

OCBC AL-AMIN BANK BERHAD

Company No. 818444-T
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2019

Domiciled in Malaysia
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50050 Kuala Lumpur

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

		30 June 2019 RM'000	31 December 2018 RM'000
ASSETS	Note		
Cash and cash equivalents	8	891,671	959,600
Financial assets at fair value through profit or loss (FVTPL)	9	16,167	9,980
Financial investments at fair value through other comprehensive income (FVOCI)	10	3,786,078	4,290,701
Financing and advances	11	11,591,846	10,319,599
Derivative financial assets	13	8,339	2,218
Other assets	14	97,114	74,178
Tax recoverable		20,463	9,088
Statutory deposits with Bank Negara Malaysia		358,600	351,200
Property and equipment		11,517	9,884
Deferred tax assets		7,499	8,078
Total assets		16,789,294	16,034,526
LIABILITIES			
Deposits from customers	15	11,898,096	11,802,860
Investment accounts due to designated financial institution	16	2,046,324	1,322,168
Deposits and placements of banks and other financial institutions	17	866,906	1,073,057
Bills and acceptances payable		13,281	14,549
Derivative financial liabilities	13	9,069	3,789
Other liabilities	18	220,585	147,473
Provision for taxation and zakat		67	50
Subordinated sukuk	19	200,000	200,000
Total liabilities		15,254,328	14,563,946
EQUITY			
Share capital		555,000	555,000
Reserves		979,966	915,580
Total equity		1,534,966	1,470,580
Total liabilities and equity		16,789,294	16,034,526
Commitments and contingencies	29	4,161,907	4,713,286

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

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

	Note	Quarter Ended		Year-To-Date Ended	
		30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Income derived from investment of depositors' funds and others	20	164,668	149,213	323,226	301,024
Income derived from investment of investment account funds	21	14,016	16,353	28,359	31,858
Income derived from investment of shareholder's funds	22	35,651	42,815	64,999	79,325
Impairment allowance	23	(21,556)	12,805	(49,034)	11,758
Total distributable income		192,779	221,186	367,550	423,965
Income attributable to depositors	24	(96,638)	(85,671)	(188,183)	(176,162)
Income attributable to investment account holder	25	(10,738)	(11,447)	(21,436)	(22,300)
Total net income		85,403	124,068	157,931	225,503
Operating expenses	26	(50,199)	(48,824)	(97,658)	(94,659)
Profit before taxation and zakat		35,204	75,244	60,273	130,844
Income tax expense	27	(5,408)	(18,552)	(10,547)	(32,061)
Zakat		(17)	-	(17)	-
Profit for the period		29,779	56,692	49,709	98,783
Other comprehensive income/(expenses), net of income tax					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Fair value reserve (debt instruments)					
- Change in fair value		11,737	(4,055)	26,353	(9,660)
- Transferred to profit or loss		(6,180)	50	(6,861)	269
- Related tax		(1,338)	961	(4,680)	2,405
Change in expected credit loss (ECL) reserve on debt instruments at FVOCI		(64)	(1,688)	(135)	(2,422)
Other comprehensive income/(expenses) for the period, net of income tax		4,155	(4,732)	14,677	(9,408)
Total comprehensive income for the period		33,934	51,960	64,386	89,375
Profit attributable to owner of the Bank		29,779	56,692	49,709	98,783
Total comprehensive income attributable to the owner of the Bank		33,934	51,960	64,386	89,375
Basic earnings per ordinary share (sen)		16.10	30.65	26.87	53.40

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

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

	<i>Non-distributable</i>			<i>Distributable</i>		Total Equity
	Share Capital	Regulatory Reserve	ECL Reserve	Fair Value Reserve	Retained Earnings	
	RM'000	RM'000		RM'000	RM'000	RM'000
2019						
At 1 January 2019	555,000	91,000	249	2,610	821,721	1,470,580
Fair value reserve						
- Change in fair value	-	-	-	26,353	-	26,353
- Transferred to profit or loss	-	-	-	(6,861)	-	(6,861)
- Related tax	-	-	-	(4,680)	-	(4,680)
Change in ECL reserve	-	-	(135)	-	-	(135)
Total other comprehensive (expense)/income for the period	-	-	(135)	14,812	-	14,677
Profit for the period	-	-	-	-	49,709	49,709
Total comprehensive (expense)/income for the period	-	-	(135)	14,812	49,709	64,386
At 30 June 2019	555,000	91,000	114	17,422	871,430	1,534,966
2018						
At 1 January 2018 (as previously reported)	555,000	91,000	-	4,473	685,415	1,335,888
Effect of adopting MFRS 9	-	-	2,646	(617)	7,343	9,372
Restated at 1 January 2018	555,000	91,000	2,646	3,856	692,758	1,345,260
Fair value reserve						
- Change in fair value	-	-	-	(9,660)	-	(9,660)
- Transferred to profit or loss	-	-	-	269	-	269
- Related tax	-	-	-	2,405	-	2,405
Change in ECL reserve	-	-	(2,422)	-	-	(2,422)
Total other comprehensive expense for the period	-	-	(2,422)	(6,986)	-	(9,408)
Profit for the period	-	-	-	-	98,783	98,783
Total comprehensive (expense)/income for the period	-	-	(2,422)	(6,986)	98,783	89,375
At 30 June 2018	555,000	91,000	224	(3,130)	791,541	1,434,635

