

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

Domiciled in Malaysia
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(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015**

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015**

		30 September 2015 RM'000	31 December 2014 RM'000
ASSETS	Note		
Cash and cash equivalents		1,635,237	1,179,551
Financial investments available-for-sale	10	3,073,979	2,843,810
Financing and advances	11	10,234,864	9,168,014
Derivative financial assets	13	331	4,102
Other assets	14	26,905	75,988
Current tax assets		-	9,678
Statutory deposits with Bank Negara Malaysia		377,100	379,800
Property and equipment		7,204	5,482
Deferred tax assets		5,118	1,966
Total assets		<u>15,360,738</u>	<u>13,668,391</u>
LIABILITIES			
Deposits from customers	15	10,821,026	10,014,608
Deposits and placements of banks and other financial institutions	16	3,082,471	2,521,511
Bills and acceptances payable		12,004	20,644
Subordinated bond	17	200,000	200,000
Derivative financial liabilities	13	576	4,136
Other liabilities	18	295,614	118,693
Current tax liabilities		4,217	-
Zakat		30	35
Total liabilities		<u>14,415,938</u>	<u>12,879,627</u>
EQUITY			
Share capital		185,000	165,000
Reserves		759,800	623,764
Total equity		<u>944,800</u>	<u>788,764</u>
Total liabilities and equity		<u>15,360,738</u>	<u>13,668,391</u>
Commitments and contingencies	25	<u>1,637,748</u>	<u>1,883,257</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 2014 and the accompanying explanatory notes on pages 5 to 24 of these 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 2015**

	Note	Quarter Ended		Year-To-Date Ended	
		30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Income derived from investment of depositors' funds and others	19	198,540	170,240	584,480	452,789
Income derived from investment of shareholder's funds	20	26,316	26,028	76,399	66,925
Impairment allowance on financing and advances	21	(36,456)	(42,489)	(93,619)	(111,536)
Total distributable income		188,400	153,779	567,260	408,178
Income attributable to depositors	22	(97,665)	(83,179)	(290,627)	(207,509)
Total net income		90,735	70,600	276,633	200,669
Operating expenses	23	(53,686)	(47,638)	(142,940)	(134,841)
Profit before income tax and zakat		37,049	22,962	133,693	65,828
Income tax expense	24	(7,719)	(3,376)	(28,301)	(11,906)
Zakat		(10)	(8)	(30)	(26)
Profit for the period		29,320	19,578	105,362	53,896
Other comprehensive (expense)/income, net of income tax					
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve:					
- Change in fair value		(14,537)	(139)	(9,068)	4,957
- Amount transferred to profit or loss		(8)	-	(3,366)	416
Income tax credit/(expense) relating to components of other comprehensive income		3,639	35	3,108	(1,343)
Other comprehensive (expense)/income for the period, net of income tax		(10,906)	(104)	(9,326)	4,030
Total comprehensive income for the period		18,414	19,474	96,036	57,926
Profit attributable to owner of the Bank		29,320	19,578	105,362	53,896
Total comprehensive income attributable to owner of the Bank		18,414	19,474	96,036	57,926
Basic earnings per ordinary share (sen)		15.32	11.58	61.01	38.19

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 2014 and the accompanying explanatory notes on pages 5 to 24 of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	<i>Non-distributable</i>			<i>Distributable</i>	Total Equity RM'000	
	Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Fair Value Reserve RM'000		Retained Earnings RM'000
2015						
At 1 January 2015	165,000	330,000	142,653	(2,342)	153,453	788,764
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	(9,068)	-	(9,068)
- Amount transferred to profit or loss	-	-	-	(3,366)	-	(3,366)
Income tax credit relating to components of other comprehensive income	-	-	-	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	-	-	-	(9,326)	105,362	96,036
<i>Contributions by and distributions to owners of the Bank</i>						
Issue of ordinary shares	20,000	40,000	-	-	-	60,000
Transfer to statutory reserve	-	-	42,347	-	(42,347)	-
At 30 September 2015	185,000	370,000	185,000	(11,668)	216,468	944,800
2014						
At 1 January 2014	125,000	250,000	107,389	(5,410)	118,188	595,167
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	4,957	-	4,957
- Amount transferred to profit or loss	-	-	-	416	-	416
Income tax expense relating to components of other comprehensive income	-	-	-	(1,343)	-	(1,343)
Total other comprehensive income for the period	-	-	-	4,030	-	4,030
Profit for the period	-	-	-	-	53,896	53,896
Total comprehensive income for the period	-	-	-	4,030	53,896	57,926
<i>Contributions by and distributions to owners of the Bank</i>						
Issue of ordinary shares	40,000	80,000	-	-	-	120,000
At 30 September 2014	165,000	330,000	107,389	(1,380)	172,084	773,093

