</b>	-	-	(120)	21,314	-	21,194
Profit for the period	-	-	-	-	115,867	115,867
<b>Total comprehensive (expense)/income for the period</b>	-	-	(120)	21,314	115,867	137,061
At 30 September 2019	<b>555,000</b>	<b>91,000</b>	<b>129</b>	<b>23,924</b>	<b>937,588</b>	<b>1,607,641</b>
<b>2018</b>						
At 1 January 2018 (as previously reported)	555,000	91,000	-	4,473	685,415	1,335,888
Effect of adopting MFRS 9	-	-	2,646	(617)	7,343	9,372
Restated at 1 January 2018	<b>555,000</b>	<b>91,000</b>	<b>2,646</b>	<b>3,856</b>	<b>692,758</b>	<b>1,345,260</b>
Fair value reserve						
- Change in fair value	-	-	-	(2,662)	-	(2,662)
- Transferred to profit or loss	-	-	-	618	-	618
- Related tax	-	-	-	638	-	638
Change in ECL reserve	-	-	(2,383)	-	-	(2,383)
<b>Total other comprehensive expense for the period</b>	-	-	(2,383)	(1,406)	-	(3,789)
Profit for the period	-	-	-	-	84,137	84,137
<b>Total comprehensive (expense)/income for the period</b>	-	-	(2,383)	(1,406)	84,137	80,348
At 30 September 2018	<b>555,000</b>	<b>91,000</b>	<b>263</b>	<b>2,450</b>	<b>776,895</b>	<b>1,425,608</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2019**

	<b>30 September 2019 RM'000</b>	<b>30 September 2018 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax expense and zakat	143,643	110,339
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial assets at FVTPL	-	(493)
- Financial investments at FVOCI	(9,778)	618
- Property and equipment	3	1
Depreciation of equipment	2,054	3,457
Depreciation of ROU assets	1,878	-
Impairment allowance	17,352	61,112
Finance cost	91	-
Share-based costs	337	179
Unrealised (gain)/loss on:		
- Financial assets at FVTPL	(228)	466
- Derivatives	(870)	(219)
Operating profit before changes in working capital	<u>154,482</u>	<u>175,460</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at FVTPL	(6,157)	122,766
Financing and advances	(1,283,741)	(134,611)
Derivative financial assets	(10,232)	(1,969)
Other assets	23,147	21,529
Statutory deposits with Bank Negara Malaysia ("BNM")	(22,800)	(10,700)
Deferred tax asset	-	195
Deposits from customers	145,054	(628,913)
Investment accounts due to designated financial institution	743,118	(49,107)
Deposits and placements of banks and other financial institutions	(285,370)	(55,636)
Bills and acceptances payable	(438)	(6,133)
Derivative financial liabilities	9,353	1,752
Other liabilities	44,094	(65,830)
<b>Cash used in operations</b>	<u>(489,490)</u>	<u>(631,197)</u>
Income tax and zakat paid	<u>(37,817)</u>	<u>(33,777)</u>
<b>Net cash used in operating activities</b>	<u>(527,307)</u>	<u>(664,974)</u>
<b>Cash flows from investing activities</b>		
Acquisition of financial investments at FVOCI	(5,290,000)	(5,973,117)
Proceeds from disposal of financial investments at FVOCI	5,275,530	6,225,324
Acquisition of equipment	(134)	(4,621)
Payment of lease liabilities	(1,936)	-
Proceeds from disposal of equipment	2	-
<b>Net cash (used)/generated from investing activities</b>	<u>(16,538)</u>	<u>247,586</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(543,845)</u>	<u>(417,388)</u>
<b>Cash and cash equivalents at 1 January</b>	<u>959,600</u>	<u>957,860</u>
<b>Cash and cash equivalents at 30 September</b>	<u>415,755</u>	<u>540,472</u>

Details of cash and cash equivalents are disclosed in Note 9 to the unaudited condensed interim financial statements.

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2018 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019

### GENERAL INFORMATION

The Bank is a licensed Islamic Bank principally engaged in Islamic Banking and related financial services. There were no significant changes to these activities during the financial period.

### PERFORMANCE REVIEW

The Bank recorded a profit after tax of RM115.9 million for the financial period ended 30 September 2019; an increase of RM31.7 million against the corresponding period last year. The increase was mainly due to lower allowances of RM43.8 million and higher income derived from investment of depositors' funds and others of RM26.2 million, partly offset by higher income attributable to depositors of RM22.7 million and lower income derived from shareholder fund of RM13.3 million.