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

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

	30 June 2019 RM'000	30 June 2018 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	60,273	130,844
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial assets at FVTPL	-	(493)
- Financial investments at FVOCI	(6,861)	269
- Property and equipment	3	1
Depreciation of property and equipment	2,710	2,245
Impairment allowance	49,034	(11,758)
Finance cost	67	-
Share-based costs	201	175
Unrealised loss/(gain) on:		
- Financial assets at FVTPL	23	467
- Derivatives	(830)	(97)
Operating profit before changes in working capital	<u>104,620</u>	<u>121,653</u>
<i>Changes in operating assets and operating liabilities:</i>		
Deposits and placements with banks and other financial institutions	-	(200,000)
Financial assets at FVTPL	(6,210)	122,766
Financing and advances	(1,351,075)	(116,654)
Derivative financial assets	(6,121)	(1,331)
Other assets	(22,105)	23,690
Statutory deposits with Bank Negara Malaysia ("BNM")	(7,400)	6,900
Deferred tax asset	-	194
Deposits from customers	95,236	(456,055)
Investment accounts due to designated financial institution	753,950	(222,599)
Deposits and placements of banks and other financial institutions	(206,151)	(155,257)
Bills and acceptances payable	(1,268)	(6,845)
Derivative financial liabilities	5,280	1,237
Other liabilities	69,913	(54,800)
Cash used in operations	<u>(571,331)</u>	<u>(937,101)</u>
Income tax and zakat paid	<u>(26,023)</u>	<u>(20,454)</u>
Net cash used in operating activities	<u>(597,354)</u>	<u>(957,555)</u>
Cash flows from investing activities		
Acquisition of financial investments at FVOCI	(3,325,000)	(3,926,560)
Proceeds from disposal of financial investments at FVOCI	3,855,841	4,281,871
Acquisition of property and equipment	(66)	(3,061)
Payment of lease liabilities	(1,352)	-
Proceeds from disposal of property and equipment	2	-
Net cash generated from investing activities	<u>529,425</u>	<u>352,250</u>
Net decrease in cash and cash equivalents	(67,929)	(605,305)
Cash and cash equivalents at 1 January	<u>959,600</u>	<u>957,860</u>
Cash and cash equivalents at 30 June	<u>891,671</u>	<u>352,555</u>

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

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019

GENERAL INFORMATION

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

PERFORMANCE REVIEW

The Bank recorded profit after tax of RM49.7 million for the financial period ended 30 June 2019, a decrease of RM49.1 million against the corresponding period last year. The decrease was mainly due to higher allowances of RM60.8 million and lower income from shareholders fund of RM14.3 million, higher income attributable to depositors of RM12.0 million, higher overheads of RM3.0 million and lower net income from investment account funds of RM2.7 million partly offset by higher income derived from investment of depositors' funds and others of RM22.2 million and lower tax of RM21.5 million.

Allowances increased by RM60.8 million mainly due to higher Stage 3 ECL allowance of RM45.5 million, Stage 1 and 2 ECL allowance of RM41.6 million and lower bad debt recovered of RM3.5 million partially offset by lower recoveries from restricted profit sharing investment account holder of RM29.8 million.

The decrease in income from investment of shareholder funds was mainly from lower fee and commission income of RM15.7 million, while income attributable to depositors was higher by RM12.0 million mainly due to increase in customer deposits.

Gross financing and advances increased by RM1.3 billion or 13% in the first half of 2019, mainly from corporate drawdowns. Deposits from customers increased by RM0.1 billion over the same period to RM11.9 billion, mainly from individuals which increased by RM0.5 billion partly offset by decrease in non-bank financial institution deposits which decreased by RM0.4 billion.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 capital ratios of 14.776% and total capital ratio of 17.416%.

ECONOMIC PERFORMANCE AND PROSPECTS

The recent escalation in prolonged trade tensions between the world's two largest economies is expected to raise pressure on the economic growth of Asia-Pacific countries, including Malaysia. The soft global economic outlook would, in turn, have an adverse impact on the external trade of emerging and developing economies arising from subdued global demand.

Despite the challenging global economic and financial environment, the Malaysian economy grew within expectations with GDP of 4.5% in the first quarter of 2019, backed by strong private consumption and stable labour market conditions. Although the government has resumed several major infrastructure projects to boost investment activity, there remains downside risks that stem from ongoing uncertainties globally and domestically. This will continue to play a significant role in the country's economic growth.