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 2014 and the accompanying explanatory notes on pages 5 to 24 of these unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2015

	30 September 2015 RM'000	30 September 2014 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	133,693	65,828
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial investments available-for-sale	(3,366)	416
- Property and equipment	32	21
Depreciation of property and equipment	1,531	1,898
Impairment allowance on financing and advances	93,619	111,536
Share-based expenses	198	167
Unrealised loss/(gain) on revaluation of derivatives	213	(77)
Operating profit before changes in working capital	<u>225,920</u>	<u>179,789</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financing and advances	(1,160,469)	(2,024,155)
Derivative financial assets	3,771	(86)
Other assets	48,870	(20,822)
Statutory deposits with Bank Negara Malaysia	2,700	(85,500)
Deposits from customers	806,418	2,892,698
Deposits and placements of banks and other financial institutions	560,960	627,774
Bills and acceptances payable	(8,640)	1,616
Derivative financial liabilities	(3,560)	8
Other liabilities	176,723	40,793
Cash generated from operations	<u>652,693</u>	<u>1,612,115</u>
Income tax and zakat paid	<u>(14,485)</u>	<u>(16,851)</u>
Net cash generated from operating activities	<u>638,208</u>	<u>1,595,264</u>
Cash flows from investing activities		
Acquisition of financial investments available-for-sale	(4,498,193)	(2,499,078)
Proceeds from disposal of financial investments available-for-sale	4,258,956	1,869,972
Acquisition of property and equipment	(3,351)	(266)
Proceeds from disposal of property and equipment	66	71
Net cash used in investing activities	<u>(242,522)</u>	<u>(629,301)</u>
Cash flows from financing activity		
Proceeds from issuance of ordinary shares	<u>60,000</u>	<u>120,000</u>
Net cash generated from financing activity	<u>60,000</u>	<u>120,000</u>
Net increase in cash and cash equivalents	455,686	1,085,963
Cash and cash equivalents at 1 January	<u>1,179,551</u>	<u>963,230</u>
Cash and cash equivalents at 30 September	<u>1,635,237</u>	<u>2,049,193</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 2014 and the accompanying explanatory notes on pages 5 to 24 of these unaudited condensed interim financial statements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015**

1. GENERAL INFORMATION

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

AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the financial year ended 31 December 2014 was not subject to any qualification.

2. FINANCIAL PERFORMANCE

The Bank recorded profit after tax of RM105.4 million for the financial period ended 30 September 2015, a 95% or RM51.5 million increase against the corresponding period last year. The increase was attributable to higher total income by 19% and lower impairment allowances by 16% whilst operating overheads were contained at a slower rate of increase of 6%.

Total income improved by RM58.0 million or 19% mainly due to continuous strong growth in net finance income by RM56.6 million or 21% on the back of 12% net financing and advances growth.

Despite strong financing growth and higher individual impairment allowance (+RM24.8 million), the Bank registered lower impairment allowance largely due to lower collective impairment allowance (-RM39.8 million). In 2014, the collective impairment allowance was impacted by model parameter refinements.

Of the RM1.1 billion or 12% increase in gross financing and advances against December 2014, house financing was the main financing growth driver (+RM0.4 billion), followed by syndicated financing (+RM0.4 billion) and revolving credit (+RM0.3 billion).

Deposits from customers increased by RM0.8 billion or 8% over the same period to RM10.8 billion, of which general investment deposits increased by RM1.5 billion, partially offset by lower short term deposits by RM0.8 billion.

The Bank remains well capitalised after the effects of Profit Sharing Investment Account ("PSIA") with Common Equity Tier 1 and Tier 1 ratios of 11.921% and total capital ratio of 13.970%.

3. ECONOMIC PERFORMANCE AND PROSPECTS

The global economic landscape is expected to continue to be challenging alongside the increase in downside risks to growth. These risks arise from the moderating growth momentum in the major emerging market economies, uncertainty in commodity prices and the heightened volatility in financial markets. On the local front, the ringgit exchange rate has been affected by several domestic and global factors that are also hurting other emerging and commodity-producing economies. These factors include the weaker commodity prices, the strength of the U.S. dollar, and the uncertainty in the global financial markets. Headline inflation is also pressured into an upward trend into 2016, reflecting higher domestic fuel prices and the impact of the Goods and Services Tax ("GST").

