

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

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

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

Company No. 818444-T

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

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

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

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

ASSETS	Note	30 June 2016 RM'000	31 December 2015 RM'000
Cash and cash equivalents	7	2,050,437	1,131,012
Financial investments available-for-sale	8	3,703,476	3,123,191
Financing and advances	9	9,533,256	9,887,792
Derivative financial assets	11	1,038	620
Other assets	12	43,412	41,258
Current tax assets		3,597	4,765
Statutory deposits with Bank Negara Malaysia		358,400	406,100
Property and equipment		15,681	14,226
Deferred tax assets		-	2,171
Total assets		15,709,297	14,611,135
LIABILITIES			
Deposits from customers	13	12,097,725	10,177,748
Deposits and placements of banks and other financial institutions	14	1,164,290	2,009,812
Investment accounts due to designated financial institution	15	934,154	1,049,063
Bills and acceptances payable		17,699	18,670
Subordinated sukuk	16	200,000	200,000
Derivative financial liabilities	11	571	790
Other liabilities	17	215,642	169,031
Deferred tax liabilities		2,295	-
Zakat		33	40
Total liabilities		14,632,409	13,625,154
EQUITY			
Share capital		185,000	185,000
Reserves		891,888	800,981
Total equity		1,076,888	985,981
Total liabilities and equity		15,709,297	14,611,135
Commitments and contingencies	27	3,523,173	3,479,220

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

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

	Note	Quarter Ended		Year-To-Date Ended	
		30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income derived from investment of depositors' funds and others	18	183,318	180,237	364,863	364,614
Income derived from investment of specific investment account funds	19	11,095	10,219	22,573	21,326
Income derived from investment of shareholders funds	20	26,026	26,692	51,205	50,083
Impairment allowance on financing and advances	21	(18,265)	(27,816)	(35,078)	(57,163)
Total distributable income		202,174	189,332	403,563	378,860
Income attributable to depositors	22	(97,493)	(90,749)	(189,358)	(176,762)
Income attributable to investment account holder	23	(7,796)	(7,469)	(15,831)	(16,200)
Total net income		96,885	91,114	198,374	185,898
Operating expenses	24	(54,529)	(44,977)	(106,424)	(89,254)
Profit before income tax expense and zakat		42,356	46,137	91,950	96,644
Income tax expense	25	(8,523)	(10,436)	(19,409)	(20,582)
Zakat		(11)	(10)	(22)	(20)
Profit for the period		33,822	35,691	72,519	76,042
Items that may be reclassified subsequently to profit or loss					
Fair value (available-for-sale) reserve:					
- Change in fair value		9,490	(3,109)	22,595	5,469
- Amount transferred to profit or loss		1,037	(12)	1,649	(3,358)
Income tax (expense)/credit relating to components of other comprehensive income		(2,527)	777	(5,856)	(531)
Other comprehensive income/(expense) for the period net of income tax		8,000	(2,344)	18,388	1,580
Total comprehensive income for the period		41,822	33,347	90,907	77,622
Profit attributable to owner of the Bank		33,822	35,691	72,519	76,042
Total comprehensive income attributable to owner of the Bank		41,822	33,347	90,907	77,622
Basic earnings per ordinary share (sen)		18.28	21.23	39.20	45.69

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

OCBC AL-AMIN BANK BERHAD
(Incorporated in Malaysia)

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

	<i>Non-distributable</i>			<i>Distributable</i>		Total Equity
	Share Capital	Share Premium	Statutory Reserve	Fair Value Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2016						
At 1 January 2016	185,000	370,000	185,000	(2,767)	248,748	985,981
Fair value (available-for-sale) reserve						
- Change in fair value	-	-	-	22,595	-	22,595
- Amount transferred to profit or loss	-	-	-	1,649	-	1,649
Income tax expense relating to components of other comprehensive income	-	-	-	(5,856)	-	(5,856)
Total other comprehensive income for the period	-	-	-	18,388	-	18,388
Profit for the period	-	-	-	-	72,519	72,519
Total comprehensive income for the period	-	-	-	18,388	72,519	90,907
At 30 June 2016	185,000	370,000	185,000	15,621	321,267	1,076,888
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	-	-	-	5,469	-	5,469
- Amount transferred to profit or loss	-	-	-	(3,358)	-	(3,358)
Income tax expense relating to components of other comprehensive income	-	-	-	(531)	-	(531)
Total other comprehensive income for the period	-	-	-	1,580	-	1,580
Profit for the period	-	-	-	-	76,042	76,042
Total comprehensive income for the period	-	-	-	1,580	76,042	77,622
Issue of ordinary shares	20,000	40,000	-	-	-	60,000
At 30 June 2015	185,000	370,000	142,653	(762)	229,495	926,386