Against this backdrop, the Bank will continue to expand its financing efforts to encompass certain select sectors, in addition to extend the reach of its wealth management products and services to its existing customers. The Bank will also accelerate its digitalisation journey to continuously enhance our customers' banking experience.

1 BASIS OF PREPARATION

The accounting policies set out below have been applied consistently to the periods presented in the unaudited condensed interim financial statements, except as disclosed in Note 1(a) to the interim financial statements.

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

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

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance

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

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

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

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

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

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

In implementing MFRS 16 on 1 January 2019, the Bank recognised an additional RM4.3 million of right-of-use assets and RM4.3 million of lease liabilities.

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

Effective for annual periods commencing on or after 1 January 2020

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

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

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

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements

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

In preparing the unaudited condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2018, except as disclosed in Note 1(a) to the interim financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

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

3 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 30 June 2019.

5 DIVIDEND

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

6 SIGNIFICANT AND SUBSEQUENT EVENTS

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

7 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

8 CASH AND CASH EQUIVALENTS

	30 June 2019 RM'000	31 December 2018 RM'000
Cash and balances with banks and other financial institutions	42,767	53,859
Deposit placements with Bank Negara Malaysia	848,904	905,741
	<u>891,671</u>	<u>959,600</u>

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

Malaysia	880,910	937,438
Singapore	8,309	18,260
Other ASEAN countries	915	754
Rest of the world	1,537	3,148
	<u>891,671</u>	<u>959,600</u>

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

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

	30 June 2019 RM'000	31 December 2018 RM'000
At fair value		
Islamic Corporate Sukuk	16,167	9,980

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

	30 June 2019 RM'000	31 December 2018 RM'000
At fair value		
Malaysian Government Investment Issues	2,349,036	2,322,794
Malaysian Government Sukuk	95,414	244,573
Islamic Corporate Sukuk	408,027	350,805
Islamic Negotiable Instruments of Deposit	796,299	1,146,898
Cagamas Sukuk	70,609	55,279
Foreign Government Sukuk	66,693	170,352
	<u>3,786,078</u>	<u>4,290,701</u>

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

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

	30 June 2019			31 December 2018		
	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non-credit impaired RM'000	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non-credit impaired RM'000
At 1 January 2019/2018	199	50	249	-	-	-
Effect of adopting MFRS 9	-	-	-	1,916	730	2,646
As restated	199	50	249	1,916	730	2,646
Transferred to/(from) Stage 1	-	-	-	18	(18)	-
Transferred (from)/to Stage 2	-	-	-	(8)	8	-
New financial assets originated or purchased	81	-	81	486	-	486
Financial assets derecognised	(44)	(41)	(85)	(1,053)	-	(1,053)
Net remeasurement during the period/year	(122)	(9)	(131)	(1,161)	(669)	(1,830)
Other movements	-	-	-	1	(1)	-
At 30 June/31 December	<u>114</u>	<u>-</u>	<u>114</u>	<u>199</u>	<u>50</u>	<u>249</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (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 Ijarah RM'000	Ijarah Muntahiah Bi Al-Tamlik RM'000	Musharakah Mutanaqisah RM'000	Others RM'000	
	Bai' Inah RM'000	Ajil RM'000									
30 June 2019											
At amortised cost and net of unearned income											
Cash line financing	19,632	9,180	-	-	-	-	378,139	-	-	1,182	408,133
Term Financing											
- House financing	-	8,862	-	-	-	-	-	1,850,701	81,249	-	1,940,812
- Syndicated term financing	-	-	458,911	-	-	-	-	217,998	-	-	676,909
- Hire purchase receivables	-	-	-	-	-	159,147	-	188,141	-	-	347,288
- Other term financing	264,053	15,818	1,903,686	-	-	-	-	1,641,013	105,044	-	3,929,614
Bills receivable	-	-	-	12,764	23,101	-	-	-	-	-	35,865
Trust receipts	-	-	-	144	-	-	-	-	-	-	144
Revolving credit	-	-	4,003,054	-	-	-	-	-	-	-	4,003,054
Claims on customers under acceptance credits	-	-	-	304,337	90,180	-	-	-	-	-	394,517
Other financing	-	-	157,569	-	-	-	-	-	-	-	157,569
Gross financing and advances	283,685	33,860	6,523,220	317,245	113,281	159,147	378,139	3,897,853	186,293	1,182	11,893,905
ECL allowance											(302,059)
Net financing and advances											11,591,846

