

Company No. 818444-T

**OCBC AL-AMIN BANK BERHAD**  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

Domiciled in Malaysia  
Registered Office:  
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50050 Kuala Lumpur

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FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018**

<b>ASSETS</b>	<b>Note</b>	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Cash and cash equivalents	8	1,253,633	957,860
Financial assets at fair value through profit or loss	9	9,976	-
Financial investments at fair value through other comprehensive income	10	4,587,472	4,795,143
Financing and advances	11	9,452,523	9,718,087
Derivative financial assets	13	1,054	362
Other assets	14	38,625	65,401
Statutory deposits with Bank Negara Malaysia		315,500	325,500
Property and equipment		8,817	9,325
Deferred tax assets		2,916	1,666
<b>Total assets</b>		<b>15,670,516</b>	<b>15,873,344</b>
<b>LIABILITIES</b>			
Islamic deposits from customers	15	11,559,841	11,251,184
Investment accounts due to designated financial institution	16	1,541,323	1,801,572
Deposits and placements of banks and other financial institutions	17	726,449	923,900
Bills and acceptances payable		18,027	20,757
Derivative financial liabilities	13	686	589
Other liabilities	18	227,821	332,201
Subordinated sukuk	20	200,000	200,000
Tax payable and zakat		13,694	7,253
<b>Total liabilities</b>		<b>14,287,841</b>	<b>14,537,456</b>
<b>EQUITY</b>			
Share capital		555,000	555,000
Reserves		827,675	780,888
<b>Total equity</b>		<b>1,382,675</b>	<b>1,335,888</b>
<b>Total liabilities and equity</b>		<b>15,670,516</b>	<b>15,873,344</b>
<b>Commitments and contingencies</b>	30	4,145,811	2,981,214

*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 2017 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 31 MARCH 2018**

	Note	Year-To-Date Ended	
		31 March 2018 RM'000	31 March 2017 RM'000
Income derived from investment of depositors' funds and others	21	151,811	158,739
Income derived from investment of investment account funds	22	15,505	20,006
Income derived from investment of shareholder's funds	23	36,510	29,006
Impairment allowance	24	(1,047)	(15,858)
<b>Total distributable income</b>		<b>202,779</b>	<b>191,893</b>
Income attributable to depositors	25	(90,491)	(86,384)
Income attributable to investment account holder	26	(10,853)	(14,009)
<b>Total net income</b>		<b>101,435</b>	<b>91,500</b>
Operating expenses	27	(45,835)	(46,286)
<b>Profit before zakat and taxation</b>		<b>55,600</b>	<b>45,214</b>
Income tax expense	28	(13,509)	(10,155)
Zakat		-	(12)
<b>Profit for the period</b>		<b>42,091</b>	<b>35,047</b>
<b>Other comprehensive (expense)/income, net of income tax</b>			
<i>Items that are or may be reclassified subsequently to profit or loss</i>			
Movement in fair value reserve (debt instruments)			
- Change in fair value		(5,605)	10,172
- Transferred to profit or loss		219	95
- Related tax		1,444	(2,467)
Change in expected credit loss reserve (debt instruments at fair value through other comprehensive income)		(734)	-
<b>Other comprehensive (expense)/income for the period, net of income tax</b>		<b>(4,676)</b>	<b>7,800</b>
<b>Total comprehensive income for the period</b>		<b>37,415</b>	<b>42,847</b>
Profit attributable to the owner of the Bank		42,091	35,047
Total comprehensive income attributable to the owner of the Bank		37,415	42,847
<b>Basic earnings per ordinary share (sen)</b>		<b>22.75</b>	<b>18.94</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2017 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2018**

	<i>Non-distributable</i>				<i>Distributable</i>			<b>Total Equity</b>
	<b>Share Capital</b>	<b>Share Premium</b>	<b>Statutory Reserve</b>	<b>Regulatory Reserve</b>	<b>Expected Credit Loss Reserve</b>	<b>Fair Value Reserve</b>	<b>Retained Earnings</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2018</b>								
At 1 January 2018	555,000	-	-	91,000	-	4,473	685,415	1,335,888
Effect of adopting MFRS 9	-	-	-	-	2,646	(617)	7,343	9,372
Restated balance at 1 January 2018	555,000	-	-	91,000	2,646	3,856	692,758	1,345,260
Fair value reserve								
- Change in fair value	-	-	-	-	-	(5,605)	-	(5,605)
- Transferred to profit or loss	-	-	-	-	-	219	-	219
- Related tax	-	-	-	-	-	1,444	-	1,444
Expected credit loss reserve								
- Change in expected credit loss	-	-	-	-	(734)	-	-	(734)
<b>Total other comprehensive expense for the period</b>	-	-	-	-	(734)	(3,942)	-	(4,676)
Profit for the period	-	-	-	-	-	-	42,091	42,091
<b>Total comprehensive (expense)/income for the period</b>	-	-	-	-	(734)	(3,942)	42,091	37,415
At 31 March 2018	555,000	-	-	91,000	1,912	(86)	734,849	1,382,675
<b>2017</b>								
At 1 January 2017	185,000	370,000	185,000	-	-	(8,845)	399,740	1,130,895
Fair value reserve								
- Change in fair value	-	-	-	-	-	10,172	-	10,172
- Transferred to profit or loss	-	-	-	-	-	95	-	95
- Related tax	-	-	-	-	-	(2,467)	-	(2,467)
<b>Total other comprehensive income for the period</b>	-	-	-	-	-	7,800	-	7,800
Profit for the period	-	-	-	-	-	-	35,047	35,047
<b>Total comprehensive income for the period</b>	-	-	-	-	-	7,800	35,047	42,847
At 31 March 2017	185,000	370,000	185,000	-	-	(1,045)	434,787	1,173,742