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

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

	30 June 2016 RM'000	30 June 2015 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	91,950	96,644
<i>Adjustments for:</i>		
Net loss/(gain) from disposal of:		
- Financial investments available-for-sale	1,649	(3,358)
- Property and equipment	33	1
Depreciation of property and equipment	2,657	1,029
Impairment allowance on financing and advances	35,078	57,163
Share-based expenses	88	125
Unrealised (gain)/loss on revaluation of derivatives	(635)	201
Operating profit before changes in working capital	<u>130,820</u>	<u>151,805</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financing and advances	319,458	(572,285)
Derivative financial assets	(418)	4,025
Other assets	(1,519)	(87,890)
Statutory deposits with Bank Negara Malaysia	47,700	(21,500)
Deposits from customers	1,919,977	706,441
Deposits and placements of banks and other financial institutions	(845,522)	134,969
Investment accounts due to designated financial institution	(114,909)	16,148
Bills and acceptances payable	(971)	(1,131)
Derivative financial liabilities	(219)	(3,822)
Other liabilities	46,523	94,732
Cash generated from operations	<u>1,500,920</u>	<u>421,492</u>
Income tax and zakat paid	(19,660)	(10,848)
Net cash generated from operating activities	<u>1,481,260</u>	<u>410,644</u>
Cash flows from investing activities		
Acquisition of financial investments available-for-sale	(2,768,932)	(3,071,782)
Proceeds from disposal of financial investments available-for-sale	2,211,242	2,487,079
Acquisition of property and equipment	(4,147)	(228)
Proceeds from disposal of property and equipment	2	1
Net cash used in investing activities	<u>(561,835)</u>	<u>(584,930)</u>
Cash flows from financing activity		
Proceeds from issuance of ordinary shares	-	60,000
Net cash generated from financing activity	<u>-</u>	<u>60,000</u>
Net increase/(decrease) in cash and cash equivalents	919,425	(114,286)
Cash and cash equivalents at 1 January	<u>1,131,012</u>	<u>1,179,551</u>
Cash and cash equivalents at 30 June	<u>2,050,437</u>	<u>1,065,265</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2015 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

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

GENERAL INFORMATION

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

PERFORMANCE REVIEW

The Bank recorded profit after tax of RM72.5 million for the financial period ended 30 June 2016, a 5% or RM3.5 million decrease against the corresponding period last year. The decrease was mainly due to higher operating expenses and income attributable to depositors of RM17.2 million and RM12.6 million respectively, partially offset by lower allowances of RM22.1 million.

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

Operating expenses increased by RM17.2 million or +19% mainly due to higher support costs for an expanded branch network and increased wholesale guarantee coverage.

Allowances decreased by RM22.1 million mainly due to lower collective impairment allowance of RM10.4 million and individual impairment allowance of RM9.6 million, in tandem with slower financing growth and better asset quality with a greater skew towards more secured financing.

The RM0.4 billion or 4% decrease in gross financing and advances against December 2015 was attributable to lower small and medium enterprise financing to manufacturing sector (-RM0.2 billion), finance, insurance and business services (-RM0.2 billion), wholesale & retail trade (-RM0.1 billion), partially offset by increased exposure to real estate (RM0.1 billion).

Deposits from customers increased by RM1.9 billion or 19% against December 2015 to RM12.1 billion, garnered mainly from business enterprises (+RM1.3 billion) and government and statutory bodies (+RM0.6 billion).

The Bank remains well capitalised with common equity Tier 1 and Tier 1 capital ratios of 14.079% and total capital ratio of 15.949%.

ECONOMIC PERFORMANCE AND PROSPECTS

The global economy continues to record moderate growth, across major advanced and emerging market economies. Global growth prospects have also become more susceptible to increased downside risks in light of possible repercussions arising from the EU referendum in the United Kingdom. In Asia, persistent weakness in the external sector has weighed on GDP growth, although domestic demand remains supportive. In Malaysia, domestic demand continues to be the main driver of growth. While investment in the oil and gas sector is moderating, overall investment is expected to be supported by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors.

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

1 BASIS OF PREPARATION

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

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

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

1 BASIS OF PREPARATION (continued)

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

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

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

(a) Statement of compliance

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

The following accounting standards, amendments and interpretations have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Bank:

Effective for annual periods commencing on or after 1 January 2017

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

Effective for annual periods commencing on or after 1 January 2018

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

Effective for annual periods commencing on or after 1 January 2019

- MFRS 16, *Leases*

Effective date yet to be announced by MASB

- 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*.

The Bank plans to apply the abovementioned accounting standards and amendments when they become effective in the respective financial periods. The initial application of the abovementioned accounting standards and amendments are not expected to have any material impact to the financial statements of the Bank except as described below:

MFRS 9, *Financial Instruments*

In November 2015, MASB issued MFRS 9, *Financial Instruments* effective for annual periods beginning or after 1 January 2018 which replaces MFRS 139 *Financial Instruments: Recognition and Measurement*. Retrospective application is required but comparative information is not compulsory.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset.

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

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

MFRS 9, Financial Instruments (continued)

Investments in equity instruments are always measured at fair value through profit or loss with a irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in OCI rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 requires an expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretations 131, *Revenue - Barter Transactions Involving Advertising Services*. Under MFRS 15, revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain benefits from the good and service.

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.

MFRS 16, Leases

On 15 April 2016, MASB issued MFRS 16 effective for annual periods beginning on or after 1 January 2019. MFRS 16 requires recognition of operating lease commitments on balance sheet together with a right of use asset. Given the timing of the release of the standard, the Bank has yet to assessed the potential impact.

(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 2015.