Recent indicators suggest continued expansion in economic activity in the third quarter despite ongoing adjustments to external and domestic developments. Private consumption is expected to moderate as households continue to adjust to the implementation of GST and the uncertain economic environment. Household spending will, however, be supported by wage growth and stable labour market conditions, while investment activities are expected to be spearheaded by capital spending in the manufacturing and services sectors along with existing and new infrastructure projects. However, the continued expansion in domestic demand is expected to be countered by the weak performance of the external sector.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**

3. ECONOMIC PERFORMANCE AND PROSPECTS (continued)

With the country entering this challenging period, the Bank remains cautious in its lending approach to selective sectors while continuing its prudent stance. The Bank will continue to grow its business and consumer segments by extending its wide range of financial products to meet its customers' demands. The Bank has plans to open more branches in the next few months and will continue to invest in infrastructure with a view to service a greater number of customers more effectively. We will continue to preserve and improve our assets and capital quality as well as monitor our liquidity closely.

4. BASIS OF PREPARATION

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

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

(a) Statement of compliance

The unaudited condensed interim financial statements have been prepared under historical cost convention (except as disclosed in the notes to the unaudited condensed interim financial statements), in accordance with the Malaysian Financial Reporting Standards ("MFRS") 134, International Financial Reporting Standards 34 and the requirements of the Companies Act, 1965 in Malaysia and Shariah requirements (operations of Islamic Banking).

The following accounting standards and amendments have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Bank as they are either not applicable or not yet effective.

Effective for annual periods commencing on or after 1 January 2016

- Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
- Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS12, *Disclosures of Interest in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities Applying the Consolidation Exception*
- Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*
- MFRS 14, *Regulatory Deferral Accounts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*
- Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture Bearer Plants*
- Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012-2014 Cycle)*
- Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*
- Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)*

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**

4. BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

The Bank plans to apply the abovementioned accounting standards and amendments from the annual period commencing 1 January 2016.

Effective for annual periods commencing on or after 1 January 2018

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*

The Bank plans to apply the abovementioned accounting standards from the annual period commencing 1 January 2018.

The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements except as mentioned below:

MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets, financial liabilities and on hedge accounting. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

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*. Upon adoption of MFRS 15, it is expected that the timing of revenue recognition might be different as compared with the current practices.

The adoption of MFRS 9 and MFRS 15 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 9 and MFRS 15.

(b) Use of estimates and judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2014.

5. 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 2014.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**

6. SEASONALITY OF OPERATIONS

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

7. SHARE CAPITAL AND DEBENTURES

The Bank issued 20 million ordinary shares of RM1 each at RM3 per ordinary share amounting to RM60 million to its holding company, OCBC Bank (Malaysia) Berhad, on 18 June 2015. There were no other issuances, cancellations, repurchases, resale or repayment of debt and equity securities.

8. DIVIDEND

No dividend was paid in respect of the financial period ended 30 September 2015.

9. 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.

10. FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30 September 2015 RM'000	31 December 2014 RM'000
At fair value		
Malaysian Government Investment Issues	1,566,542	1,100,972
Malaysian Government Sukuk	121,394	173,140
Malaysian Government Islamic Treasury Bills	238,914	8,873
Bank Negara Malaysia Monetary Notes	248,763	772,441
Islamic Private Debt Securities	416,415	358,955
Islamic Negotiable Instruments of Deposit	249,669	299,457
Sanadat Mudharabah Cagamas	4,968	4,965
Foreign Government Debt Securities	227,314	125,007
	<u>3,073,979</u>	<u>2,843,810</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**11. FINANCING AND ADVANCES**

(i) By type and Shariah contracts

	Sale based contracts				Lease based contracts			Equity based contracts	Others	Total RM'000	
	Bai'		Tawarruq Murabahah	Bai' Dayn	Ijarah		Muntahiah Bi Al-Tamluk	Musharakah Mutanaqisah	Wakalah and Qard		
	Bai' Inah RM'000	Bithaman Ajil RM'000			Thumma Al-Bai RM'000	Ijarah RM'000					
30 September 2015											
At amortised cost											
Term Financing											
- Cash line financing	64,692	45,508	-	-	-	102,480	-	-	308	212,988	
- House financing	-	17,531	-	-	-	-	1,639,119	116,390	-	1,773,040	
- Syndicated term financing	-	-	-	-	-	-	522,173	-	-	522,173	
- Hire purchase receivables	-	-	-	-	608,842	-	306,273	-	-	915,115	
- Other term financing	1,764,379	204,824	396,448	-	-	-	2,223,705	164,238	-	4,753,594	
Bills receivable	-	-	-	-	17,001	-	-	-	-	17,001	
Trust receipts	-	-	-	70	-	-	-	-	-	70	
Revolving credit	-	-	1,901,958	-	-	-	-	-	-	1,901,958	
Claims on customers under acceptance credits	-	-	-	287,631	62,258	-	-	-	-	349,889	
Other financing	-	-	-	42,563	-	-	-	-	1	42,564	
Gross financing and advances	<u>1,829,071</u>	<u>267,863</u>	<u>2,298,406</u>	<u>330,264</u>	<u>79,259</u>	<u>608,842</u>	<u>102,480</u>	<u>4,691,270</u>	<u>280,628</u>	<u>309</u>	<u>10,488,392</u>
Allowance for financing and advances											
- Individual impairment											(76,526)
- Collective impairment											(177,002)
Net financing and advances											<u>10,234,864</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**11. FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contracts (continued)