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

As at 30 June 2019, the gross exposure and ECL relating to RPSIA financing amounted to RM2,136 million (31 December 2018: RM1,384 million) and RM90.3 million (31 December 2018: RM60.5 million) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2019 (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'		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah		Ijarah Muntahiah Bi Al-Tamlik RM'000	Musharakah Mutanaqisah RM'000	Others RM'000	
	Bai' Inah RM'000	Bithaman Ajil RM'000				Al- Bai RM'000	Ijarah RM'000				
31 December 2018											
At amortised cost and net of unearned income											
Cash line financing	22,684	10,304	-	-	-	-	318,483	-	-	1,276	352,747
Term Financing											
- House financing	-	9,607	-	-	-	-	-	1,864,017	84,113	-	1,957,737
- Syndicated term financing	-	-	458,982	-	-	-	-	235,389	-	-	694,371
- Hire purchase receivables	-	-	-	-	-	184,956	-	191,530	-	-	376,486
- Other term financing	344,587	20,541	1,124,155	-	-	-	-	1,838,937	111,960	-	3,440,180
Bills receivable	-	-	-	-	17,506	-	-	-	-	-	17,506
Revolving credit	-	-	3,112,097	-	-	-	-	-	-	-	3,112,097
Claims on customers under acceptance credits	-	-	-	350,325	106,235	-	-	-	-	-	456,560
Other financing	-	-	148,235	-	-	-	-	-	-	-	148,235
Gross financing and advances	367,271	40,452	4,843,469	350,325	123,741	184,956	318,483	4,129,873	196,073	1,276	10,555,919
ECL allowance											(236,320)
Net financing and advances											10,319,599

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

11 FINANCING AND ADVANCES (continued)

	30 June 2019 RM'000	31 December 2018 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	1,000,514	54,321
Domestic business enterprises		
- Small and medium enterprises	2,296,359	2,026,792
- Others	5,150,859	5,047,692
Individuals	2,237,273	2,303,919
Foreign entities	1,208,900	1,123,195
	<u>11,893,905</u>	<u>10,555,919</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	34,805	9,607
- Hire purchase receivables	159,295	185,320
- Other fixed rate financing	1,563,412	1,740,698
Variable rate		
- Base rate/Base financing rate plus	4,034,147	3,790,274
- Cost plus	6,059,761	4,824,493
- Other variable rate	42,485	5,527
	<u>11,893,905</u>	<u>10,555,919</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,658,263	1,559,605
Mining and quarrying	100,498	117,728
Manufacturing	1,549,482	1,510,859
Electricity, gas and water	33,953	37,606
Construction	896,985	792,340
Real estate	1,083,195	961,780
Wholesale & retail trade and restaurants & hotels	1,128,332	1,033,566
Transport, storage and communication	203,254	202,391
Finance, insurance and business services	1,180,333	207,626
Community, social and personal services	613,359	703,996
Household		
- Purchase of residential properties	1,951,462	1,968,855
- Purchase of non-residential properties	39,867	40,093
- Others	363,808	418,830
Others	1,091,114	1,000,644
	<u>11,893,905</u>	<u>10,555,919</u>
(v) By geographical distribution		
Malaysia	10,818,453	9,563,513
Singapore	603,841	631,827
Other ASEAN countries	184,285	194,521
Rest of the world	287,326	166,058
	<u>11,893,905</u>	<u>10,555,919</u>

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

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

11 FINANCING AND ADVANCES (continued)

	30 June 2019 RM'000	31 December 2018 RM'000
(vi) By residual contractual maturity		
Within one year	5,054,617	4,169,816
One year to less than three years	582,635	642,487
Three years to five years	1,386,140	1,142,855
Over five years	4,870,513	4,600,761
	<u>11,893,905</u>	<u>10,555,919</u>

12 IMPAIRED FINANCING AND ADVANCES

(a) Movements in credit impaired financing and advances

	30 June 2019 RM'000	31 December 2018 RM'000
At 1 January	375,100	383,572
Impaired during the period/year	123,844	293,527
Reclassified as non-credit impaired	(28,578)	(90,471)
Amount recovered	(59,440)	(99,614)
Amount written off	(20,025)	(113,770)
Effect of foreign exchange difference	1	1,856
At 30 June/31 December	<u>390,902</u>	<u>375,100</u>
Stage 3 ECL allowance	<u>(158,004)</u>	<u>(120,198)</u>
Net impaired financing and advances	<u>232,898</u>	<u>254,902</u>

Included in the credit impaired financing and advances are specific business ventures funded by the RPSIA arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad. The immediate holding company, as the RPSIA holder, is exposed to the risks and rewards of the business venture and accounts for the Stage 3 ECL arising thereon. As at 30 June 2019, the credit impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM114 million (31 December 2018: RM116 million) and RM86 million (31 December 2018: RM57 million) respectively.