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 2015.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)**3 SEASONALITY OF OPERATIONS**

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

4 SHARE CAPITAL AND DEBENTURES

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

5 DIVIDEND

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

6 SUBSEQUENT EVENTS

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

7 CASH AND CASH EQUIVALENTS

	30 June 2016 RM'000	31 December 2015 RM'000
Cash and balances with banks and other financial institutions	35,008	33,011
Deposit placements with financial institutions maturing within 1 month	300,865	-
Deposit placements with Bank Negara Malaysia	1,714,564	1,098,001
	<u>2,050,437</u>	<u>1,131,012</u>
a) By geographical distribution		
Malaysia	2,041,557	1,125,088
Singapore	2,257	713
Other Asean	380	355
Rest of the world	6,243	4,856
	<u>2,050,437</u>	<u>1,131,012</u>

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

8 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	30 June 2016 RM'000	31 December 2015 RM'000
At fair value		
Malaysian Government Investment Issues	2,298,824	1,865,605
Malaysian Government Sukuk	128,128	130,024
Malaysian Government Islamic Treasury Bills	148,384	230,005
Bank Negara Malaysia Monetary Notes	-	99,760
Islamic Corporate Sukuk	374,800	423,709
Islamic Negotiable Instruments of Deposit	498,769	149,654
Sanadat Mudharabah Cagamas	30,247	4,962
Foreign Government Debt Securities	224,324	219,472
	<u>3,703,476</u>	<u>3,123,191</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)**9 FINANCING AND ADVANCES**

(i) By type and Shariah contract

	Sale based contracts					Lease based contracts			Equity based contracts		Total RM'000
	Bai'		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah		Ijarah Bi Al-Tamlk RM'000	Musharakah Mutanaqisah RM'000	Others RM'000	
	Bai' Inah RM'000	Bithaman Ajil RM'000				Thumma Al- Bai RM'000	Ijarah RM'000				
30 June 2016											
At amortised cost											
Cash line financing	59,259	41,786	-	-	-	-	197,490	-	-	717	299,252
Term Financing											
- House financing	-	15,665	-	-	-	-	-	1,864,111	107,234	-	1,987,010
- Syndicated term financing	-	-	50,057	-	-	-	-	375,429	-	-	425,486
- Hire purchase receivables	-	-	-	-	-	464,911	-	244,236	-	-	709,147
- Other term financing	1,390,787	164,139	387,329	-	-	-	-	2,211,403	140,320	-	4,293,978
Bills receivable	-	-	-	-	58,425	-	-	-	-	-	58,425
Trust receipts	-	-	-	228	-	-	-	-	-	-	228
Revolving credit	-	-	1,466,443	-	-	-	-	-	-	-	1,466,443
Claims on customers under acceptance credits	-	-	-	301,183	69,203	-	-	-	-	-	370,386
Other financing	-	-	-	191,537	-	-	-	-	-	-	191,537
Gross financing and advances	1,450,046	221,590	1,903,829	492,948	127,628	464,911	197,490	4,695,179	247,554	717	9,801,892
Allowance for financing and advances											
- Individual impairment											(79,857)
- Collective impairment											(188,779)
Net financing and advances											9,533,256

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)**9 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	Ijarah		Ijarah		Musharakah Mutanaqisah RM'000	Others RM'000	
	Bai' Inah RM'000	Bithaman Ajil RM'000			Bai' Thumma Al- Bai RM'000	Bai' Dayn RM'000	Ijarah Bi Al-Tamlik RM'000	Muntahiah RM'000			
31 December 2015											
At amortised cost											
Cash line financing	61,410	44,149	-	-	-	-	128,019	-	-	435	234,013
Term Financing											
- House financing	-	16,931	-	-	-	-	-	1,746,928	113,957	-	1,877,816
- Syndicated term financing	-	-	-	-	-	-	-	394,311	-	-	394,311
- Hire purchase receivables	-	-	-	-	-	554,944	-	283,213	-	-	838,157
- Other term financing	1,655,677	189,394	389,729	-	-	-	-	2,247,040	161,669	-	4,643,509
Bills receivable	-	-	-	-	14,344	-	-	-	-	-	14,344
Trust receipts	-	-	-	210	-	-	-	-	-	-	210
Revolving credit	-	-	1,664,040	-	-	-	-	-	-	-	1,664,040
Claims on customers under acceptance credits	-	-	-	324,128	64,311	-	-	-	-	-	388,439
Other financing	-	-	-	105,865	-	-	-	-	-	-	105,865
Gross financing and advances	1,717,087	250,474	2,053,769	430,203	78,655	554,944	128,019	4,671,492	275,626	435	10,160,704
Allowance for financing and advances											
- Individual impairment											(82,433)
- Collective impairment											(190,479)
Net financing and advances											9,887,792

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)**9 FINANCING AND ADVANCES (continued)**

	30 June 2016 RM'000	31 December 2015 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	44,919	168,126
Domestic business enterprises		
- Small and medium enterprises	2,696,024	2,897,665
- Others	3,687,144	3,679,719
Individuals	2,851,980	2,836,833
Foreign entities	521,825	578,361
	<u>9,801,892</u>	<u>10,160,704</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	23,907	25,618
- Hire purchase receivables	464,911	566,487
- Other fixed rate financing	2,747,001	2,879,833
Variable rate		
- BFR plus	2,445,658	2,406,165
- Cost plus	3,920,128	4,171,087
- Other variable rates	200,287	111,514
	<u>9,801,892</u>	<u>10,160,704</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	677,836	756,239
Mining and quarrying	272,480	217,929
Manufacturing	1,884,951	2,072,886
Electricity, gas and water	62,259	74,973
Construction	434,796	342,060
Real estate	599,210	441,279
Wholesale & retail trade and restaurants & hotels	1,348,892	1,491,032
Transport, storage and communication	273,910	320,103
Finance, insurance and business services	359,394	518,480
Community, social and personal services	513,040	509,106
Household		
- Purchase of residential properties	2,030,029	1,921,028
- Purchase of non-residential properties	35,721	44,513
- Others	884,242	962,928
Others	425,132	488,148
	<u>9,801,892</u>	<u>10,160,704</u>
(v) By geographical distribution		
Malaysia	9,602,598	9,933,624
Singapore	16,152	14,448
Rest of the world	183,142	212,632
	<u>9,801,892</u>	<u>10,160,704</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)****9 FINANCING AND ADVANCES (continued)**