	Sale based contracts					Lease based contracts			Equity based contracts	Others	Total RM'000
	Bai'		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma Al-Bai RM'000	Ijarah Bi Al-Tamlik RM'000		Musharakah Mutanaqisah RM'000	Wakalah and Qard RM'000	
	Bai' Inah RM'000	Bithaman Ajil RM'000									
31 December 2014											
At amortised cost											
Term Financing											
- Cash line financing	57,616	51,177	-	-	-	-	55,567	-	-	238	164,598
- House financing	-	20,184	-	-	-	-	-	1,233,772	122,476	-	1,376,432
- Syndicated term financing	-	-	-	-	-	-	-	165,709	-	-	165,709
- Hire purchase receivables	-	-	-	-	-	674,585	-	228,946	-	-	903,531
- Other term financing	2,012,286	253,147	294,059	-	-	-	-	2,140,189	160,653	-	4,860,334
Bills receivable	-	-	-	-	13,007	-	-	-	-	-	13,007
Trust receipts	-	-	-	247	-	-	-	-	-	-	247
Revolving credit	9,144	-	1,641,478	-	-	-	-	-	-	-	1,650,622
Claims on customers under acceptance credits	-	-	-	168,122	60,025	-	-	-	-	-	228,147
Other financing	-	-	-	21,594	-	-	-	-	-	1	21,595
Gross financing and advances	<u>2,079,046</u>	<u>324,508</u>	<u>1,935,537</u>	<u>189,963</u>	<u>73,032</u>	<u>674,585</u>	<u>55,567</u>	<u>3,768,616</u>	<u>283,129</u>	<u>239</u>	<u>9,384,222</u>
Allowance for financing and advances											
- Individual impairment											(62,398)
- Collective impairment											(153,810)
Net financing and advances											<u>9,168,014</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**11. FINANCING AND ADVANCES (continued)**

	30 September 2015 RM'000	31 December 2014 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	57,818	42,250
Domestic business enterprises		
- Small medium enterprises	2,945,828	2,920,762
- Others	3,355,456	2,946,306
Individuals	2,751,704	2,325,249
Foreign entities	1,377,586	1,149,655
	<u>10,488,392</u>	<u>9,384,222</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	23,906	24,820
- Hire purchase receivables	622,356	690,384
- Other fixed rate financing	2,916,630	2,964,577
Variable rate		
- BFR plus	2,348,875	1,863,893
- Cost plus	4,510,563	3,840,548
- Other variable rates	66,062	-
	<u>10,488,392</u>	<u>9,384,222</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	592,040	250,740
Mining and quarrying	222,513	92,844
Manufacturing	1,926,136	1,799,120
Electricity, gas and water	113,614	240,636
Construction	368,102	323,238
Real estate	523,550	611,980
Wholesale & retail trade and restaurants & hotels	1,524,407	1,515,393
Transport, storage and communication	316,909	353,918
Finance, insurance and business services	425,324	378,546
Community, social and personal services	345,046	341,178
Household		
- Purchase of residential properties	1,815,523	1,409,024
- Purchase of non-residential properties	44,575	44,079
- Others	975,671	937,388
Others	1,294,982	1,086,138
	<u>10,488,392</u>	<u>9,384,222</u>
(v) By geographical distribution		
Malaysia	9,467,782	8,550,832
Singapore	13,902	11,875
Rest of the World	1,006,708	821,515
	<u>10,488,392</u>	<u>9,384,222</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)****11. FINANCING AND ADVANCES (continued)**

	30 September 2015 RM'000	31 December 2014 RM'000
(vi) By residual contractual maturity		
Within one year	2,997,208	2,136,309
One year to five years	2,909,020	3,269,819
Over five years	4,582,164	3,978,094
	<u>10,488,392</u>	<u>9,384,222</u>

12. IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	30 September 2015 RM'000	31 December 2014 RM'000
At 1 January	196,682	107,359
Impaired during the period/year	346,811	302,466
Reclassified as unimpaired	(32,560)	(26,032)
Amount recovered	(188,037)	(127,100)
Amount written off	(66,347)	(60,011)
Effect of foreign exchange difference	20,158	-
At 30 September/31 December	<u>276,707</u>	<u>196,682</u>
Individual impairment allowance	(76,526)	(62,398)
Collective impairment allowance	(3,403)	(2,216)
Net impaired financing and advances	<u>196,778</u>	<u>132,068</u>