(i) By sector

Agriculture, hunting, forestry and fishing	302	2,281
Manufacturing	41,998	25,113
Construction	11,490	9,104
Real estate	3,871	6,967
Wholesale & retail trade and restaurants & hotels	100,643	102,609
Transport, storage and communication	4,385	5,598
Finance, insurance and business services	9,358	9,763
Community, social and personal services	1,213	1,391
Household		
- Purchase of residential properties	64,678	60,136
- Purchase of non-residential properties	1,291	746
- Others	22,150	21,223
Others	129,523	130,169
	<u>390,902</u>	<u>375,100</u>

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

12 IMPAIRED FINANCING AND ADVANCES (continued)

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

	30 June 2019 RM'000	31 December 2018 RM'000
(ii) By geographical distribution		
Malaysia	390,902	375,100
	<hr/>	<hr/>
	The analysis by geography is determined based on where the credit risk resides.	
(iii) By period overdue		
Less than 3 months	133,484	118,233
3 months to less than 6 months	25,303	29,013
6 months to less than 9 months	12,792	14,700
Over 9 months	219,323	213,154
	<hr/>	<hr/>
	390,902	375,100
(iv) By collateral type		
Property	97,505	97,031
Stocks and shares	2,040	5,270
Machinery	4,031	487
Secured - others	87,405	76,132
Unsecured - corporate and other guarantees	30,340	29,396
Unsecured - clean	169,581	166,784
	<hr/>	<hr/>
	390,902	375,100

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

12 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL for financing and advances

	30 June 2019				31 December 2018			
	Stage 1 12 months ECL non-credit impaired RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000	Stage 1 12 months ECL non-credit impaired RM'000	Stage 2 Lifetime ECL non-credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January	58,957	57,165	120,198	236,320	-	-	-	-
Effect of adopting MFRS 9	-	-	-	-	35,854	97,447	125,877	259,178
At 1 January, as restated under MFRS 9	58,957	57,165	120,198	236,320	35,854	97,447	125,877	259,178
Transferred to/(from) Stage 1	28,351	(23,593)	(4,758)	-	140,788	(113,483)	(27,305)	-
Transferred (from)/to Stage 2	(11,383)	16,381	(4,998)	-	(22,221)	29,790	(7,569)	-
Transferred (from)/to Stage 3	(8)	(33,642)	33,650	-	(1,165)	(63,276)	64,441	-
New financial assets originated or purchased	14,627	2,116	-	16,743	51,175	10,434	-	61,609
Financial assets derecognised	(11,599)	(4,914)	(5,358)	(21,871)	(22,863)	(17,067)	(5,406)	(45,336)
Net remeasurement during the period/year	(13,338)	64,841	43,586	95,089	(122,102)	112,961	89,028	79,887
Amount written-off	-	-	(20,025)	(20,025)	-	-	(113,770)	(113,770)
Other movements	87	7	(4,291)	(4,197)	(509)	359	(5,098)	(5,248)
At 30 June/31 December	65,694	78,361	158,004	302,059	58,957	57,165	120,198	236,320
At 1 January								
- Financing and advances	55,816	56,927	120,198	232,941	32,598	96,136	125,877	254,611
- Financing related commitments and financial guarantees	3,141	238	-	3,379	3,256	1,311	-	4,567
	58,957	57,165	120,198	236,320	35,854	97,447	125,877	259,178
At 30 June/31 December								
- Financing and advances	64,075	61,323	158,004	283,402	55,816	56,927	120,198	232,941
- Financing related commitments and financial guarantees	1,619	17,038	-	18,657	3,141	238	-	3,379
	65,694	78,361	158,004	302,059	58,957	57,165	120,198	236,320

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

12 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL for financing and advances (continued)

(i) By sector

	ECL			
	Stage 1 and 2 ECL non-credit impaired RM'000	Stage 3 ECL credit impaired RM'000	Stage 3 ECL	
			Made during the period RM'000	Written off RM'000
30 June 2019				
Agriculture, hunting, forestry and fishing	5,186	8	7	-
Mining and quarrying	1,150	-	-	-
Manufacturing	19,600	12,180	11,502	226
Electricity, gas and water	123	-	-	-
Construction	37,745	9,572	4,863	354
Real estate	8,476	270	292	184
Wholesale & retail trade and restaurants & hotels	14,762	15,394	4,759	3,417
Transport, storage and communication	1,690	1,064	936	1,136
Finance, insurance and business services	763	1,451	1,109	428
Community, social and personal services	5,476	175	295	28
Household				
- Purchase of residential properties	5,003	12,760	6,640	1,683
- Purchase of non-residential properties	557	202	197	-
- Others	23,855	19,235	22,916	12,569
Others	19,669	85,693	29,794	-
	144,055	158,004	83,310	20,025

	ECL			
	Stage 1 and 2 ECL non-credit impaired RM'000	Stage 3 ECL credit impaired RM'000	Stage 3 ECL	
			Made during the year RM'000	Written off RM'000
31 December 2018				
Agriculture, hunting, forestry and fishing	2,974	2	32	41
Mining and quarrying	2,635	-	46	42
Manufacturing	17,460	1,347	3,065	2,525
Electricity, gas and water	137	-	-	-
Construction	13,796	6,307	7,649	924
Real estate	8,045	2,546	59	-
Wholesale & retail trade and restaurants & hotels	14,516	19,551	25,523	8,560
Transport, storage and communication	2,088	1,513	2,872	1,290
Finance, insurance and business services	682	1,464	2,486	1,627
Community, social and personal services	4,623	115	590	491
Household				
- Purchase of residential properties	6,127	11,542	13,925	2,354
- Purchase of non-residential properties	452	32	94	92
- Others	33,018	18,661	51,056	29,759
Others	9,569	57,118	66,065	66,065
	116,122	120,198	173,462	113,770