Allowances decreased by RM43.8 million mainly due to higher recoveries from restricted profit sharing investment account holder of RM29.8 million, bad debt recovered of RM11.7 million and lower Stage 3 ECL allowance of RM9.0 million, partly offset by higher Stage 1 and Stage 2 ECL allowance of RM6.7 million.

The decrease in income from investment of shareholder funds was mainly from lower fee and commission income of RM16.6 million, while income attributable to depositors was higher by RM22.7 million mainly due to an increase in customer deposits.

Gross financing and advances increased by RM1.2 billion or 12% year to date, mainly from corporate drawdowns in the finance, insurance and business services sectors. Deposits from customers increased by RM0.1 billion over the same period to RM11.9 billion as the bank diversified its sources of funding to a more balanced retail mix. Deposits from individuals increased by RM0.5 billion, whilst deposits from non-bank financial institutions decreased by RM0.4 billion.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 capital ratios of 15.584% and total capital ratio of 18.322%.

### ECONOMIC PERFORMANCE AND PROSPECTS

With global economic growth forecasted to slow to 3.2% for 2019, the external headwinds will affect Malaysia's economic growth, estimated at 4.7% by the government for the full year 2019, despite having registered a stronger growth of 4.9% in the second quarter of 2019. The Malaysian government, in its National Budget 2020, targets to deliver shared prosperity for the population and estimates the country's economy to grow by 4.8% in 2020, supported by the implementation of budgetary measures.

Against this backdrop, the Bank will continue to expand its wealth management business in the country as well as to build its financing book for the corporates and small and medium enterprises (SMEs). Global Investment Banking (GIB) Malaysia has advised and arranged Sustainable and Responsible Investment Sukuk for a solar plant in Malaysia. In support of the Malaysian government's target to increase the country's power generation mix from renewable energy to 20% by 2030, GIB Malaysia will continue to focus on advising and arranging sustainable financing for the development of solar plants. Global Treasury (GT) will continue to focus on treasury advisory services and providing solutions to our customers.

The Bank will continue to invest in digitalisation initiatives and transformation of customer touch-point platforms so that customers are able to enjoy a seamless banking experience. The Bank has also embarked on a Future Smart programme with the aim to create a digital culture and an empowered workforce prepared for a digital future where rapid changes are taking place.

The Bank will continue to monitor its capital and liquidity closely as well as preserve its asset quality.

#### 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, except as disclosed in Note 1(a) to the interim financial statements.

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

## NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)

### 1 BASIS OF PREPARATION (continued)

#### (a) Statement of compliance

The unaudited condensed interim financial statements of the Bank have been prepared under the historical cost convention (except for the assets and liabilities which are stated at fair value as disclosed in the notes to the unaudited condensed interim financial statements: financial assets at FVTPL, financial investments at FVOCI and derivative financial instruments). The unaudited condensed interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, International Accounting Standard 34 and the requirements of the Companies Act 2016 in Malaysia and Shariah requirements.

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2018. The explanatory notes attached 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 2018.

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

- MFRS 16, *Leases*
- IC interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 9, *Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Tax (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

The initial application of the above mentioned accounting standards, interpretation and amendments do not have any material impact to the financial statements of the Bank except as mentioned below:

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

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

In implementing MFRS 16 on 1 January 2019, the Bank recognised an additional RM4.3 million of ROU assets and RM4.3 million of lease liabilities. There was no impact on retained earnings as at 1 January 2019 arising from the adoption of MFRS16.

The Bank has not adopted the following amendments to accounting standards issued by the Malaysian Accounting Standards Board ("MASB") as they are not yet effective:

#### Effective for annual periods commencing on or after 1 January 2020

- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*

The Bank plans to apply the above mentioned amendment to accounting standards when it becomes effective. The initial application of the above mentioned amendment to accounting standards is not expected to have any material impact to the financial statements of the Bank.



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**1 BASIS OF PREPARATION (continued)**

**(b) Use of estimates and judgements**

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

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

**2 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Bank in these unaudited condensed interim financial statements are the same as those applied by the Bank in its audited financial statements as at and for the financial year ended 31 December 2018, except as disclosed in Note 1(a) to the interim financial statements.

**3 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

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

**4 SEASONALITY OF OPERATIONS**

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

**5 DEBT SECURITIES**

There were no other issuances, cancellations, repurchases and repayments of debt securities by the Bank during the financial period ended 30 September 2019.

**6 DIVIDEND**

No dividend was paid in respect of the financial period ended 30 September 2019.

**7 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.

**8 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items affecting the assets, liabilities, equity and net income or cash flows of the Bank for the financial period ended 30 September 2019.