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 2017 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 31 MARCH 2018**

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax expense and zakat	55,600	45,214
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial assets at fair value through profit or loss	(493)	-
- Financial investments at fair value through other comprehensive income	219	95
- Property and equipment	1	1
Depreciation of property and equipment	1,069	1,161
Impairment allowance	1,047	15,858
Share-based expenses	81	89
Unrealised loss/(gain) on:		
- Financial assets at fair value through profit or loss	469	-
- Derivatives	(596)	(387)
Operating profit before changes in working capital	<u>57,397</u>	<u>62,031</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at fair value through profit or loss	122,765	-
Financing and advances	276,573	(768,390)
Derivative financial assets	(692)	(65)
Other assets	26,839	42,456
Statutory deposits with Bank Negara Malaysia	10,000	23,000
Deferred tax asset	195	-
Islamic deposits from customers	308,657	(303,191)
Investment accounts due to designated financial institution	(260,249)	1,101,479
Deposits and placements of banks and other financial institutions	(197,451)	(96,444)
Bills and acceptances payable	(2,730)	30,337
Derivative financial liabilities	97	(324)
Other liabilities	(104,461)	33,100
<b>Cash generated from operations</b>	<u>236,940</u>	<u>123,989</u>
Income tax and zakat paid	(9,192)	(8,500)
<b>Net cash generated from operating activities</b>	<u>227,748</u>	<u>115,489</u>
<b>Cash flows from investing activities</b>		
Acquisition of financial investments at fair value through other comprehensive income	(1,706,560)	(2,130,000)
Proceeds from disposal of financial investments at fair value through other comprehensive income	1,775,175	1,561,832
Acquisition of property and equipment	(562)	(96)
Proceeds from disposal of property and equipment	-	3
<b>Net cash generated/(used) in investing activities</b>	<u>68,053</u>	<u>(568,261)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	295,801	(452,772)
<b>Cash and cash equivalents at 1 January</b>	<u>957,860</u>	<u>1,960,773</u>
<b>Cash and cash equivalents at 31 March</b>	<u>1,253,661</u>	<u>1,508,001</u>

*Details of cash and cash equivalents are disclosed in Note 8 to the unaudited condensed interim financial statements.*

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2017 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2018**

**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 RM42.1 million for the financial period ended 31 March 2018, a 20% or RM7.0 million increase against the corresponding period last year. The increase was mainly due to lower allowances of RM14.8 million, higher income from shareholder's funds and lower income attributable to investment account holder of RM7.5 million and RM3.1 million respectively and lower overheads of RM0.5 million partially offset by lower income from investment of depositors' funds and investment account funds respectively of RM6.9 million and RM4.5 million and higher income attributable to depositors of RM4.1 million.

The increase in income from investment of shareholder funds was mainly from higher fee and commission income of RM4.7 million and trading income from derivatives of RM1.6 million while both the income attributable to/income from investment accounts declined in tandem with lower volume.

Income from investment of depositors' funds and others decreased mainly from lower finance income of RM6.9 million. Gross financing and advances decreased by RM0.3 billion or 3% against December 2017, mainly in the manufacturing and wholesale and retail trade segments.

Deposits from customers increased by RM0.3 billion or 3% over the same period to RM11.6 billion, mainly from government and statutory bodies by RM0.5 billion, partially offset by deposits from business enterprises which reduced by RM0.2 billion.

The Bank remains well capitalised with Common Equity Tier 1 ratio of 16.876% and total capital ratio of 20.161% respectively.

**ECONOMIC PERFORMANCE AND PROSPECTS**

Global growth is projected to expand into 2018, driven largely by private consumption and boosted by investment activity in the advanced economies. At this point, risks to the global growth outlook remain balanced, pointing towards continuity in global economic expansion. In Asia, growth is expected to be driven by sustained domestic activity and external demand. Downside risks include trade tensions and future global oil prices which remain highly uncertain.

For Malaysia, growth prospects will be sustained by the positive global growth outlook and spillovers from the external sector to the domestic economy. Domestic demand will remain the key driver of growth, underpinned by favourable income and labour market conditions, spending on new and ongoing infrastructure projects and sustained capital investment by firms in the manufacturing and services sectors. With additional impetus from the external sector, growth is expected to remain strong in 2018.

**1 BASIS OF PREPARATION**

The accounting policies set out below have been applied consistently to the periods presented in these unaudited condensed interim financial statements by the Bank, except for the adoption of MFRS 9, Financial Instruments ("MFRS 9") which came into effect on 1 January 2018. As allowed under MFRS 9, the Bank has not restated its comparative information. The transition impact arising from the adoption of MFRS 9 is recognised in the opening Retained Earnings.