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

12 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL for financing and advances (continued)

(ii) By geographical distribution

	30 June 2019			31 December 2018		
	Stage 1 and 2	Stage 3	Total	Stage 1 and 2	Stage 3	Total
	ECL	ECL	ECL	ECL	ECL	ECL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	124,299	158,004	282,303	105,845	120,198	226,043
Singapore	271	-	271	442	-	442
Other ASEAN countries	85	-	85	85	-	85
Rest of the world	19,400	-	19,400	9,750	-	9,750
	<u>144,055</u>	<u>158,004</u>	<u>302,059</u>	<u>116,122</u>	<u>120,198</u>	<u>236,320</u>

13 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	30 June 2019			31 December 2018		
	Contract or underlying principal amount	Fair value		Contract or underlying principal amount	Fair value	
		Assets	Liabilities		Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trading						
Foreign exchange derivatives						
- Forwards	69,655	105	102	51,596	82	144
- Swaps	80,596	60	56	31,503	-	1,291
Profit rate derivatives						
- Swaps	360,000	8,174	8,911	360,000	2,136	2,354
	<u>510,251</u>	<u>8,339</u>	<u>9,069</u>	<u>443,099</u>	<u>2,218</u>	<u>3,789</u>

14 OTHER ASSETS

	30 June 2019	31 December 2018
	RM'000	RM'000
Profit receivable	33,689	32,640
Other receivables, deposits and prepayments	4,717	3,819
Amount due from immediate holding company	54,432	36,850
Amount due from ultimate holding company	4,273	869
Amount due from related company	3	-
	<u>97,114</u>	<u>74,178</u>

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

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

15 DEPOSITS FROM CUSTOMERS

	30 June 2019 RM'000	31 December 2018 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	415,533	320,117
- Qard	195,963	198,718
Demand deposits		
- Tawarruq	357,681	279,644
- Qard	3,577,536	3,672,992
Term deposits		
- Commodity Murabahah	6,862,633	6,056,503
- Qard	58,078	2,289
Negotiable instruments of deposits		
- Bai Bithaman Ajil	75,870	74,269
Short-term deposits		
- Tawarruq	354,798	1,198,312
General investment deposits		
- Mudharabah	4	16
	<u>11,898,096</u>	<u>11,802,860</u>
(b) By type of customer		
Government and statutory bodies	1,769,198	1,699,447
Non-bank financial institutions	1,089,727	1,521,931
Business enterprises	5,329,970	5,329,983
Individuals	3,462,003	3,010,715
Foreign entities	121,836	112,348
Others	125,362	128,436
	<u>11,898,096</u>	<u>11,802,860</u>
(c) By maturity structure of term/general investment deposits, negotiable instruments of deposit and short-term deposits		
Within six months	5,191,637	5,300,290
Six months to one year	2,077,971	1,939,961
One year to three years	81,775	91,128
Three years to five years	-	10
	<u>7,351,383</u>	<u>7,331,389</u>

16 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	30 June 2019 RM'000	31 December 2018 RM'000
Mudharabah RPSIA		
Licensed bank	2,132,017	1,379,286
Amount receivable from immediate holding company under RPSIA	(85,693)	(57,118)
	<u>2,046,324</u>	<u>1,322,168</u>

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

17 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2019 RM'000	31 December 2018 RM'000
Non-Mudharabah		
Licensed banks	860,951	1,066,131
Other financial institutions	5,955	6,926
	<u>866,906</u>	<u>1,073,057</u>

Included in the above are deposits and placements of its immediate holding company of RM795 million (2018: RM990 million), which are unsecured and profit-bearing.

18 OTHER LIABILITIES

	30 June 2019 RM'000	31 December 2018 RM'000
Profit payable	85,164	78,705
Other payables and accruals	67,414	58,064
Amount due to immediate holding company	64,536	10,028
Equity compensation benefits	473	676
Lease liabilities	2,998	-
	<u>220,585</u>	<u>147,473</u>

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

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

19 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.