**9 CASH AND CASH EQUIVALENTS**

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Cash and balances with banks and other financial institutions	76,062	53,859
Deposit placements with Bank Negara Malaysia	339,693	905,741
	<u>415,755</u>	<u>959,600</u>

The balances are within Stage 1 (12 months expected credit loss) ECL classification with immaterial impairment allowance.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

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

	30 September 2019 RM'000	31 December 2018 RM'000
<b>At fair value</b>		
Islamic Corporate Sukuk	16,365	9,980

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

	30 September 2019 RM'000	31 December 2018 RM'000
<b>At fair value</b>		
Malaysian Government Investment Issues	2,305,157	2,322,794
Malaysian Government Sukuk	95,659	244,573
Islamic Corporate Sukuk	390,907	350,805
Islamic Negotiable Instruments of Deposit	1,474,748	1,146,898
Cagamas Sukuk	50,933	55,279
Foreign Government Sukuk	25,470	170,352
	<u>4,342,874</u>	<u>4,290,701</u>

ECL allowance for financial investments at FVOCI is recognised in the ECL reserve.

(a) Movements in ECL allowance for financial investments at FVOCI

	30 September 2019			31 December 2018		
	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non-credit impaired RM'000	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non-credit impaired RM'000
At 1 January 2019/2018	199	50	249	-	-	-
Effect of adopting MFRS 9	-	-	-	1,916	730	2,646
As restated	199	50	249	1,916	730	2,646
Transferred to/(from) Stage 1	-	-	-	18	(18)	-
Transferred (from)/to Stage 2	-	-	-	(8)	8	-
New financial assets originated or purchased	126	-	126	486	-	486
Financial assets derecognised	(54)	(41)	(95)	(1,053)	-	(1,053)
Net remeasurement during the period/year	(142)	(9)	(151)	(1,161)	(669)	(1,830)
Other movements	-	-	-	1	(1)	-
At 30 September/31 December	<u>129</u>	<u>-</u>	<u>129</u>	<u>199</u>	<u>50</u>	<u>249</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**12 FINANCING AND ADVANCES**

(i) By type and Shariah contract

	Sale based contracts					Lease based contracts			Equity based contracts		Total RM'000
	Bai' Bithaman		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma Al- Bai RM'000	Ijarah RM'000	Ijarah Muntahiah Bi Al-Tamlik RM'000	Musharakah Mutanaqisah RM'000	Others RM'000	
	Bai' Inah RM'000	Ajil RM'000									
<b>30 September 2019</b>											
<b>At amortised cost and net of unearned income</b>											
Cash line financing	18,678	8,957	-	-	-	-	387,062	-	-	1,645	416,342
Term Financing											
- House financing	-	8,333	-	-	-	-	-	1,854,478	78,687	-	1,941,498
- Syndicated term financing	-	-	467,103	-	-	-	-	177,432	-	-	644,535
- Hire purchase receivables	-	-	-	-	-	174,823	-	180,960	-	-	355,783
- Other term financing	237,871	13,907	2,155,586	-	-	-	-	1,467,230	99,505	-	3,974,099
Bills receivable	-	-	-	17,138	43,315	-	-	-	-	-	60,453
Trust receipts	-	-	-	158	-	-	-	-	-	-	158
Revolving credit	-	-	3,833,244	-	-	-	-	-	-	-	3,833,244
Claims on customers under acceptance credits	-	-	-	315,967	82,246	-	-	-	-	-	398,213
Other financing	-	-	159,937	-	-	-	-	-	-	-	159,937
<b>Gross financing and advances</b>	<b>256,549</b>	<b>31,197</b>	<b>6,615,870</b>	<b>333,263</b>	<b>125,561</b>	<b>174,823</b>	<b>387,062</b>	<b>3,680,100</b>	<b>178,192</b>	<b>1,645</b>	<b>11,784,262</b>
ECL allowance											(228,068)
<b>Net financing and advances</b>											<b>11,556,194</b>

Included in financing and advances are specific business ventures funded by the Restricted Profit Sharing Investment Account ("RPSIA") arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad (Note 18). The immediate holding company, being the RPSIA investor, is exposed to the risks and rewards of the business venture and accounts for the impairment allowances arising thereon.