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

**(a) Statement of compliance**

The unaudited condensed interim financial statements of the Bank has been prepared under the historical cost convention (except as disclosed in the notes to the unaudited condensed interim financial statements), in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, International Financial Reporting Standard 34 and the requirements of the Companies Act 2016 in Malaysia and Shariah requirements.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2018 (continued)**

**1 BASIS OF PREPARATION (continued)**

**(a) Statement of compliance (continued)**

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

- MFRS 9, *Financial Instruments (2014)*
- MFRS 15, *Revenue from Contracts with Customers*
- Clarifications to MFRS 15, *Revenue from Contract with Customers*
- IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*
- Amendments to MFRS 2, *Classification and Measurement of Share-based Payment Transactions*

An explanation of impact on adoption of MFRS 9 is provided in Note 33. The adoption of the other accounting standards and amendments did not have any significant impact on the Bank.

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

Effective for annual periods commencing on or after 1 January 2019

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

The 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 16, Leases**

MFRS 16 requires the recognition of operating lease commitments on right of use assets in the statement of financial position.

The Bank is currently assessing the financial impact of adopting MFRS 16.

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

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

In preparing the unaudited condensed interim financial statements, the significant judgments 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 2017, except as disclosed on adoption of MFRS 9.

**2 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied by the Bank in the unaudited condensed interim financial statements are the same as those applied by the Bank in the audited financial statements as at and for the financial year ended 31 December 2017, except as disclosed in Note 1(a) and Note 33.



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****3 SEASONALITY OF OPERATIONS**

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

**4 SHARE CAPITAL**

There were no changes to the share capital of the Bank during the financial period ended 31 March 2018.

**5 DIVIDEND**

No dividend was paid in respect of the financial period ended 31 March 2018.

**6 SIGNIFICANT AND 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 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Bank for the financial period ended 31 March 2018.

**8 CASH AND CASH EQUIVALENTS**

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Cash and balances with banks and other financial institutions	56,947	141,604
Deposits and placements with BNM	1,196,714	816,256
	<u>1,253,661</u>	<u>957,860</u>
Impairment allowance		
- Other placements - collectively assessed	(28)	-
	<u>1,253,633</u>	<u>957,860</u>

**9 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS**

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>At fair value</b>		
Islamic Corporate Sukuk	9,976	-
	<u>9,976</u>	<u>-</u>

**10 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME**

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>At fair value</b>		
Malaysian Government Investment Issues	2,210,380	2,154,016
Malaysian Government Sukuk	93,701	95,188
Malaysian Government Islamic Treasury Bills	-	49,881
Bank Negara Malaysia Bills	6,544	-
Islamic Corporate Sukuk	615,202	645,373
Islamic Negotiable Instruments of Deposit	1,385,367	1,563,487
Cagamas Sukuk	85,078	85,201
Foreign Government Sukuk	191,200	201,997
	<u>4,587,472</u>	<u>4,795,143</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****11 FINANCING AND ADVANCES**

(i) By type and Shariah contract

	Sale based contracts					Lease based contracts			Equity based contracts		Total RM'000	
	Bai' Bithaman		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma Al- Bai RM'000	Ijarah RM'000	Ijarah Muntahiah Bi Al-Tamlik RM'000		Musharakah Mutanaqisah RM'000		Others RM'000
	Bai' Inah RM'000	Ajil RM'000										
<b>31 March 2018</b>												
<b>At amortised cost and net of unearned income</b>												
Cash line financing	44,610	9,854	-	-	-	-	243,279	-	-	-	1,491	299,234
Term Financing												
- House financing	-	10,778	-	-	-	-	-	1,883,655	90,407	-	-	1,984,840
- Syndicated term financing	-	-	50,048	-	-	-	-	277,652	-	-	-	327,700
- Hire purchase receivables	-	-	-	-	-	233,963	-	186,504	-	-	-	420,467
- Other term financing	545,933	116,046	373,124	-	-	-	-	1,977,078	119,143	-	-	3,131,324
Bills receivable	-	-	-	-	22,427	-	-	-	-	-	-	22,427
Trust receipts	-	-	-	160	-	-	-	-	-	-	-	160
Revolving credit	-	-	2,944,653	-	-	-	-	-	-	-	-	2,944,653
Claims on customers under acceptance credits	-	-	-	361,367	94,425	-	-	-	-	-	-	455,792
Other financing	-	-	113,596	6,633	-	-	-	-	-	-	-	120,229
Gross financing and advances	590,543	136,678	3,481,421	368,160	116,852	233,963	243,279	4,324,889	209,550	1,491	-	9,706,826
Impairment allowance												
- Individually assessed												(123,042)
- Collectively assessed												(131,261)
Net financing and advances												9,452,523

Included in gross financing and advances are specific business ventures funded by the Restricted Profit Sharing Investment Accounts ("RPSIA"), arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad (Note 16). The immediate holding company, being the RPSIA investor, is exposed to the risks and rewards of the business venture and will account for the collective and individual impairment allowance arising thereon.