	30 June 2016 RM'000	31 December 2015 RM'000
(vi) By residual contractual maturity		
Within one year	2,466,730	2,512,175
One year to five years	2,340,145	2,744,786
Over five years	4,995,017	4,903,743
	<u>9,801,892</u>	<u>10,160,704</u>

10 IMPAIRED FINANCING AND ADVANCES

(a) Movements in impaired financing and advances

	30 June 2016 RM'000	31 December 2015 RM'000
At 1 January	285,424	196,682
Impaired during the period/year	153,735	430,924
Reclassified as unimpaired	(29,348)	(46,667)
Amount recovered	(73,985)	(227,433)
Amount written off	(47,516)	(85,582)
Effect of foreign exchange difference	(5,573)	17,500
At 30 June/31 December	<u>282,737</u>	<u>285,424</u>
Individual impairment allowance	(79,857)	(82,433)
Collective impairment allowance	(3,939)	(3,837)
Net impaired financing and advances	<u>198,941</u>	<u>199,154</u>

(i) By sector

Agriculture, hunting, forestry and fishing	1,119	1,622
Mining and quarrying	82,786	92,662
Manufacturing	36,808	45,475
Electricity, gas and water	-	61
Construction	2,679	4,556
Real estate	23,642	23,197
Wholesale & retail trade and restaurants & hotels	33,521	33,974
Transport, storage and communication	7,014	8,242
Finance, insurance and business services	7,638	7,572
Community, social and personal services	2,682	3,007
Household		
- Purchase of residential properties	45,887	25,348
- Purchase of non-residential properties	252	430
- Others	38,061	38,621
Others	648	657
	<u>282,737</u>	<u>285,424</u>

(ii) By geographical distribution

Malaysia	<u>282,737</u>	<u>285,424</u>
----------	----------------	----------------

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)****10 IMPAIRED FINANCING AND ADVANCES (continued)**

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

	30 June 2016 RM'000	31 December 2015 RM'000
(iii) By period overdue		
Less than 3 months	170,785	198,188
3 months to less than 6 months	62,140	44,003
6 months to less than 9 months	24,169	14,459
Over 9 months	25,643	28,774
	<u>282,737</u>	<u>285,424</u>
(iv) By collateral type		
Property	88,194	69,740
Machinery	179	3,312
Secured - others	104,333	109,890
Unsecured - corporate and other guarantees	1	8
Unsecured - clean	90,030	102,474
	<u>282,737</u>	<u>285,424</u>

(b) Movements in allowance for impaired financing and advances

Individual impairment allowance

At 1 January	82,433	62,398
Made during the period/year	76,299	155,222
Amount written back	(30,980)	(49,199)
Amount written off	(47,516)	(85,582)
Financing income earned on impaired financing	(379)	(406)
At 30 June/31 December	<u>79,857</u>	<u>82,433</u>

Collective impairment allowance

At 1 January	190,479	153,810
(Written back)/made during the period/year	(1,700)	36,669
At 30 June/31 December	<u>188,779</u>	<u>190,479</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)****10 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance for impaired financing and advances

	Individual impairment allowance RM'000	Individual impairment charged to profit or loss RM'000	Individual impairment allowance written off RM'000	Collective impairment allowance RM'000
(i) By sector				
30 June 2016				
Agriculture, hunting, forestry and fishing	138	44	278	13,159
Mining and quarrying	218	235	-	5,287
Manufacturing	4,395	2,251	2,660	36,516
Electricity, gas and water	-	-	-	1,209
Construction	1,130	842	703	8,421
Real estate	5,742	276	-	11,524
Wholesale & retail trade and restaurants & hotels	13,792	11,528	10,033	25,924
Transport, storage and communication	2,589	1,060	1,380	5,268
Finance, insurance and business services	4,156	4,190	2,838	6,898
Community, social and personal services	1,158	723	1,385	9,940
Household				
- Purchase of residential properties	10,085	5,872	-	39,223
- Purchase of non-residential properties	15	1	-	693
- Others	36,192	49,257	28,239	16,467
Others	247	20	-	8,250
	79,857	76,299	47,516	188,779
31 December 2015				
Agriculture, hunting, forestry and fishing	462	732	393	14,284
Mining and quarrying	208	223	57	4,115
Manufacturing	5,900	7,503	12,389	39,066
Electricity, gas and water	63	136	-	1,416
Construction	1,085	2,348	1,787	6,444
Real estate	5,502	5,265	-	8,236
Wholesale & retail trade and restaurants & hotels	15,637	25,377	17,289	27,885
Transport, storage and communication	3,610	4,485	3,419	5,982
Finance, insurance and business services	3,680	4,741	3,770	9,730
Community, social and personal services	2,231	3,236	2,163	9,580
Household				
- Purchase of residential properties	6,132	8,002	-	36,191
- Purchase of non-residential properties	15	24	-	841
- Others	37,673	92,930	44,315	17,487
Others	235	220	-	9,222
	82,433	155,222	85,582	190,479