As at 30 September 2019, the gross exposure and ECL relating to RPSIA financing amounted to RM2,072 million (31 December 2018: RM1,384 million) and RM40 million (31 December 2018: RM60 million) respectively.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**12 FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contract (continued)

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**12 FINANCING AND ADVANCES (continued)**

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
(ii) By type of customer		
Domestic non-bank financial institutions	1,025,391	54,321
Domestic business enterprises		
- Small and medium enterprises	2,406,062	2,026,792
- Others	4,986,298	5,047,692
Individuals	2,219,865	2,303,919
Foreign entities	1,146,646	1,123,195
	<u>11,784,262</u>	<u>10,555,919</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	31,633	9,607
- Hire purchase receivables	174,860	185,320
- Other fixed rate financing	1,610,319	1,740,698
Variable rate		
- Base rate/Base financing rate plus	4,037,604	3,790,274
- Cost plus	5,886,508	4,824,493
- Other variable rate	43,338	5,527
	<u>11,784,262</u>	<u>10,555,919</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,680,707	1,559,605
Mining and quarrying	295,339	117,728
Manufacturing	1,482,317	1,510,859
Electricity, gas and water	32,181	37,606
Construction	659,192	792,340
Real estate	1,126,840	961,780
Wholesale & retail trade and restaurants & hotels	1,207,016	1,033,566
Transport, storage and communication	175,006	202,391
Finance, insurance and business services	1,206,990	207,626
Community, social and personal services	551,576	703,996
Household		
- Purchase of residential properties	1,951,113	1,968,855
- Purchase of non-residential properties	40,332	40,093
- Others	345,800	418,830
Others	1,029,853	1,000,644
	<u>11,784,262</u>	<u>10,555,919</u>
(v) By geographical distribution		
Malaysia	10,700,408	9,563,513
Singapore	599,645	631,827
Other ASEAN countries	170,146	194,521
Rest of the world	314,063	166,058
	<u>11,784,262</u>	<u>10,555,919</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**12 FINANCING AND ADVANCES (continued)**

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
(vi) By residual contractual maturity		
Up to one year	4,755,403	4,169,816
Over one year to three years	750,980	642,487
Over three years to five years	1,414,409	1,142,855
Over five years	4,863,470	4,600,761
	<u>11,784,262</u>	<u>10,555,919</u>

**13 IMPAIRED FINANCING AND ADVANCES**

(a) Movements in credit impaired financing and advances

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
At 1 January	375,100	383,572
Impaired during the period/year	288,850	293,527
Reclassified as non-credit impaired	(37,092)	(90,471)
Amount recovered	(121,743)	(99,614)
Amount written off	(81,469)	(113,770)
Effect of foreign exchange difference	283	1,856
At 30 September/31 December	<u>423,929</u>	<u>375,100</u>
Stage 3 ECL allowance	(111,762)	(120,198)
Net impaired financing and advances	<u>312,167</u>	<u>254,902</u>

Included in the credit impaired financing and advances are specific business ventures funded by the RPSIA arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad. The immediate holding company, as the RPSIA holder, is exposed to the risks and rewards of the business venture and accounts for the Stage 3 ECL arising thereon. As at 30 September 2019, the credit impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM60 million (31 December 2018: RM116 million) and RM33 million (31 December 2018: RM57 million) respectively.

(i) By sector

Agriculture, hunting, forestry and fishing	3,687	2,281
Manufacturing	132,589	25,113
Construction	20,606	9,104
Real estate	708	6,967
Wholesale & retail trade and restaurants & hotels	102,664	102,609
Transport, storage and communication	4,100	5,598
Finance, insurance and business services	7,503	9,763
Community, social and personal services	1,181	1,391
Household		
- Purchase of residential properties	67,037	60,136
- Purchase of non-residential properties	1,012	746
- Others	23,116	21,223
Others	59,726	130,169
	<u>423,929</u>	<u>375,100</u>

(ii) By geographical distribution

Malaysia	<u>423,929</u>	<u>375,100</u>
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The analysis by geography is determined based on where the credit risk resides.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**13 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in ECL for financing and advances

	30 September 2019				31 December 2018			
	Stage 1 12 months ECL non-credit impaired RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000	Stage 1 12 months ECL non-credit impaired RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January	58,957	57,165	120,198	236,320	-	-	-	-
Effect of adopting MFRS 9	-	-	-	-	35,854	97,447	125,877	259,178
At 1 January, as restated under MFRS 9	58,957	57,165	120,198	236,320	35,854	97,447	125,877	259,178
Transferred to/(from) Stage 1	50,578	(44,157)	(6,421)	-	140,788	(113,483)	(27,305)	-
Transferred (from)/to Stage 2	(14,806)	21,296	(6,490)	-	(22,221)	29,790	(7,569)	-
Transferred (from)/to Stage 3	(1,912)	(46,558)	48,470	-	(1,165)	(63,276)	64,441	-
New financial assets originated or purchased	22,648	5,775	-	28,423	51,175	10,434	-	61,609
Financial assets derecognised	(17,916)	(9,479)	(8,085)	(35,480)	(22,863)	(17,067)	(5,406)	(45,336)
Net remeasurement during the period/year	(38,245)	72,706	50,323	84,784	(122,102)	112,961	89,028	79,887
Amount written-off	-	-	(81,469)	(81,469)	-	-	(113,770)	(113,770)
Other movements	242	12	(4,764)	(4,510)	(509)	359	(5,098)	(5,248)
At 30 September/31 December	59,546	56,760	111,762	228,068	58,957	57,165	120,198	236,320
At 1 January								
- Financing and advances	55,816	56,927	120,198	232,941	32,598	96,136	125,877	254,611
- Financing related commitments and financial guarantees	3,141	238	-	3,379	3,256	1,311	-	4,567
	58,957	57,165	120,198	236,320	35,854	97,447	125,877	259,178
At 30 September/31 December								
- Financing and advances	56,073	48,541	111,762	216,376	55,816	56,927	120,198	232,941
- Financing related commitments and financial guarantees	3,473	8,219	-	11,692	3,141	238	-	3,379
	59,546	56,760	111,762	228,068	58,957	57,165	120,198	236,320