As at 31 March 2018, the gross exposure relating to RPSIA financing is RM1,601 million (31 December 2017: RM1,867 million) and the associated individually and collectively assessed credit loss amounted to RM59.8 million and RM7.3 million respectively.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****11 FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contract (continued)

	Sale based contracts					Lease based contracts			Equity based contracts		Total RM'000	
	Bai' Bithaman		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma Al- Bai RM'000	Ijarah RM'000	Ijarah Muntahiah Bi Al-Tamlik RM'000		Musharakah Mutanaqisah RM'000		Others RM'000
	Bai' Inah RM'000	Ajil RM'000						Others RM'000				
<b>31 December 2017</b>												
<b>At amortised cost and net of unearned income</b>												
- Cash line financing	54,009	11,508	-	-	-	-	235,901	-	-	-	792	302,210
Term Financing												
- House financing	-	11,766	-	-	-	-	-	1,895,330	92,738	-	-	1,999,834
- Syndicated term financing	-	-	50,048	-	-	-	-	292,131	-	-	-	342,179
- Hire purchase receivables	-	-	-	-	-	255,683	-	170,301	-	-	-	425,984
- Other term financing	639,315	121,208	284,789	-	-	-	-	2,137,173	120,913	-	-	3,303,398
Bills receivable	-	-	-	-	20,403	-	-	-	-	-	-	20,403
Trust receipts	-	-	-	118	-	-	-	-	-	-	-	118
Revolving credit	-	-	3,015,080	-	-	-	-	-	-	-	-	3,015,080
Claims on customers under acceptance credits	-	-	-	366,386	95,241	-	-	-	-	-	-	461,627
Other financing	-	-	104,670	13,819	-	-	-	-	-	-	-	118,489
<b>Gross financing and advances</b>	<b>693,324</b>	<b>144,482</b>	<b>3,454,587</b>	<b>380,323</b>	<b>115,644</b>	<b>255,683</b>	<b>235,901</b>	<b>4,494,935</b>	<b>213,651</b>	<b>792</b>	<b>9,989,322</b>	
Impairment allowance												
- Individually assessed												(125,877)
- Collectively assessed												(145,358)
<b>Net financing and advances</b>												<b>9,718,087</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****11 FINANCING AND ADVANCES (continued)**

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
(ii) By type of customer		
Domestic non-bank financial institutions	50,511	53,002
Domestic business enterprises		
- Small and medium enterprises	2,083,237	1,981,414
- Others	3,874,391	4,134,011
Individuals	2,447,855	2,511,671
Foreign entities	1,250,832	1,309,224
	<u>9,706,826</u>	<u>9,989,322</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	18,863	20,583
- Hire purchase receivables	234,821	256,952
- Other fixed rate financing	1,691,379	1,826,506
Variable rate		
- Base rate/base financing rate plus	3,614,678	3,551,704
- Cost plus	4,147,085	4,333,577
	<u>9,706,826</u>	<u>9,989,322</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,409,841	1,392,683
Mining and quarrying	240,669	260,208
Manufacturing	1,243,447	1,410,896
Electricity, gas and water	50,350	53,965
Construction	468,866	449,102
Real estate	632,430	555,595
Wholesale & retail trade and restaurants & hotels	938,998	1,005,363
Transport, storage and communication	155,598	174,277
Finance, insurance and business services	235,786	247,134
Community, social and personal services	631,525	608,545
Household		
- Purchase of residential properties	2,024,084	2,039,830
- Purchase of non-residential properties	42,421	42,629
- Others	505,053	549,309
Others	1,127,758	1,199,786
	<u>9,706,826</u>	<u>9,989,322</u>
(v) By geographical distribution		
Malaysia	8,648,720	8,872,089
Singapore	616,023	650,635
Other ASEAN countries	209,496	227,090
Rest of the world	232,587	239,508
	<u>9,706,826</u>	<u>9,989,322</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****11 FINANCING AND ADVANCES (continued)**

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
(vi) By residual contractual maturity		
Within one year	4,027,050	4,131,977
One year to less than three years	658,655	746,454
Three years to less than five years	863,610	939,000
Over five years	4,157,511	4,171,891
	<u>9,706,826</u>	<u>9,989,322</u>

**12 IMPAIRED FINANCING AND ADVANCES**

## (a) Movements in impaired financing and advances

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
At 1 January	383,572	297,552
Impaired during the period / year	53,710	406,233
Reclassified as unimpaired	(20,027)	(101,860)
Amount recovered	(26,528)	(129,692)
Amount written off	(13,129)	(79,583)
Effect of foreign exchange difference	(3,421)	(9,078)
At 31 March / 31 December	<u>374,177</u>	<u>383,572</u>
Impairment allowance		
- Individually assessed	(123,042)	(125,877)
- Collectively assessed	-	(3,636)
Net impaired financing and advances	<u>251,135</u>	<u>254,059</u>

Included in the impaired financing and advances are specific business ventures funded by the Restricted Profit Sharing Investment Accounts ("RPSIA") arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad. The immediate holding company, being the RPSIA holder, is exposed to the risks and rewards of the business venture and accounts for the individually assessed credit loss arising thereon. As at 31 March 2018, the gross exposures relating to RPSIA financing are RM116 million (31 December 2017: RM116 million) and the associated individually assessed credit loss that was recovered from the PSIA holder amounted to RM60 million.