20 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Income derived from investment of:				
(i) Term deposits/General investment deposits	89,277	80,875	171,255	167,249
(ii) Other deposits	75,391	68,338	151,971	133,775
	<u>164,668</u>	<u>149,213</u>	<u>323,226</u>	<u>301,024</u>

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

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

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
(i) Income derived from investment of term/general investment deposits				
Finance income and hibah				
Unimpaired financing and advances	65,373	58,561	127,517	119,069
Impaired financing and advances	928	577	2,026	895
Financial assets at FVTPL	81	54	141	146
Financial investments at FVOCI	15,326	18,778	32,237	38,603
Deposits and placements with banks and other financial institutions	4,393	2,833	5,698	8,471
	<u>86,101</u>	<u>80,803</u>	<u>167,619</u>	<u>167,184</u>
Other trading income				
Net gain from sale of financial assets at FVTPL	-	-	-	252
Unrealised (loss)/gain on financial assets at FVTPL	(10)	1	(11)	(239)
Other operating income				
Net gain/(loss) from sale of financial investments at FVOCI	2,991	(24)	3,306	(136)
Others	195	95	341	188
	<u>89,277</u>	<u>80,875</u>	<u>171,255</u>	<u>167,249</u>
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Unimpaired financing and advances	55,205	49,484	113,256	95,325
Impaired financing and advances	784	488	1,809	729
Financial assets at FVTPL	69	45	126	114
Financial investments at FVOCI	12,942	15,867	28,740	30,886
Deposits and placements with banks and other financial institutions	3,709	2,393	4,929	6,665
	<u>72,709</u>	<u>68,277</u>	<u>148,860</u>	<u>133,719</u>
Other trading income				
Net gain from sale of financial assets at FVTPL	-	-	-	191
Unrealised (loss)/gain on financial assets at FVTPL	(9)	1	(10)	(181)
Other operating income				
Net gain/(loss) from sale of financial investments at FVOCI	2,526	(20)	2,820	(105)
Others	165	80	301	151
	<u>75,391</u>	<u>68,338</u>	<u>151,971</u>	<u>133,775</u>

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

21 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Finance income and hibah				
Unimpaired financing and advances	14,423	16,353	29,578	31,858
Impaired financing and advances	(407)	-	(1,219)	-
	<u>14,016</u>	<u>16,353</u>	<u>28,359</u>	<u>31,858</u>

22 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUND

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Finance income and hibah				
Unimpaired financing and advances	14,499	13,404	28,683	25,371
Impaired financing and advances	206	132	456	195
Financial assets at FVTPL	18	12	32	30
Financial investments at FVOCI	3,400	4,298	7,260	8,219
Deposits and placements with banks and other financial institutions	974	648	1,272	1,763
	<u>19,097</u>	<u>18,494</u>	<u>37,703</u>	<u>35,578</u>
Other trading income				
Net gain from sale of financial assets at FVTPL	-	-	-	50
Unrealised (loss)/gain on financial assets at FVTPL	(2)	-	(2)	(47)
Other operating income				
Commission	7,984	7,830	11,545	17,990
Service charges and fees	3,748	12,140	7,455	16,668
Net gain/(loss) from sale of financial investments at FVOCI	663	(6)	735	(28)
Others	43	22	76	40
Other trading income				
Net trading (loss)/gain				
- Foreign currency	(320)	698	(1,216)	441
- Derivatives	4,414	4,136	7,873	8,536
- Revaluation of derivatives	24	(499)	830	97
	<u>35,651</u>	<u>42,815</u>	<u>64,999</u>	<u>79,325</u>

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

23 IMPAIRMENT ALLOWANCE

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Financing and advances				
Stage 1 and Stage 2 ECL net charge/ (write back) during the period	8,786	(8,795)	27,933	(10,835)
Stage 3 ECL				
- Made during the period	29,506	27,161	83,310	52,121
- Written back	(11,285)	(21,390)	(21,188)	(35,435)
Impaired financing recovered	(5,387)	(7,533)	(11,092)	(14,627)
Recovery from RPSIA holder*	-	-	(29,794)	-
Financial investments at FVOCI				
Stage 1 and Stage 2 ECL net write back during the period	(64)	(1,703)	(135)	(2,422)
Other assets				
Stage 1 and Stage 2 ECL net write back during the period	-	(545)	-	(560)
	<u>21,556</u>	<u>(12,805)</u>	<u>49,034</u>	<u>(11,758)</u>

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

24 INCOME ATTRIBUTABLE TO DEPOSITORS

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Deposits from customers				
- Non-Mudharabah	89,165	80,136	171,374	165,092
- Mudharabah	-	-	-	1
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	5,079	3,141	12,048	6,308
Subordinated sukuk	2,394	2,394	4,761	4,761
	<u>96,638</u>	<u>85,671</u>	<u>188,183</u>	<u>176,162</u>

25 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	10,738	11,447	21,436	22,300