(i) By sector

Agriculture, hunting, forestry and fishing	1,467	655
Mining and quarrying	99,818	87
Manufacturing	47,404	53,233
Electricity, gas and water	113	-
Construction	2,630	1,367
Real estate	23,465	71,270
Wholesale & retail trade and restaurants & hotels	24,640	18,005
Transport, storage and communication	7,975	6,876
Finance, insurance and business services	7,017	6,255
Community, social and personal services	2,699	2,118
Household		
- Purchase of residential properties	19,852	8,472
- Purchase of non-residential properties	251	192
- Others	38,717	27,489
Others	659	663
	<u>276,707</u>	<u>196,682</u>

(ii) By geographical distribution

Malaysia	<u>276,707</u>	<u>196,682</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 2015 (continued)****12. IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance on financing and advances

	30 September 2015 RM'000	31 December 2014 RM'000
Individual impairment allowance		
At 1 January	62,398	44,846
Made during the period/year	113,857	115,007
Amount written back	(33,106)	(37,331)
Amount written off	(66,347)	(60,011)
Financing income earned on impaired financing	(276)	(113)
At 30 September/31 December	<u>76,526</u>	<u>62,398</u>
Collective impairment allowance		
At 1 January	153,810	60,151
Made during the period/year	23,192	93,659
At 30 September/31 December	<u>177,002</u>	<u>153,810</u>

13. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	<u>30 September 2015</u>			<u>31 December 2014</u>		
	Contract or underlying principal amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000	Contract or underlying principal amount RM'000	Positive Fair Value RM'000	Negative Fair Value RM'000
Trading						
Foreign exchange derivatives						
- Forwards	69,802	331	576	51,426	32	69
- Swaps	-	-	-	219,697	4,070	4,067
	<u>69,802</u>	<u>331</u>	<u>576</u>	<u>271,123</u>	<u>4,102</u>	<u>4,136</u>

14. OTHER ASSETS

	30 September 2015 RM'000	31 December 2014 RM'000
Profit receivable	19,464	18,490
Other receivables, deposits and prepayments	6,860	1,577
Amount due from holding company	581	55,921
	<u>26,905</u>	<u>75,988</u>

The amount due from holding company is unsecured, profit-free and repayable on demand.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**15. DEPOSITS FROM CUSTOMERS**

	30 September 2015 RM'000	31 December 2014 RM'000
(i) By type of deposit		
Non-Mudharabah		
Demand deposits (Wadiah)	2,895,394	2,781,807
Savings deposits (Wadiah)	283,941	305,379
General investment deposits (Commodity Murabahah)	7,160,628	5,647,115
Negotiable instruments of deposit (Bai' Bithaman Ajil)	64,569	67,874
Wakalah short term deposits	-	1,176,935
Tawarruq short term deposits	416,309	-
	<u>10,820,841</u>	<u>9,979,110</u>
Mudharabah		
General investment deposits	185	35,498
	<u>10,821,026</u>	<u>10,014,608</u>
(ii) By type of customer		
Government and statutory bodies	1,338,042	249,476
Non-bank financial institutions	1,647,972	2,208,538
Business enterprises	5,333,385	4,997,013
Individuals	2,313,699	2,319,206
Foreign entities	71,762	102,211
Others	116,166	138,164
	<u>10,821,026</u>	<u>10,014,608</u>
(iii) By maturity structure		
Within six months	9,304,126	8,735,905
Six months to one year	1,373,952	1,213,265
One year to three years	77,979	2,812
Three years to five years	64,969	100
Over five years	-	62,526
	<u>10,821,026</u>	<u>10,014,608</u>

16. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2015 RM'000	31 December 2014 RM'000
Non-Mudharabah		
Licensed banks	1,336,909	1,201,475
Mudharabah		
Licensed banks	1,745,562	1,320,036
	<u>3,082,471</u>	<u>2,521,511</u>

Included in the deposits and placements of banks and other financial institutions are the Restricted Profit Sharing Investment Accounts ('RPSIA') placed by its holding company amounting to RM1.7 billion (31 December 2014: RM1.3 billion) at profit rates ranging from 1.67% to 4.24% per annum (2014: 1.56% to 5.67% per annum).

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)****17. SUBORDINATED BOND**

On 1 December 2008, the Bank issued RM200 million non-tradeable, non-transferable, redeemable Islamic subordinated bond 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 bond, 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 bond shall be redeemed in full by five equal and consecutive annual payments. The call option, subject to prior approval from Bank Negara Malaysia ("BNM") and Monetary Authority of Singapore ("MAS"), is redeemable in whole but not in part on 24 November 2016 and on every Profit Payment Date thereafter. The subordinated bond was fully subscribed by its holding company, OCBC Bank (Malaysia) Berhad.