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)****10 IMPAIRED FINANCING AND ADVANCES (continued)**

(b) Movements in allowance for impaired financing and advances

	30 June 2016 RM'000	31 December 2015 RM'000
(ii) By geographical distribution		
Individual impairment allowance		
Malaysia	79,857	82,433
Collective impairment allowance		
Malaysia	184,909	186,187
Singapore	314	273
Rest of the world	3,556	4,019
	<u>188,779</u>	<u>190,479</u>

11 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	<u>30 June 2016</u>			<u>31 December 2015</u>		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	63,430	1,038	571	69,135	432	790
- Swaps	-	-	-	6,095	188	-
	<u>63,430</u>	<u>1,038</u>	<u>571</u>	<u>75,230</u>	<u>620</u>	<u>790</u>

12 OTHER ASSETS

	30 June 2016 RM'000	31 December 2015 RM'000
Profit receivable	30,517	25,679
Other receivables, deposits and prepayments	10,439	10,936
Shared services fee receivable from immediate holding company	647	617
Amount due from ultimate holding company	6	6
Amount due from related companies	33	39
Amount due from immediate holding company	1,770	3,981
	<u>43,412</u>	<u>41,258</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)****13 DEPOSITS FROM CUSTOMERS**

	30 June 2016 RM'000	31 December 2015 RM'000
a) By type of deposit		
Non-Mudharabah		
Demand deposits (Wadiah)	3,271,522	2,998,319
Savings deposits (Wadiah)	265,566	266,153
Savings deposits (Tawarruq)	94,039	1,465
General investment deposits (Commodity Murabahah)	7,767,165	6,288,858
Negotiable instruments of deposit (Bai' Bithaman Ajil)	264,872	164,975
Short term deposits (Tawarruq)	434,407	457,792
	<u>12,097,571</u>	<u>10,177,562</u>
Mudharabah		
General investment deposits	154	186
	<u>12,097,725</u>	<u>10,177,748</u>
b) By type of customer		
Government and statutory bodies	1,777,056	1,158,643
Non-bank financial institutions	1,047,608	1,083,979
Business enterprises	6,585,273	5,276,209
Individuals	2,290,357	2,376,161
Foreign entities	85,532	72,684
Others	311,899	210,072
	<u>12,097,725</u>	<u>10,177,748</u>
c) By maturity structure		
Within six months	10,070,302	8,880,561
Six months to one year	1,894,691	1,224,726
One year to three years	65,645	6,788
Three years to five years	67,087	65,673
	<u>12,097,725</u>	<u>10,177,748</u>

14 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2016 RM'000	31 December 2015 RM'000
Non-Mudharabah		
Licensed banks	1,161,401	2,006,685
Other financial institutions	2,889	3,127
	<u>1,164,290</u>	<u>2,009,812</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)**15 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION**

	30 June 2016 RM'000	31 December 2015 RM'000
Mudharabah restricted investment accounts		
Licensed bank	<u>934,154</u>	<u>1,049,063</u>

16 SUBORDINATED SUKUK

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

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

17 OTHER LIABILITIES

	30 June 2016 RM'000	31 December 2015 RM'000
Profit payable	87,686	88,263
Other accruals and charges	84,205	71,423
Amount due to immediate holding company	34,567	439
Shared services fee payable to immediate holding company	9,184	8,906
	<u>215,642</u>	<u>169,031</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)****18 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS**

	Quarter Ended		Year-To-Date Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Income derived from investment of:				
(i) General investment deposits	107,365	102,141	205,806	213,192
(ii) Other deposits	75,953	78,096	159,057	151,422
	<u>183,318</u>	<u>180,237</u>	<u>364,863</u>	<u>364,614</u>
(i) Income derived from investment of general investment deposits				
Finance income and hibah				
Unimpaired financing and advances	85,166	82,635	165,245	171,259
Impaired financing and advances	125	51	200	84
Financial investments available-for-sale	17,107	14,928	31,347	29,114
Deposits and placements with banks and other financial institutions	5,478	4,458	9,780	10,701
	<u>107,876</u>	<u>102,072</u>	<u>206,572</u>	<u>211,158</u>
Other operating income				
Net (loss)/gain from sale of financial investments available-for-sale	(562)	6	(868)	1,898
Others	51	63	102	136
	<u>107,365</u>	<u>102,141</u>	<u>205,806</u>	<u>213,192</u>
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Unimpaired financing and advances	60,249	63,182	127,853	121,699
Impaired financing and advances	88	39	151	61
Financial investments available-for-sale	12,101	11,414	24,122	20,780
Deposits and placements with banks and other financial institutions	3,876	3,408	7,507	7,531
	<u>76,314</u>	<u>78,043</u>	<u>159,633</u>	<u>150,071</u>
Other operating income				
Net (loss)/gain from sale of financial investments	(397)	5	(656)	1,254
Others	36	48	80	97
	<u>75,953</u>	<u>78,096</u>	<u>159,057</u>	<u>151,422</u>