## (i) By sector

Agriculture, hunting, forestry and fishing	245	435
Manufacturing	23,983	26,319
Construction	4,788	4,159
Real estate	4,945	5,295
Wholesale & retail trade and restaurants & hotels	38,839	44,933
Transport, storage and communication	3,966	4,539
Finance, insurance and business services	10,671	10,899
Community, social and personal services	1,451	1,370
Household		
- Purchase of residential properties	64,374	60,604
- Purchase of non-residential properties	247	262
- Others	31,602	32,827
Others	189,066	191,930
	<u>374,177</u>	<u>383,572</u>

## (ii) By geographical distribution

Malaysia	<u>374,177</u>	<u>383,572</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**  
**- 31 MARCH 2018 (continued)****13 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	31 March 2018			31 December 2017		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	101,781	1,054	466	63,844	362	589
- Swaps	15,455	-	220	-	-	-
	<u>117,236</u>	<u>1,054</u>	<u>686</u>	<u>63,844</u>	<u>362</u>	<u>589</u>

**14 OTHER ASSETS**

	31 March 2018 RM'000	31 December 2017 RM'000
Profit receivable	28,717	28,707
Other receivables, deposits and prepayments	7,453	6,750
Amount due from immediate holding company	2,464	21,654
Amount due from ultimate holding company	524	8,153
Amount due from related companies	-	137
Impairment allowance on other receivables		
- Collectively assessed	(533)	-
	<u>38,625</u>	<u>65,401</u>

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

**15 ISLAMIC DEPOSITS FROM CUSTOMERS**

	31 March 2018 RM'000	31 December 2017 RM'000
a) By type of deposit		
Savings deposits		
- Tawarruq	211,421	208,680
- Qard	259,456	275,652
Demand deposits		
- Tawarruq	6,471	21,770
- Qard	3,608,347	3,709,810
Term Deposits		
- Commodity Murabahah	6,872,075	6,533,850
- Qard	118,246	78,164
Negotiable instruments of deposits		
- Bai Bithaman Ajil	71,902	71,143
Short-term deposits		
- Tawarruq	411,880	352,012
General investment deposits		
- Mudharabah	43	103
	<u>11,559,841</u>	<u>11,251,184</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****15 ISLAMIC DEPOSITS FROM CUSTOMERS (continued)**

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
b) By type of customer		
Government and statutory bodies	1,816,057	1,346,287
Non-bank financial institutions	753,176	720,886
Business enterprises	5,515,535	5,725,498
Individuals	3,236,722	3,214,938
Foreign entities	104,219	102,959
Others	134,132	140,616
	<u>11,559,841</u>	<u>11,251,184</u>
c) Maturity structure of term/general investment deposits, negotiable instruments of deposits and short-term deposits		
Within six months	4,955,980	4,816,251
Six months to one year	2,415,793	1,981,575
One year to three years	101,851	236,935
Three years to five years	522	511
	<u>7,474,146</u>	<u>7,035,272</u>

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

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Mudharabah restricted profit sharing investment account ("RPSIA")</b>		
Licensed bank	1,601,141	1,861,390
Amount receivable from immediate holding company under RPSIA	(59,818)	(59,818)
	<u>1,541,323</u>	<u>1,801,572</u>

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

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Non-Mudharabah</b>		
Licensed banks	721,772	922,004
Other financial institutions	4,677	1,896
	<u>726,449</u>	<u>923,900</u>

**18 OTHER LIABILITIES**

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Profit payable	75,908	75,884
Other payables and accruals	73,362	78,191
Amount due to immediate holding company	77,792	177,430
Equity compensation benefits	759	696
	<u>227,821</u>	<u>332,201</u>

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****19 IMPAIRMENT ALLOWANCES**

The following tables show the reconciliation of the opening to the closing balance of the impairment allowances by class of financial assets. Explanation of the terms: 12-month Expected Credit Loss ("ECL"), lifetime ECL and not credit-impaired are included in Note 33. Comparative amounts for 2017 represent impairment allowance measured under MFRS 139.

	Cash and cash equivalents RM'000	Financial assets at fair value through other comprehensive income (FVOCI) RM'000	Financing and advances RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000
<b>a) Collective impairment</b>					
<b>2018</b>					
At 31 December 2017 - under MFRS 139	-	-	145,358	-	-
Remeasurement	28	2,646	(12,057)	533	-
At 1 January 2018 - under MFRS 9	28	2,646	133,301	533	-
At 1 January 2018					
- 12 months expected credit loss (ECL)	28	1,916	35,854	168	-
- Lifetime ECL not credit impaired	-	730	97,447	365	-
	28	2,646	133,301	533	-
(Written back)/charge					
- 12 months expected credit loss (ECL)	-	(527)	182	-	-
- Lifetime ECL not credit impaired	-	(207)	(2,222)	-	-
	-	(734)	(2,040)	-	-
At 31 March 2018					
- 12 months expected credit loss (ECL)	28	1,389	36,036	168	-
- Lifetime ECL not credit impaired	-	523	95,225	365	-
	28	1,912	131,261	533	-
<b>2017</b>					
At 1 January 2017	-	-	186,979	-	-
Charged during the period	-	-	3,500	-	-
Written back	-	-	(45,121)	-	-
At 31 December 2017	-	-	145,358	-	-



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2018 (continued)**

**19 IMPAIRMENT ALLOWANCES (continued)**

	<b>Financing and advances RM'000</b>
<b>b) Individual impairment</b>	
<b>2018</b>	
At 1 January 2018	125,877
Charge during the period	24,960
Written back	(14,045)
Written off	(13,129)
Discount unwind and financing income earned on impaired financing	(621)
At 31 March 2018	<u>123,042</u>
<b>2017</b>	
At 1 January 2017	80,043
Charge during the period	196,732
Written back	(70,311)
Written off	(79,583)
Discount unwind and financing income earned on impaired financing	(1,004)
At 31 December 2017	<u>125,877</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****20 SUBORDINATED SUKUK**