The unrestricted subordinated bond qualifies as Tier 2 capital subject to gradual phase out as required under BNM's Capital Adequacy Framework for Islamic Banks (Capital Component).

18. OTHER LIABILITIES

	30 September 2015 RM'000	31 December 2014 RM'000
Profit payable	86,230	69,269
Other accruals and charges	57,225	49,243
Amount due to holding company	142,996	-
Shared services fee payable to holding company	9,163	-
Shared services fee payable to related company	-	181
	<u>295,614</u>	<u>118,693</u>

19. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Quarter Ended		Year-To-Date Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Income derived from investment of:				
(i) General investment deposits	109,311	78,287	322,503	198,795
(ii) Other deposits	89,229	91,953	261,977	253,994
	<u>198,540</u>	<u>170,240</u>	<u>584,480</u>	<u>452,789</u>
 (i) Income derived from investment of general investment deposits				
Finance income and hibah				
Unimpaired financing and advances	89,562	63,527	260,821	164,476
Impaired financing and advances	65	16	149	32
Financial investments available-for-sale	14,572	8,994	43,686	22,893
Deposits and placements with banks and other financial institutions	5,039	5,701	15,740	11,416
	<u>109,238</u>	<u>78,238</u>	<u>320,396</u>	<u>198,817</u>
Other operating income				
Net gain from disposal of financial assets held-for-trading	-	-	-	1
Net gain/(loss) from disposal of financial investments available-for-sale	4	-	1,902	(167)
Others	69	49	205	144
	<u>109,311</u>	<u>78,287</u>	<u>322,503</u>	<u>198,795</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)****19. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Unimpaired financing and advances	73,056	74,614	212,837	210,335
Impaired financing and advances	46	19	107	42
Financial investments available-for-sale	10,169	10,564	30,949	29,280
Deposits and placements with banks and other financial institutions	5,907	6,697	16,682	14,374
	<u>89,178</u>	<u>91,894</u>	<u>260,575</u>	<u>254,031</u>
Other operating income				
Net gain from disposal of financial assets held-for-trading	-	-	-	2
Net gain/(loss) from disposal of financial investments available-for-sale	3	-	1,257	(224)
Others	48	59	145	185
	<u>89,229</u>	<u>91,953</u>	<u>261,977</u>	<u>253,994</u>

20. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Finance income and hibah				
Unimpaired financing and advances	11,817	8,375	32,642	23,621
Impaired financing and advances	9	2	20	4
Financial investments available-for-sale	1,923	1,186	5,486	3,283
Deposits and placements with banks and other financial institutions	665	752	1,947	1,615
	<u>14,414</u>	<u>10,315</u>	<u>40,095</u>	<u>28,523</u>
Other operating income				
Net gain/(loss) from disposal of financial investments available-for-sale	1	-	207	(25)
Others	9	7	25	21
Other trading income				
Net trading gain/(loss)				
Foreign currency	(329)	(245)	234	(60)
Trading derivatives	3,836	2,674	9,877	7,717
Revaluation of derivatives	(12)	71	(213)	77
Fee and commission income				
Commission	3,172	4,823	12,634	13,123
Service charges and fees	5,225	8,383	13,540	17,549
	<u>26,316</u>	<u>26,028</u>	<u>76,399</u>	<u>66,925</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**21. IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES**

	Quarter Ended		Year-To-Date Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Individual impairment allowance				
- Made during the period	37,651	28,449	113,857	81,940
- Written back	(11,826)	(8,719)	(33,106)	(25,981)
Collective impairment allowance				
- Made during the period	14,549	25,157	23,192	63,032
Impaired financing recovered	(3,918)	(2,398)	(10,324)	(7,455)
	<u>36,456</u>	<u>42,489</u>	<u>93,619</u>	<u>111,536</u>

22. INCOME ATTRIBUTABLE TO DEPOSITORS

	Quarter Ended		Year-To-Date Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Deposits from customers				
- Mudharabah	557	1,993	1,593	7,898
- Non-Mudharabah	82,570	61,901	246,171	154,014
Deposits and placements of banks and other financial institutions				
- Mudharabah	9,118	6,674	25,318	16,188
- Non-Mudharabah	2,672	9,863	9,392	21,256
Subordinated bond	2,748	2,748	8,153	8,153
	<u>97,665</u>	<u>83,179</u>	<u>290,627</u>	<u>207,509</u>

23. OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Personnel expenses				
Salaries, allowances and bonus	6,576	7,425	19,371	20,707
Employees Provident Fund contributions	980	1,132	2,952	3,296
Share-based expenses	73	55	198	167
Others	796	813	2,053	1,929
	<u>8,425</u>	<u>9,425</u>	<u>24,574</u>	<u>26,099</u>
Establishment expenses				
Depreciation of property and equipment	502	592	1,531	1,898
Rental of premises	682	560	1,973	1,743
Repair and maintenance	129	71	385	321
Information technology costs	86	15	184	63
Others	583	504	1,462	1,721
	<u>1,982</u>	<u>1,742</u>	<u>5,535</u>	<u>5,746</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**23. OPERATING EXPENSES (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Marketing expenses				
Advertisement and business promotion	660	797	1,981	2,080
Transport and travelling	192	239	540	671
Others	22	112	58	148
	<u>874</u>	<u>1,148</u>	<u>2,579</u>	<u>2,899</u>
General administrative expenses				
Shared service fees to holding company	28,139	27,765	79,875	78,186
Transaction processing fees	5,084	5,576	16,998	16,852
Others	9,182	1,982	13,379	5,059
	<u>42,405</u>	<u>35,323</u>	<u>110,252</u>	<u>100,097</u>
Total operating expenses	<u>53,686</u>	<u>47,638</u>	<u>142,940</u>	<u>134,841</u>

24. INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Malaysian income tax				
- Current period	8,157	4,050	28,345	11,984
- Underprovision in prior year	-	7	-	7
Deferred tax				
- Origination and reversal of temporary differences	(438)	(681)	(44)	(85)
	<u>7,719</u>	<u>3,376</u>	<u>28,301</u>	<u>11,906</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (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 its 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 2015				31 December 2014			
	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
Direct credit substitutes	40,559		40,559	31,291	20,833		20,833	13,599
Transaction-related contingent items	251,893		130,385	116,765	211,647		110,445	82,202
Short-term self-liquidating trade-related contingencies	29,514		8,132	2,582	34,793		9,485	3,461
Forward asset purchases	32,720		32,720	16,360	-		-	-
Foreign exchange related contracts								
- Less than one year	69,918	331	602	240	271,117	4,097	7,416	1,199
Formal standby facilities and credit lines								
- Maturity not exceeding one year	1,811		536	365	1,283		1,045	670
- Maturity exceeding one year	365,530		347,213	79,717	540,259		456,852	109,822
Other unconditionally cancellable commitments	845,803		35,167	10,876	803,325		3,436	1,107
	1,637,748	331	595,314	258,196	1,883,257	4,097	609,512	212,060

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)**

26. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. The fair value of a financial instrument is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Bank's financial instruments, including financing and advances to customers, such market prices do not exist as there is currently no ready market wherein exchanges between willing parties occur.

The Bank uses various methodologies to estimate the fair values of such instruments. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimated future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Bank's financial instruments, including financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Bank could realise in a sales transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Bank as a going concern.

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of MFRS 132 which require fair value information to be disclosed. These include property and equipment.

For financial assets and liabilities not carried at fair value on the financial statements, the Bank has determined that their fair values were not materially different from the carrying amounts at the reporting date.

A) Fair value measurement

(i) Financial assets and financial liabilities

(a) Short term financial instruments

The carrying amounts approximate the fair values of cash and cash equivalents, deposits and placements with banks and other financial institutions with maturity less than one year, profit and other short-term receivables due to their short tenor or frequent re-pricing.

(b) Deposits and placements with/of banks and other financial institutions

For deposits and placements with maturity of one year or more, the fair value is estimated based on discounted cash flows using prevailing money market rates for deposits and placements with similar remaining periods to maturity.

(c) Financial assets held-for-trading and financial investments available-for-sale

The fair value of financial assets that are actively traded is determined by quoted bid prices. For non-actively traded financial investments, independent broker quotations are obtained or valuation techniques are used to fair value the financial investments. The fair value of unquoted equity instruments classified under available-for-sale portfolio is estimated using internal valuation techniques.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)****26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****A) Fair value measurement (continued)****(i) Financial assets and financial liabilities (continued)****(d) Financing and advances**

Financing and advances are carried at amortised cost on the statement of financial position, net of individual and collective impairment allowances. The fair values of financing and advances with maturity of less than one year are estimated to approximate their carrying amounts. For financing and advances with maturity of one year or more, the fair values are estimated based on discounted cash flows using market rates of financing and advances of similar credit risks and maturity.

(e) Deposits from customers

For deposits with maturity of less than one year, the carrying amount is a reasonable estimate of the fair value. For deposits with maturity of one year or more, the fair value is estimated using discounted cash flows based on market rates for similar products and maturity.

(f) Bills and acceptances payable

Bills and acceptances payable are substantially with maturity of less than one year. The carrying amount of bills and acceptances payable is a reasonable estimate of the fair value.

(g) Subordinated bond

Fair value for the subordinated bond is determined using quoted market prices where available, or by reference to quoted market prices of similar instruments.