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	30 September 2019			31 December 2018		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	60,543	119	37	51,596	82	144
- Swaps	85,991	394	578	31,503	-	1,291
Profit rate derivatives						
- Swaps	360,000	11,937	12,527	360,000	2,136	2,354
	<u>506,534</u>	<u>12,450</u>	<u>13,142</u>	<u>443,099</u>	<u>2,218</u>	<u>3,789</u>

**15 OTHER ASSETS**

	30 September 2019 RM'000	31 December 2018 RM'000
Profit receivable	26,025	32,640
Other receivables, deposits and prepayments	6,203	3,819
Amount due from immediate holding company	19,665	36,850
Amount due from ultimate holding company	9	869
	<u>51,902</u>	<u>74,178</u>

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

**16 DEPOSITS FROM CUSTOMERS**

	30 September 2019 RM'000	31 December 2018 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	480,239	320,117
- Qard	192,250	198,718
Demand deposits		
- Tawarruq	632,807	279,644
- Qard	3,346,620	3,672,992
Term deposits		
- Commodity Murabahah	6,892,736	6,056,503
- Qard	5,561	2,289
Negotiable instruments of deposits		
- Bai Bithaman Ajil	76,696	74,269
Short-term deposits		
- Tawarruq	321,005	1,198,312
General investment deposits		
- Mudharabah	-	16
	<u>11,947,914</u>	<u>11,802,860</u>



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**16 DEPOSITS FROM CUSTOMERS (continued)**

(b) By type of customer

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Government and statutory bodies	1,516,487	1,699,447
Non-bank financial institutions	1,157,704	1,521,931
Business enterprises	5,381,992	5,329,983
Individuals	3,545,252	3,010,715
Foreign entities	136,542	112,348
Others	209,937	128,436
	<u>11,947,914</u>	<u>11,802,860</u>

(c) By maturity structure of term/general investment deposits, negotiable instruments of deposit and short-term deposits

Up to six months	5,456,771	5,300,290
Over six months to one year	1,835,387	1,939,961
Over one year to three years	3,840	91,128
Over three years to five years	-	10
	<u>7,295,998</u>	<u>7,331,389</u>

**17 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION**

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Mudharabah RPSIA</b>		
Licensed bank	2,068,261	1,379,286
Amount receivable from immediate holding company under RPSIA	(32,769)	(57,118)
	<u>2,035,492</u>	<u>1,322,168</u>

**18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Non-Mudharabah</b>		
Licensed banks	782,242	1,066,131
Other financial institutions	5,445	6,926
	<u>787,687</u>	<u>1,073,057</u>

Included in the above are deposits and placements of its immediate holding company of RM741 million (2018: RM990 million), which are unsecured and profit-bearing.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**19 OTHER LIABILITIES**

	Note	30 September 2019 RM'000	31 December 2018 RM'000
Profit payable		93,739	78,705
Other payables and accruals		81,501	58,064
Amount due to immediate holding company	(a)	14,026	10,028
Equity compensation benefits		604	676
Lease liabilities	(b)	3,080	-
Provision for commitments and contingencies		2,034	-
		<u>194,984</u>	<u>147,473</u>

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

(b) Upon adoption of MFRS 16 commencing 1 January 2019 as disclosed in Note 1(a), lease liabilities are recognised in other liabilities.