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

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

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

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
Income derived from investment of:		
(i) Term deposits/general investment deposits	86,374	91,751
(ii) Other deposits	65,437	66,988
	<u>151,811</u>	<u>158,739</u>
 (i) Income derived from investment of term/general investment deposits		
<b>Finance income and hibah</b>		
Unimpaired financing and advances	60,508	68,547
Impaired financing and advances	318	112
Financial assets at fair value through profit and loss	92	-
Financial investments at fair value through other comprehensive income	19,825	15,647
Deposits and placements with banks and other financial institutions	5,638	7,415
	<u>86,381</u>	<u>91,721</u>
<b>Other trading income</b>		
Net gain from sale of financial assets at fair value through profit and loss	252	-
Unrealised loss on financial assets at fair value through profit and loss	(240)	-
<b>Other operating income</b>		
Net loss from sale of financial investments at fair value through other comprehensive income	(112)	(49)
Others	93	79
	<u>86,374</u>	<u>91,751</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****21 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (continued)**

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
(ii) Income derived from investment of other deposits		
<b>Finance income and hibah</b>		
Unimpaired financing and advances	45,841	50,047
Impaired financing and advances	241	82
Financial assets at fair value through profit and loss	69	-
Financial investments at fair value through other comprehensive income	15,019	11,424
Deposits and placements with banks and other financial institutions	4,272	5,414
<b>Other trading income</b>		
Net gain from sale of financial assets at fair value through profit and loss	191	-
Unrealised loss on financial assets at fair value through profit and loss	(182)	-
<b>Other operating income</b>		
Net loss from sale of financial investments at fair value through other comprehensive income	(85)	(37)
Others	71	58
	<u>65,437</u>	<u>66,988</u>

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

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>Finance income and hibah</b>		
Unimpaired financing and advances	15,505	19,246
Deposits and placements with banks and other financial institutions	-	760
	<u>15,505</u>	<u>20,006</u>

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

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>Finance income and hibah</b>		
Unimpaired financing and advances	11,967	11,654
Impaired financing and advances	63	19
Financial assets at fair value through profit and loss	18	-
Financial investments at fair value through other comprehensive income	3,921	2,660
Deposits and placements with banks and other financial institutions	1,115	1,261
<b>Other trading income</b>		
Net gain from sale of financial assets at fair value through profit and loss	50	-
Unrealised loss on financial assets at fair value through profit and loss	(47)	-

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2018 (continued)****23 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUNDS (continued)**

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>Other operating income</b>		
Commission	10,160	4,423
Service charges and fees	4,528	5,552
Net loss from sale of financial investments at fair value through other comprehensive income	(22)	(9)
Others	18	13
<b>Other trading income</b>		
Net trading gain/(loss)		
- Foreign currency	(257)	7
- Trading derivatives	4,400	3,039
- Revaluation of derivatives	596	387
	<u>36,510</u>	<u>29,006</u>

**24 IMPAIRMENT ALLOWANCE**

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>FINANCING AND ADVANCES</b>		
Individual impairment allowance		
- Made during the period	24,960	35,836
- Written back	(14,045)	(16,601)
Collective impairment allowance		
- (Written back)/made during the period	(2,040)	3,500
Impaired financing recovered	(7,094)	(6,877)
	<u>1,781</u>	<u>15,858</u>
<b>OTHER ASSETS</b>		
Collectively assessed		
- Written back during the period	(734)	-
	<u>1,047</u>	<u>15,858</u>

**25 INCOME ATTRIBUTABLE TO DEPOSITORS**

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
Deposits from customers		
- Non-Mudharabah	84,956	80,960
- Mudharabah	1	1
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah	3,167	3,056
Subordinated sukuk	2,367	2,367
	<u>90,491</u>	<u>86,384</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER**

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
Investment accounts due to designated financial institution		
- Mudharabah	10,853	14,009

**27 OPERATING EXPENSES**

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
<b>Personnel expenses</b>		
Wages, salaries and bonus	4,462	5,794
Employees Provident Fund contributions	775	871
Share-based expenses	81	89
Others	1,039	750
	<u>6,357</u>	<u>7,504</u>

**Establishment expenses**

Depreciation of property and equipment	1,069	1,161
Rental of premises	737	709
Repair and maintenance	225	178
Information technology costs	422	50
Others	606	622
	<u>3,059</u>	<u>2,720</u>

**Marketing expenses**

Advertisement and business promotion	8	84
Transport and travelling	56	86
Others	7	5
	<u>71</u>	<u>175</u>

**General administrative expenses**

Shared service fees to immediate holding company	25,638	22,871
Transaction processing fees to related companies	5,782	6,592
Others	4,928	6,424
	<u>36,348</u>	<u>35,887</u>

**Total operating expenses**

	<u>45,835</u>	<u>46,286</u>
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**28 INCOME TAX EXPENSE**

	<b>31 March 2018 RM'000</b>	<b>31 March 2017 RM'000</b>
Malaysian income tax		
- Current period	13,315	9,756
Deferred tax		
- Origination and reversal of temporary differences	194	399
	<u>13,509</u>	<u>10,155</u>

**29 CAPITAL COMMITMENTS**

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Capital commitments in respect of property and equipment		
- Contracted but not provided for	3,830	3,642

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****30 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to 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 BNM's Capital Adequacy Framework for Islamic Banks (CAFIB Basel II) - Disclosure Requirements (Pillar 3).