(ii) Off-statement of financial position financial instruments

The fair value of off-statement of financial position financial instruments is the estimated amount the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statement of financial position financial instruments are disclosed in Note 13.

B) Fair value hierarchy

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.

30 September 2015	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
Financial assets at fair value			
Available-for-sale	1,902,342	1,171,637	3,073,979
Derivative financial assets	81	250	331
	<u>1,902,423</u>	<u>1,171,887</u>	<u>3,074,310</u>
Financial liabilities at fair value			
Derivative financial liabilities	369	207	576

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)****26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****B) Fair value hierarchy (continued)**

31 December 2014	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
Financial assets at fair value			
Available-for-sale	2,265,695	578,115	2,843,810
Derivative financial assets	11	4,091	4,102
	<u>2,265,706</u>	<u>582,206</u>	<u>2,847,912</u>
Financial liabilities at fair value			
Derivative financial liabilities	53	4,083	4,136

Policy on transfer between levels

- Level 1 fair value is derived from quoted prices (unadjusted) for identical assets or liabilities.
- Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable market data for the financial assets and liabilities, either directly or indirectly.
- Level 3 fair value is estimated using inputs that are not based on observable market data for the financial assets and liabilities.

Transfer between Level 1 and 2 fair values

During the financial year, financial investments available-for-sale with a carrying amount of RM250,496,547 (31 December 2014: RM286,909,709) were transferred from Level 2 to Level 1 because active market price is available, and financial investments available-for-sale with a carrying amount of RM397,369,430 (31 December 2014: RM499,118,309) were transferred from Level 1 to Level 2 because quoted prices in the market for such debt securities became no longer regularly available.

Valuation control framework

The OCBC Malaysia Group (hereafter referred to as the "Group") has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions and this is applied to the Bank as well.

The Market Risk Management ("MRM") function within the Group Risk Management Division is responsible for market data validation, initial model validation and ongoing performance monitoring.

The Group's Treasury Financial Control – Valuation Control function within the Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation related policies are reviewed annually by the Group's MRM and Finance Division. Any material change to the framework requires the approval of the Group's Chief Executive Officer and concurrence from the Group's Board Risk Management Committee. Group Internal Audit provides independent assurance on the respective divisions' compliance with the policy.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)****26. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****C) Fair value of financial instruments not carried at fair value**

The table below is a comparison of the carrying amounts and fair values of the financial instruments of the Bank which are not measured at fair value in the financial statements. The table does not include those short term/on demand financial assets and financial liabilities where the carrying amounts reasonably approximate their fair values. It also does not include non-financial assets and liabilities.

In terms of fair value hierarchy, the financial instruments not carried at fair value are classified under Level 3.

	30 September 2015		31 December 2014	
	Carrying amount	Fair value (Level 3)	Carrying amount	Fair value (Level 3)
	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financing and advances	10,234,864	10,450,740	9,168,014	9,365,309

The fair values of variable rate financing and advances are carried approximately to their carrying values. For fixed rate financing and advances, the fair values are valued based on expected future discounted cash flows using market rates of financing and advances of similar credit risks and maturity. For impaired financing and advances, the fair values are carried at amortised cost net of individual and collective impairment allowance.

27. CAPITAL ADEQUACY

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

	30 September 2015	31 December 2014
	RM'000	RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	185,000	165,000
Ordinary share premium	370,000	330,000
Retained earnings	187,148	153,453
Other reserves	173,332	140,311
CET 1 capital	915,480	788,764
Regulatory adjustment for CET 1 capital	(31,431)	(4,232)
Eligible CET 1/Tier 1 capital	884,049	784,532
Tier 2 capital		
Collective impairment allowance under the Standardised Approach*	11,976	11,503
Surplus eligible provisions over expected losses	-	5,764
Subordinated bond	140,000	160,000
Eligible Tier 2 capital	151,976	177,267
Capital base	1,036,025	961,799

* Excludes collective impairment allowance on impaired financing and advances

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 SEPTEMBER 2015 (continued)****27. CAPITAL ADEQUACY (continued)**

	30 September 2015 RM'000	31 December 2014 RM'000
Before the effects of PSIA		
CET 1/Tier 1 capital ratio	10.566%	11.532%
Total capital ratio	<u>12.382%</u>	<u>14.138%</u>
After the effects of PSIA		
CET 1/Tier 1 capital ratio	11.921%	12.609%
Total capital ratio	<u>13.970%</u>	<u>15.458%</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 2015, the credit risk relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM951 million (31 December 2014: RM581 million).

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

	30 September 2015 RM'000	31 December 2014 RM'000
Total RWA for credit risk	6,673,155	5,603,120
Total RWA for market risk	4,166	8,333
Total RWA for operational risk	738,819	610,401
	<u>7,416,140</u>	<u>6,221,854</u>