**20 SUBORDINATED SUKUK**

On 24 November 2016, the Bank issued to its immediate holding company, OCBC Bank (Malaysia) Berhad, a RM200 million Basel III-compliant redeemable 10 years non-callable 5 years subordinated sukuk under the principle of Murabahah at a profit rate of 4.80% per annum payable semi-annually in arrears from the issue date with the last periodic profit payment to be made up to (but excluding) the maturity date or early redemption of the Murabahah subordinated sukuk, whichever is earlier. The Bank may, at its option and subject to the prior approval of BNM, exercise its call option and may redeem in whole or in part, whichever is earlier, the Murabahah subordinated sukuk on 24 November 2021 and any coupon payment date thereafter. In addition to the first call in 2021, the Murabahah subordinated sukuk may also be redeemed if a qualifying tax event or a change of qualification event occurs. The Murabahah subordinated sukuk can be written off, in whole or in part, if the Bank is determined by BNM and/or Malaysia Deposit Insurance Corporation to be non-viable.

This Murabahah subordinated sukuk qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

**21 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	Quarter Ended		Year-To-Date Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Income derived from investment of:				
(i) Term deposits/General investment deposits	84,297	79,826	255,552	247,075
(ii) Other deposits	71,331	71,816	223,302	205,591
	<u>155,628</u>	<u>151,642</u>	<u>478,854</u>	<u>452,666</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**21 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
(i) Income derived from investment of term/general investment deposits				
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	61,077	58,832	187,585	175,956
- Recoveries from impaired financing	719	933	1,728	2,878
- Discount unwind from impaired financing	228	587	2,254	1,482
Financial assets at FVTPL	81	53	222	199
Financial investments at FVOCI	18,698	18,393	50,935	56,996
Deposits and placements with banks and other financial institutions	1,655	1,071	7,353	9,542
	<u>82,458</u>	<u>79,869</u>	<u>250,077</u>	<u>247,053</u>
<b>Other trading income</b>				
Net gain from sale of financial assets at FVTPL	-	-	-	252
Unrealised gain/(loss) on financial assets at FVTPL	121	1	110	(238)
<b>Other operating income</b>				
Net gain/(loss) from sale of financial investments at FVOCI	1,403	(163)	4,709	(299)
Others	315	119	656	307
	<u>84,297</u>	<u>79,826</u>	<u>255,552</u>	<u>247,075</u>
(ii) Income derived from investment of other deposits				
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	51,683	52,931	164,039	146,696
- Recoveries from impaired financing	608	839	1,508	2,399
- Discount unwind from impaired financing	192	528	2,001	1,257
Financial assets at FVTPL	69	47	195	161
Financial investments at FVOCI	15,823	16,547	44,563	47,433
Deposits and placements with banks and other financial institutions	1,400	964	6,329	7,629
	<u>69,775</u>	<u>71,856</u>	<u>218,635</u>	<u>205,575</u>
<b>Other trading income</b>				
Net gain from sale of financial assets at FVTPL	-	-	-	191
Unrealised gain/(loss) on financial assets at FVTPL	102	-	92	(181)
<b>Other operating income</b>				
Net gain/(loss) from sale of financial investments at FVOCI	1,187	(147)	4,007	(252)
Others	267	107	568	258
	<u>71,331</u>	<u>71,816</u>	<u>223,302</u>	<u>205,591</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**22 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS**

	Quarter Ended		Year-To-Date Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	25,772	14,807	52,924	45,465
- Recoveries from impaired financing	518	600	2,944	1,800
- Discount unwind from impaired financing	1,219	(1,877)	-	(1,877)
Deposits and placements with banks and other financial institutions	-	180	-	180
	<u>27,509</u>	<u>13,710</u>	<u>55,868</u>	<u>45,568</u>

**23 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUND**

	Quarter Ended		Year-To-Date Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>Finance income and hibah</b>				
- Finance income earned other than recoveries	14,233	13,866	42,689	38,822
- Recoveries from impaired financing	168	220	395	635
- Discount unwind from impaired financing	53	138	509	333
Financial assets at FVTPL	19	12	51	42
Financial investments at FVOCI	4,357	4,334	11,617	12,553
Deposits and placements with banks and other financial institutions	386	253	1,658	2,016
	<u>19,216</u>	<u>18,823</u>	<u>56,919</u>	<u>54,401</u>
<b>Other trading income</b>				
Net gain from sale of financial assets at FVTPL	-	-	-	50
Unrealised gain/(loss) on financial assets at FVTPL	28	-	26	(47)
<b>Other operating income</b>				
Commission	5,624	5,689	17,169	23,679
Service charges and fees	3,764	4,656	11,219	21,324
Net gain/(loss) from sale of financial investments at FVOCI	327	(39)	1,062	(67)
Others	74	28	150	68
<b>Other trading income</b>				
Net trading (loss)/gain				
- Foreign currency	(12)	468	(1,228)	909
- Derivatives	5,151	3,395	13,024	11,931
- Revaluation of derivatives	40	122	870	219
	<u>34,212</u>	<u>33,142</u>	<u>99,211</u>	<u>112,467</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**24 IMPAIRMENT (WRITEBACK)/ALLOWANCE AND PROVISIONS**