19 INCOME DERIVED FROM INVESTMENT OF SPECIFIC INVESTMENT ACCOUNT FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Finance income and hibah				
Unimpaired financing and advances	10,298	8,588	20,701	18,082
Deposits and placements with banks and other financial institutions	797	1,631	1,872	3,244
	<u>11,095</u>	<u>10,219</u>	<u>22,573</u>	<u>21,326</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)****20 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS**

	Quarter Ended		Year-To-Date Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Finance income and hibah				
Unimpaired financing and advances	11,808	11,203	24,067	20,825
Impaired financing and advances	17	7	28	11
Financial investments available-for-sale	2,371	2,023	4,551	3,563
Deposits and placements with banks and other financial institutions	760	604	1,418	1,282
	<u>14,956</u>	<u>13,837</u>	<u>30,064</u>	<u>25,681</u>
Other operating income				
Commission	2,983	5,330	6,102	9,462
Service charges and fees	4,508	3,898	8,498	8,315
Net (loss)/gain from sale of financial investments available-for-sale	(78)	1	(125)	206
Others	7	8	15	16
Other trading income				
Net trading (loss)/gain				
- Foreign currency	(339)	365	(2,374)	563
- Trading derivatives	5,619	3,425	8,390	6,041
- Revaluation of derivatives	(1,630)	(172)	635	(201)
	<u>26,026</u>	<u>26,692</u>	<u>51,205</u>	<u>50,083</u>

21 IMPAIRMENT ALLOWANCE ON FINANCING AND ADVANCES

	Quarter Ended		Year-To-Date Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Individual impairment allowance				
- Made during the period	41,033	41,824	76,299	76,206
- Written back	(16,432)	(12,118)	(30,980)	(21,280)
Collective impairment allowance				
- (Written back)/made during the period	(1,700)	1,706	(1,700)	8,643
Impaired financing written off	-	-	4	-
Impaired financing recovered	(4,636)	(3,596)	(8,545)	(6,406)
	<u>18,265</u>	<u>27,816</u>	<u>35,078</u>	<u>57,163</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)****22 INCOME ATTRIBUTABLE TO DEPOSITORS**

	Quarter Ended		Year-To-Date Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Deposits from customers				
- Non-Mudharabah	90,680	84,896	169,728	163,601
- Mudharabah	1	470	2	1,036
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	4,095	2,666	14,223	6,720
Subordinated sukuk	2,717	2,717	5,405	5,405
	<u>97,493</u>	<u>90,749</u>	<u>189,358</u>	<u>176,762</u>

23 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	7,796	7,469	15,831	16,200

24 OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Personnel expenses				
Wages, salaries and bonus	6,573	6,051	13,206	12,795
Employees Provident Fund contributions	1,076	944	2,100	1,972
Share-based expenses	9	71	88	125
Others	712	694	1,482	1,257
	<u>8,370</u>	<u>7,760</u>	<u>16,876</u>	<u>16,149</u>
Establishment expenses				
Depreciation of property and equipment	1,669	478	2,657	1,029
Rental of premises	777	689	1,521	1,291
Repair and maintenance	195	108	364	256
Information technology costs	140	71	340	98
Loss on disposal of property and equipment	13	-	33	1
Others	789	412	1,429	878
	<u>3,583</u>	<u>1,758</u>	<u>6,344</u>	<u>3,553</u>
Marketing expenses				
Advertising and business promotion	118	634	461	1,321
Transport and travelling	148	171	313	348
Others	75	17	49	36
	<u>341</u>	<u>822</u>	<u>823</u>	<u>1,705</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)****24 OPERATING EXPENSES (continued)**

	Quarter Ended		Year-To-Date Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
General administrative expenses				
Shared service fees to immediate holding company	28,695	26,481	56,478	51,736
Transaction processing fees	6,307	6,029	12,751	11,914
Others	7,233	2,127	13,152	4,197
	<u>42,235</u>	<u>34,637</u>	<u>82,381</u>	<u>67,847</u>
Total operating expenses	<u>54,529</u>	<u>44,977</u>	<u>106,424</u>	<u>89,254</u>

25 INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Malaysian income tax				
- Current period	9,061	10,638	19,362	20,188
- Prior periods	1,437	-	1,437	-
Deferred tax				
- Origination and reversal of temporary differences	(538)	(202)	47	394
- Prior periods	(1,437)	-	(1,437)	-
	<u>8,523</u>	<u>10,436</u>	<u>19,409</u>	<u>20,582</u>

26 CAPITAL COMMITMENTS

	30 June 2016 RM'000	31 December 2015 RM'000
Capital expenditure in respect of property and equipment		
- Contracted but not provided for	<u>600</u>	<u>3,926</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)**27 COMMITMENTS AND CONTINGENCIES**

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

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

	30 June 2016					31 December 2015				
	Principal Amount	Positive Fair Value of Derivative Contracts	Negative Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount	Principal Amount	Positive Fair Value of Derivative Contracts	Negative Fair Value of Derivative Contracts	Credit Equivalent Amount	Risk Weighted Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	81,927			81,927	43,077	69,573			69,573	51,197
Transaction-related contingent items	291,307			148,926	106,467	264,386			135,765	116,602
Short-term self-liquidating trade-related contingencies	57,735			11,781	5,755	40,412			9,339	3,987
Foreign exchange related contracts										
- Less than one year	63,430	1,038	571	1,433	952	75,230	620	790	912	429
Formal standby facilities and credit lines										
- Maturity not exceeding one year	2,174			545	297	1,880			376	224
- Maturity exceeding one year	407,360			360,430	149,967	476,002			420,914	182,569
Other unconditionally cancellable commitments	2,619,240			42,376	12,606	2,551,737			39,341	11,556
	3,523,173	1,038	571	647,418	319,121	3,479,220	620	790	676,220	366,564

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)**28 CREDIT EXPOSURE TO CONNECTED PARTIES**

	30 June 2016 RM'000	31 December 2015 RM'000
Aggregate value of outstanding credit exposures with connected parties[^]:		
Credit facility and leasing (except guarantee)	1,740	6,722
Commitments and contingencies*	31,042	31,572
	<u>32,782</u>	<u>38,294</u>

[^] Comprises total outstanding balance and unutilised limit.