	31 March 2018					31 December 2017				
	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	101,063			101,063	100,934	99,291			99,291	89,356
Transaction-related contingent items	378,886			191,081	158,218	400,522			201,991	157,885
Short-term self-liquidating trade-related contingencies	60,532			12,300	7,984	76,207			16,423	10,239
Foreign exchange related contracts										
- Less than one year	118,398	1,054	686	2,163	585	64,013	362	589	586	313
Formal standby facilities and credit lines										
- Maturity exceeding one year	517,866			405,582	311,668	362,715			292,428	215,284
Other unconditionally cancellable commitments	2,969,066			59,921	9,931	1,978,466			61,413	8,514
	4,145,811	1,054	686	772,110	589,320	2,981,214	362	589	672,132	481,591

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2018 (continued)****31 FAIR VALUE OF FINANCIAL INSTRUMENTS****Fair value hierarchy of financial instruments**

The Bank measures the fair value of financial assets and liabilities using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The valuation hierarchy, and the types of instruments classified into each level within that hierarchy, are set out below:

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

**(i) Financial instruments carried at fair value**

	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>31 March 2018</b>			
<b>Financial assets at fair value</b>			
Fair value through profit or loss	-	9,976	9,976
Fair value through other comprehensive income	2,210,380	2,377,092	4,587,472
Derivative financial assets	19	1,035	1,054
	<u>2,210,399</u>	<u>2,388,103</u>	<u>4,598,502</u>
<b>Financial liabilities at fair value</b>			
Derivative financial liabilities	31	655	686
<b>31 December 2017</b>			
<b>Financial assets at fair value</b>			
Available-for-sale	2,154,016	2,641,127	4,795,143
Derivative financial assets	33	329	362
	<u>2,154,049</u>	<u>2,641,456</u>	<u>4,795,505</u>
<b>Financial liabilities at fair value</b>			
Derivative financial liabilities	151	438	589

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

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****32 CAPITAL ADEQUACY**

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

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
<b>Common Equity Tier 1 ("CET 1") capital</b>		
Share capital	555,000	555,000
Retained earnings	692,758	685,415
Other reserves	90,914	95,473
CET 1 capital	<u>1,338,672</u>	<u>1,335,888</u>
Regulatory adjustment for CET 1 capital	(96,322)	(97,255)
Eligible CET 1/Tier 1 capital	<u>1,242,350</u>	<u>1,238,633</u>
<b>Tier 2 capital</b>		
Collective impairment allowance under the Standardised Approach*	5,396	5,872
Surplus eligible provisions over expected losses	36,409	36,792
Subordinated sukuk	200,000	200,000
Eligible Tier 2 capital	<u>241,805</u>	<u>242,664</u>
<b>Capital base</b>	<u>1,484,155</u>	<u>1,481,297</u>
* Excludes collective impairment allowance on impaired financing and advances		
<b>Before the effects of RPSIA</b>		
CET 1/Tier 1 capital ratio	13.835%	13.358%
Total capital ratio	<u>16.527%</u>	<u>15.975%</u>
<b>After the effects of RPSIA</b>		
CET 1/Tier 1 capital ratio	16.876%	16.569%
Total capital ratio	<u>20.161%</u>	<u>19.815%</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 31 March 2018, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM1,618 million (31 December 2017: RM1,797 million).

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

	<b>31 March 2018 RM'000</b>	<b>31 December 2017 RM'000</b>
Total RWA for credit risk	6,499,768	6,601,740
Total RWA for market risk	5,986	6,787
Total RWA for operational risk	855,817	867,121
	<u>7,361,571</u>	<u>7,475,648</u>



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****33 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9**

The Bank adopted MFRS 9 on 1 January 2018. The key changes to the Bank's accounting policies resulting from the adoption of MFRS 9 are summarised below.

**Classification and measurement**

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics. It includes three principal classification categories for financial assets measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). It eliminates the existing MFRS 139 categories of held to maturity and available-for-sale.

A financial asset is measured at amortised cost only if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows that are solely payments of principal and profit ("SPPI"). Financial assets are measured at FVOCI if the assets are held within a business model whose objective is achieved by both collecting contractual cash flows and selling of the financial assets. Financial assets that are neither held at amortised cost nor at FVOCI will be measured at FVTPL.

A debt instrument such as financing and advances and investment securities are measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and profit.

For financial liabilities, MFRS 9 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 fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than profit or loss, unless this creates an accounting mismatch. The Bank did not elect fair value option for its financial liabilities.