	Quarter Ended		Year-To-Date Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
<b>Financing and advances</b>				
Stage 1 and Stage 2 ECL net charge/ (write back) during the period	(27,749)	7,087	184	(3,748)
Stage 3 ECL				
- Made during the period	22,855	86,079	106,165	138,200
- Written back	(7,180)	(13,937)	(28,368)	(49,372)
Impaired financing recovered	(21,657)	(6,398)	(32,749)	(21,025)
Recovery from RPSIA holder*	-	-	(29,794)	-
<b>Financial investments at FVOCI</b>				
Stage 1 and Stage 2 ECL net (write back)/charge during the period	15	39	(120)	(2,383)
<b>Other assets</b>				
Stage 1 and Stage 2 ECL net charge/(write back) during the period	-	-	-	(560)
<b>Commitments and contingencies</b>				
Net charge during the period	2,034	-	2,034	-
	<u>(31,682)</u>	<u>72,870</u>	<u>17,352</u>	<u>61,112</u>

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

**25 INCOME ATTRIBUTABLE TO DEPOSITORS**

	Quarter Ended		Year-To-Date Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Deposits from customers				
- Non-Mudharabah	88,691	78,750	260,065	243,842
- Mudharabah	-	-	-	1
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	4,784	4,114	16,765	10,422
Subordinated sukuk	2,419	2,419	7,180	7,180
Lease liabilities	24	-	91	-
	<u>95,918</u>	<u>85,283</u>	<u>284,101</u>	<u>261,445</u>

**26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER**

	Quarter Ended		Year-To-Date Ended	
	30 September 2019 RM'000	30 September 2018 RM'000	30 September 2019 RM'000	30 September 2018 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	19,283	10,912	40,719	33,212

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**27 OPERATING EXPENSES**

	Quarter Ended		Year-To-Date Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
<b>Personnel expenses</b>				
Wages, salaries and bonus	6,438	6,579	19,467	16,908
Employees Provident Fund contributions	958	983	2,957	2,651
Share-based costs	136	4	337	179
Others	1,086	1,341	3,036	3,629
	<b>8,618</b>	<b>8,907</b>	<b>25,797</b>	<b>23,367</b>
<b>Establishment expenses</b>				
Depreciation of equipment	655	1,212	2,054	3,457
Depreciation of ROU assets	567	-	1,878	-
Rental of premises	3	738	8	2,221
Repair and maintenance	199	206	729	635
Information technology costs	180	(210)	643	645
Hire of equipment	25	43	91	114
Others	689	809	2,104	1,951
	<b>2,318</b>	<b>2,798</b>	<b>7,507</b>	<b>9,023</b>
<b>Marketing expenses</b>				
Advertising and business promotion	128	180	386	323
Transport and travelling	76	84	233	218
Others	14	49	66	63
	<b>218</b>	<b>313</b>	<b>685</b>	<b>604</b>
<b>General administrative expenses</b>				
Shared service fees to immediate holding company	29,032	27,757	83,960	80,282
IT and transaction processing fees to related companies	6,860	6,506	20,900	17,743
Others	3,414	3,653	9,269	13,574
	<b>39,306</b>	<b>37,916</b>	<b>114,129</b>	<b>111,599</b>
<b>Total operating expenses</b>	<b>50,460</b>	<b>49,934</b>	<b>148,118</b>	<b>144,593</b>

**28 INCOME TAX EXPENSE**

	Quarter Ended		Year-To-Date Ended	
	30 September	30 September	30 September	30 September
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current period	12,893	(3,984)	27,541	28,279
- Prior periods	1,179	(1,331)	1,179	(1,331)
Deferred tax				
- Origination and reversal of temporary differences	3,575	(528)	(526)	(730)
- Prior periods	(451)	(16)	(451)	(16)
	<b>17,196</b>	<b>(5,859)</b>	<b>27,743</b>	<b>26,202</b>

**29 CAPITAL COMMITMENTS**

	30 September	31 December
	2019	2018
	RM'000	RM'000
Capital expenditure in respect of property and equipment		
- Contracted but not provided for	47	104

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**30 COMMITMENTS AND CONTINGENCIES**