* Commitments and contingencies transactions that give rise to credit and/or counterparty risk.

Percentage of outstanding credit exposures to connected parties

- As a proportion of total credit exposures	<u>0.30%</u>	<u>0.33%</u>
- As a proportion of impaired or in default	<u>-</u>	<u>-</u>

29 CREDIT RISK

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank's maximum credit exposure on the financial assets without taking into account any collateral held or other credit enhancements of the Bank equals their carrying amount as reported in the statement of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Note	30 June 2016 RM'000	31 December 2015 RM'000
Cash and cash equivalents		2,050,437	1,131,012
Financial investments available-for-sale	(a)	3,703,476	3,123,191
Financing and advances	(b)	9,801,892	10,160,704
Derivative financial assets	(c)	1,038	620
Other assets		43,412	41,258
Contingent liabilities and credit commitments	(d)	3,459,743	3,403,990
		<u>19,059,998</u>	<u>17,860,775</u>

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

In view of the following sound credit rating of counterparties, the Bank does not expect any counterparty to fail to meet its obligation.

	30 June 2016 RM'000	31 December 2015 RM'000
(i) By issuer		
Government and Central Bank	2,575,336	2,325,394
Foreign government	224,324	219,472
Public sector	60,538	59,963
Banking institutions	498,769	149,654
Non-bank financial institutions	75,213	49,718
Business enterprises	269,296	318,990
	<u>3,703,476</u>	<u>3,123,191</u>

29 CREDIT RISK (continued)**(a) Credit quality of financial investments available-for-sale (continued)**

	30 June 2016 RM'000	31 December 2015 RM'000
(ii) By geography		
Malaysia	3,479,152	2,903,719
Other ASEAN	124,143	89,211
Rest of the world	100,181	130,261
	<u>3,703,476</u>	<u>3,123,191</u>
(iii) By credit rating		
Government and Central Bank (unrated)	1,139,356	647,000
Government (AAA to BBB)	1,435,980	1,678,394
Foreign government (unrated)	22,807	26,441
Foreign government (AAA to BBB)	201,517	193,031
Investment grade (AAA to BBB)	232,187	278,405
Unrated	671,629	299,920
	<u>3,703,476</u>	<u>3,123,191</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	19,769	19,519
Manufacturing	14,990	24,979
Transport, storage and communication	15,061	14,867
Finance, insurance and business services	748,332	373,901
Others	2,905,324	2,689,925
	<u>3,703,476</u>	<u>3,123,191</u>
(v) By residual contractual maturity		
Within one year	1,413,105	1,536,610
One to five years	1,692,089	1,368,713
Over five years	598,282	217,868
	<u>3,703,476</u>	<u>3,123,191</u>

(b) Credit quality of financing and advances***Credit quality***

Financing and advances are categorised according to the Bank's customer classification grades as Pass, Special Mention, Substandard, Doubtful and Loss.

Financing and advances classified as Pass and Special Mention are neither past due nor impaired whereas Substandard, Doubtful and Loss are impaired financing and advances.

Past due but not impaired financing and advances are financing where the customer has failed to make a principal or profit payment when contractually due, and includes financing which are due one or more days after the contractual due date but less than three months.

29 CREDIT RISK (continued)**(b) Credit quality of financing and advances (continued)**

	30 June 2016 RM'000	31 December 2015 RM'000
Neither past due nor impaired	9,365,614	9,733,775
Past due financing	383,957	265,471
- Unimpaired	153,541	141,505
- Impaired	230,416	123,966
Impaired but not past due	52,321	161,458
Gross financing and advances	9,801,892	10,160,704
Neither past due nor impaired		
(i) By internal grading		
Pass	8,957,307	9,128,152
Special mention	408,307	605,623
	9,365,614	9,733,775
Past due but not impaired		
(i) By period overdue		
Less than 2 months	115,995	116,446
2 months to less than 3 months	37,546	25,059
	153,541	141,505
(ii) By geographical distribution		
Malaysia	153,541	141,505
(iii) By sector		
Agriculture, hunting, forestry and fishing	1,445	660
Mining and quarrying	-	2,185
Manufacturing	14,025	10,500
Construction	2,417	4,966
Real estate	963	705
Wholesale & retail trade and restaurants & hotels	32,116	28,015
Transport, storage and communication	6,030	6,726
Finance, insurance and business services	7,211	6,870
Community, social and personal services	5,059	3,936
Household		
- Purchase of residential properties	33,992	27,406
- Others	50,283	49,536
	153,541	141,505

The analysis of impaired financing and advances are detailed in Note 10.

29 CREDIT RISK (continued)**(b) Credit quality of financing and advances (continued)*****Collateral***

(i) The main types of collateral obtained by the Bank are as follows:

- For personal house financing, mortgages over residential properties;
- For commercial property financing, charges over properties financed; and
- For other financing, charges over business assets such as premises, inventories, trade receivables, equipment or deposits.