The following table summarises the impact on classification and measurement to the Bank's financial assets on 1 January 2018:

<b>Financial assets</b>	<b>Original classification under MFRS 139</b>	<b>New classification under MFRS 9</b>	<b>Carrying amount under MFRS 139 RM'000</b>	<b>Carrying amount under MFRS 9 RM'000</b>
Cash and cash equivalents	Financing and receivables	Amortised cost	957,860	957,832
Financial assets at FVTPL	Held-for-trading	Financial assets at FVTPL	-	132,717
Financial investments at FVOCI	Available-for-sale	Financial investments at FVOCI	4,795,143	4,662,426
Financing and advances	Financing and receivables	Amortised cost	9,718,087	9,730,144
Derivative financial assets	Held-for-trading	Financial assets at FVTPL	362	362
Other assets	Financing and receivables	Amortised cost	65,401	64,868
Statutory deposits with BNM	Financing and receivables	Amortised cost	325,500	325,500

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)****33 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)****Classification and measurement (continued)**

The following table reconciles the carrying amounts under MFRS 139 in transition to the carrying amounts under MFRS 9 on 1 January 2018.

	Cash and cash equivalents RM'000	Financing and advances RM'000	Other assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	Total amortised cost RM'000
<b>Amortised cost</b>					
MFRS 139 carrying amount as at 31 December 2017	957,860	9,718,087	65,401	325,500	11,066,848
Remeasurement due to expected credit loss	(28)	12,057	(533)	-	11,496
MFRS 9 carrying amount as at 1 January 2018	957,832	9,730,144	64,868	325,500	11,078,344

	Fair value through other comprehensive income (FVOCI)			Fair value through profit or loss (FVTPL)		
	Financial investments available-for-sale RM'000	Debt Instruments RM'000	Total FVOCI RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Total FVTPL RM'000
<b>Fair value</b>						
MFRS 139 carrying amount as at 31 December 2017	4,795,143	-	4,795,143	-	362	362
Reclassification from AFS to FVOCI	(4,662,426)	4,662,426	-	-	-	-
Reclassification from AFS to FVTPL	(132,717)	-	(132,717)	132,717	-	132,717
MFRS 9 carrying amount as at 1 January 2018	-	4,662,426	4,662,426	132,717	362	133,079

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
- 31 MARCH 2018 (continued)**

**33 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)**

**Expected credit loss impairment model**

Financial assets classified at amortised cost or FVOCI, and certain financing commitments and financial guarantee contracts are subject to MFRS 9 ECL impairment provisioning, unless such exposures are designated at FVTPL under fair value option due to accounting mismatch.

On initial adoption of MFRS 9, impairment would be measured as either:

- Stage 1: 12-month expected credit losses for performing exposures.
- Stage 2: Lifetime expected credit losses for exposures where credit risk has increased significantly since initial inception.
- Stage 3: For credit-impaired assets, specific provisions will be made based on lifetime expected credit losses. (similar to existing classification of financial assets that are impaired under MFRS139).

**Measurement**

An ECL estimate will be produced for all relevant instruments established on probability-weighted forward-looking economic scenarios. The measurement of ECL will primarily be calculated based on the PD, loss given default ("LGD"), and exposure at default ("EAD"). These parameters are derived from internal rating models after adjusting them to be un-biased and forward looking. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

12-month ECL will be based on maximum of 12-month PD while Lifetime ECL will be based on the remaining lifetime of the instrument. LGD reflects the expected loss value given default, after taking into account the effect of collateral. EAD reflects the expected exposure at default, after taking into account of any expected repayments and/or drawdown. 12-month ECL and Lifetime ECL will be the respective discounted value (using the effective profit rate) of 12-month PD and Lifetime PD, multiplied with LGD and EAD.

**Movement between stages**

Movements between Stage 1 and Stage 2 are based on whether an instrument's credit risk as at the reporting date has increased significantly since its initial inception.

In accordance with MFRS 9, financial assets are classified in Stage 2 where there is significant increase in credit risk since initial recognition, where loss allowance will be measured using lifetime ECL.

The Bank has considered both qualitative and quantitative parameters in the assessment of significant increase in credit risk. They include the following:

1. Established thresholds for significant increases in credit risk based on both a relative and absolute change in lifetime PD relative to initial recognition.
2. Conduct qualitative assessment to ascertain if there has been significant increase in credit risk.
3. Adopt 30 days past due as an indication of significant increase in credit risk.

Movements between Stage 2 and Stage 3 are based on whether financial assets are credit-impaired as at the reporting date. The determination of whether a financial asset is credit-impaired under MFRS 9 will be based on objective evidence of impairment, similar to MFRS 139.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**- 31 MARCH 2018 (continued)**

**33 CHANGES IN ACCOUNTING POLICIES ARISING FROM ADOPTION OF MFRS 9 (continued)**

**Movement between stages (continued)**

The assessments for significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired.

**Regulatory framework**

Under the revised BNM guideline on Financial Reporting for Islamic Banking Institutions, the Bank must maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

**Transition**

Changes in accounting policies resulting from the adoption of MFRS 9 as described below:

- Comparative periods have not been restated. Differences in the carrying amounts of financial assets and financial liabilities resulting from the adoption of MFRS 9 are recognised in retained earnings and reserves as at 1 January 2018. Accordingly, the information presented for 2017 does not reflect the requirements of MFRS 9 and therefore is not comparable to the information presented for 2018 under MFRS 9.
  
- The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.
  - The determination of the business model within which a financial is held.
  
  - The designation and revocation of previous designations of certain financial assets and financial liabilities as measured at FVTPL.
  
- If a debt security had low credit risk at the date of initial application of MFRS 9, then the Bank has assumed that the credit risk on the asset had not increased significantly since its initial recognition.