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

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

	30 September 2019			31 December 2018		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	107,030	107,030	115,043	108,967	108,967	92,241
Transaction-related contingent items	372,566	189,666	144,741	392,465	198,492	144,226
Short-term self-liquidating trade-related contingencies	18,784	5,183	2,176	37,147	8,435	5,626
Foreign exchange related contracts						
- Less than one year	65,420	503	348	83,099	739	196
- One year to five years	81,114	10,939	4,023	-	-	-
Profit rate related contracts						
- Five years and above	360,000	41,327	31,070	360,000	34,754	23,033
Formal standby facilities and credit lines						
- Maturity exceeding one year	469,983	369,242	323,782	991,141	756,472	799,448
Other unconditionally cancellable commitments	2,460,886	108,502	17,750	2,740,467	82,305	12,442
	<b>3,935,783</b>	<b>832,392</b>	<b>638,933</b>	<b>4,713,286</b>	<b>1,190,164</b>	<b>1,077,212</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (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:

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

**Financial instruments carried at fair value**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30 September 2019</b>				
<b>Financial assets at fair value</b>				
Financial assets at FVTPL	-	16,365	-	16,365
Financial investments at FVOCI	2,305,157	2,037,717	-	4,342,874
Derivative financial assets	8	12,435	7	12,450
	<u>2,305,165</u>	<u>2,066,517</u>	<u>7</u>	<u>4,371,689</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	2	13,140	-	13,142
<b>31 December 2018</b>				
<b>Financial assets at fair value</b>				
Financial assets at FVTPL	-	9,980	-	9,980
Financial investments at FVOCI	2,322,794	1,967,907	-	4,290,701
Derivative financial assets	21	2,197	-	2,218
	<u>2,322,815</u>	<u>1,980,084</u>	<u>-</u>	<u>4,302,899</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	86	3,703	-	3,789



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**31 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

**Fair value hierarchy of financial assets and liabilities (continued)**

Movements in the Bank's Level 3 financial assets and liabilities are as follows:

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Financial assets at fair value</b>		
At 1 January	-	-
Transfer into Level 3	6	-
Recognised in profit or loss		
- Realised loss	(6)	-
- Unrealised gain	7	-
At 30 September/31 December	<u>7</u>	<u>-</u>
<b>Financial liabilities at fair value</b>		
At 1 January	-	-
Transfer into Level 3	5	-
Recognised in profit or loss		
- Realised gain	(5)	-
At 30 September/31 December	<u>-</u>	<u>-</u>

The following table shows the valuation techniques used in the determination of fair value within Level 3, as well as the unobservable inputs used in the valuation model:

<b>Bank</b>	<b>30 September 2019 Fair value RM'000</b>	<b>31 December 2018 Fair value RM'000</b>	<b>Classification</b>	<b>Valuation technique</b>	<b>Unobservable input</b>
<b>Asset</b>					
Derivative financial assets	7	-	Hedge for trading	Option pricing model	Standard deviation
<b>Liability</b>					
Derivative financial liabilities	-	-	Hedge for trading	Option pricing model	Standard deviation

The Bank considers that any reasonably possible changes to the unobservable input will not result in a significant financial impact.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2019 (continued)**

**32 CAPITAL ADEQUACY**

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

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
<b>Common Equity Tier 1 ("CET 1") capital</b>		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	871,430	821,721
Other reserves	114,924	93,610
Regulatory adjustment	(107,095)	(102,233)
Eligible CET 1 / Tier 1 capital	<u>1,434,259</u>	<u>1,368,098</u>
<b>Tier 2 capital</b>		
Stage 1 and Stage 2 ECL and qualifying regulatory reserves under the Standardised Approach	3,071	4,160
Surplus eligible provisions over expected losses	48,995	47,604
Subordinated sukuk	200,000	200,000
Eligible Tier 2 capital	<u>252,066</u>	<u>251,764</u>
<b>Capital base</b>	<u>1,686,325</u>	<u>1,619,862</u>
<b>Before the effects of PSIA</b>		
CET 1 / Tier 1 capital ratio	13.321%	12.983%
Total capital ratio	<u>15.662%</u>	<u>15.373%</u>
<b>After the effects of PSIA</b>		
CET 1 / Tier 1 capital ratio	15.584%	15.054%
Total capital ratio	<u>18.322%</u>	<u>17.825%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks of the assets funded by the PSIA which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 September 2019, credit risks relating to PSIA assets excluded from the total capital ratio calculation amounted to RM1,563 million (31 December 2018: RM1,450 million).

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

	<b>30 September 2019 RM'000</b>	<b>31 December 2018 RM'000</b>
Total RWA for credit risk	8,411,462	8,266,772
Total RWA for market risk	4,286	2,616
Total RWA for operational risk	787,951	818,290
	<u>9,203,699</u>	<u>9,087,678</u>