As at 30 June 2016 and 31 December 2015, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

(ii) Quantification of the extent to which collateral and other credit enhancements mitigate credit risk and that best represents the maximum exposure to credit risk for impaired financing.

	30 June 2016 RM'000	31 December 2015 RM'000
Fair value of collateral held against the covered portion of financing and advances	455,387	458,414
Covered portion of financing and advances	192,706	182,942
Uncovered portion of financing and advances	90,031	102,482
	<u>282,737</u>	<u>285,424</u>

(c) Credit quality of derivative assets

	30 June 2016 RM'000	31 December 2015 RM'000
(i) By counterparty		
Banking institutions	36	190
Non-bank financial institutions	-	1
Business enterprises	1,002	429
	<u>1,038</u>	<u>620</u>
(ii) By geographical distribution		
Malaysia	1,038	619
Singapore	-	1
	<u>1,038</u>	<u>620</u>
(iii) By sector		
Manufacturing	648	397
Real estate	1	-
Wholesale & retail trade and restaurants & hotels	276	31
Finance, insurance and business services	98	192
Others	15	-
	<u>1,038</u>	<u>620</u>

29 CREDIT RISK (continued)**(c) Credit quality of derivative assets (continued)**

	30 June 2016 RM'000	31 December 2015 RM'000
(iv) By residual contractual maturity		
Within one year	1,038	620

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

	30 June 2016 RM'000	31 December 2015 RM'000
(i) By counterparty		
Banking institutions	146,530	34,493
Non-bank financial institutions	16,165	15,000
Business enterprises	3,088,448	3,106,423
Individuals	208,600	248,074
	<u>3,459,743</u>	<u>3,403,990</u>
(ii) By geographical distribution		
Malaysia	3,459,743	2,922,216
Singapore	-	2,096
Other ASEAN	-	214,515
Rest of the world	-	265,163
	<u>3,459,743</u>	<u>3,403,990</u>
(iii) By sector		
Agriculture, hunting, forestry and fishing	195,249	242,569
Mining and quarrying	211,209	41,115
Manufacturing	760,153	854,203
Electricity, gas and water	104,000	110,000
Construction	874,534	665,973
Real estate	24,343	640,224
Wholesale & retail trade and restaurants & hotels	186,550	237,089
Transport, storage and communication	42,228	46,507
Finance, insurance and business services	653,132	93,828
Community, social and personal services	165,198	196,168
Household	208,600	248,074
Others	34,547	28,240
	<u>3,459,743</u>	<u>3,403,990</u>
(iv) By residual contractual maturity		
Within one year	178,739	153,459
One year to five years	2,796,642	2,736,090
Over five years	484,362	514,441
	<u>3,459,743</u>	<u>3,403,990</u>

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

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

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

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

Financial instruments carried at fair value

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
30 June 16			
Financial assets at fair value			
Available-for-sale	2,457,547	1,245,929	3,703,476
Derivative financial assets	63	975	1,038
	<u>2,457,610</u>	<u>1,246,904</u>	<u>3,704,514</u>
Financial liabilities at fair value			
Derivative financial liabilities	83	488	571
	<u>83</u>	<u>488</u>	<u>571</u>
31 December 2015			
Financial assets at fair value			
Available-for-sale	1,743,769	1,379,422	3,123,191
Derivative financial assets	8	612	620
	<u>1,743,777</u>	<u>1,380,034</u>	<u>3,123,811</u>
Financial liabilities at fair value			
Derivative financial liabilities	28	762	790
	<u>28</u>	<u>762</u>	<u>790</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
- 30 JUNE 2016 (continued)**31 CAPITAL ADEQUACY****Capital Management**

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

	30 June 2016 RM'000	31 December 2015 RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	185,000	185,000
Ordinary share premium	370,000	370,000
Retained earnings	321,267	248,748
Other reserves	200,621	182,233
CET 1 capital	<u>1,076,888</u>	<u>985,981</u>
Regulatory adjustment for CET 1 capital	<u>(8,816)</u>	<u>(5,172)</u>
CET 1/Tier 1 capital	<u>1,068,072</u>	<u>980,809</u>
Tier 2 capital		
Collective impairment allowance under the Standardised Approach*	10,584	11,668
Surplus eligible provisions over expected losses	11,276	2,466
Subordinated sukuk	<u>120,000</u>	<u>140,000</u>
Tier 2 capital	<u>141,860</u>	<u>154,134</u>
Capital base	<u>1,209,932</u>	<u>1,134,943</u>
* Excludes collective impairment allowance on impaired financing and advances		
Before the effects of PSIA		
CET 1/Tier 1 capital ratio	12.403%	11.274%
Total capital ratio	<u>14.050%</u>	<u>13.046%</u>
After the effects of PSIA		
CET 1/Tier 1 capital ratio	14.079%	12.746%
Total capital ratio	<u>15.949%</u>	<u>14.749%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts ("RPSIA") which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 June 2016, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM1,025 million (31 December 2015: RM1,005 million).

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

Total RWA for credit risk	6,742,900	6,909,219
Total RWA for market risk	10,002	5,146
Total RWA for operational risk	<u>833,388</u>	<u>780,474</u>
	<u>7,586,290</u>	<u>7,694,839</u>