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

26 OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Personnel expenses				
Wages, salaries and bonus	6,815	5,867	13,029	10,329
Employees Provident Fund contributions	998	893	1,999	1,668
Share-based costs	112	94	201	175
Others	1,003	1,249	1,950	2,288
	<u>8,928</u>	<u>8,103</u>	<u>17,179</u>	<u>14,460</u>
Establishment expenses				
Depreciation of property and equipment	1,310	1,176	2,710	2,245
Rental of premises	2	746	5	1,483
Repair and maintenance	304	204	530	429
Information technology costs	308	433	463	855
Hire of equipment	34	35	66	71
Others	687	572	1,415	1,142
	<u>2,645</u>	<u>3,166</u>	<u>5,189</u>	<u>6,225</u>
Marketing expenses				
Advertising and business promotion	130	135	258	143
Transport and travelling	80	78	157	134
Others	37	7	52	14
	<u>247</u>	<u>220</u>	<u>467</u>	<u>291</u>
General administrative expenses				
Shared service fees to immediate holding company	28,501	26,887	54,928	52,525
IT and transaction processing fees to related companies	7,023	5,455	14,040	11,237
Others	2,855	4,993	5,855	9,921
	<u>38,379</u>	<u>37,335</u>	<u>74,823</u>	<u>73,683</u>
Total operating expenses	<u>50,199</u>	<u>48,824</u>	<u>97,658</u>	<u>94,659</u>

27 INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 June 2019 RM'000	30 June 2018 RM'000	30 June 2019 RM'000	30 June 2018 RM'000
Malaysian income tax				
- Current period	6,216	18,948	14,648	32,263
Deferred tax				
- Origination and reversal of temporary differences	(808)	(396)	(4,101)	(202)
	<u>5,408</u>	<u>18,552</u>	<u>10,547</u>	<u>32,061</u>

28 CAPITAL COMMITMENTS

	30 June 2019 RM'000	31 December 2018 RM'000
Capital expenditure in respect of property and equipment		
- Contracted but not provided for	49	104

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

29 COMMITMENTS AND CONTINGENCIES

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

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

	30 June 2019			31 December 2018		
	Principal amount	Credit equivalent amount	Risk weighted amount	Principal amount	Credit equivalent amount	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	105,849	105,849	125,174	108,967	108,967	92,241
Transaction-related contingent items	389,606	198,182	161,917	392,465	198,492	144,226
Short-term self-liquidating trade-related contingencies	31,677	6,375	2,137	37,147	8,435	5,626
Foreign exchange related contracts						
- Less than one year	69,655	492	212	83,099	739	196
- One year to five years	80,596	10,535	4,113	-	-	-
Profit rate related contracts						
- Five years and above	360,000	37,710	27,397	360,000	34,754	23,033
Formal standby facilities and credit lines						
- Maturity exceeding one year	716,664	553,488	452,589	991,141	756,472	799,448
Other unconditionally cancellable commitments	2,407,860	95,180	15,363	2,740,467	82,305	12,442
	4,161,907	1,007,811	788,902	4,713,286	1,190,164	1,077,212

30 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

The following disclosure is made pursuant to BNM's Guidelines on Credit Transactions and Exposures with Connected Parties:

	30 June 2019	31 December 2018
	RM'000	RM'000
Aggregate value of outstanding credit exposures with connected parties[^]		
Credit facility and leasing (except guarantee)	104,208	101,519
Commitments and contingencies*	31,802	31,537
	136,010	133,056
Impaired or in default	-	-
Outstanding credit exposures to connected parties		
As a proportion of total credit exposures	1.03%	1.08%

[^] Comprises total outstanding balance and unutilised limit.

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

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

31 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.

		30 June 2019	31 December 2018
	Note	RM'000	RM'000
Cash and cash equivalents *	8	891,671	959,600
Financial assets at FVTPL	9	16,167	9,980
Financial investments at FVOCI	10	3,786,078	4,290,701
Financing and advances *	11	11,893,905	10,555,919
Derivative financial assets	13	8,339	2,218
Other assets	14	97,114	74,178
Contingent liabilities and credit commitments		3,651,656	4,270,187
		<u>20,344,930</u>	<u>20,162,783</u>

* Stated at gross before ECL allowance

Credit quality analysis

(i) By credit rating/internal grading and ECL stage

	30 June 2019				31 December 2018			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents	891,671	-	-	891,671	959,600	-	-	959,600
Financial assets at FVTPL*								
Investment grade (AAA)	-	-	-	9,987	-	-	-	9,980
Unrated	-	-	-	6,180	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,167</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,980</u>

* ECL stage is not applicable for financial assets at FVTPL.

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

31 CREDIT RISK

Credit quality analysis (continued)

(i) By credit rating/internal grading and ECL stage (continued)

	30 June 2019				31 December 2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at FVOCI								
Government (AAA to A)	557,904	-	-	557,904	763,272	-	-	763,272
Government and Central Bank (unrated)	1,886,546	-	-	1,886,546	1,804,095	-	-	1,804,095
Foreign government (AAA to BBB)	45,725	-	-	45,725	149,244	-	-	149,244
Foreign government (unrated)	20,968	-	-	20,968	21,108	-	-	21,108
Investment grade (AAA to BBB)	162,094	-	-	162,094	145,844	30,006	-	175,850
Unrated	1,112,841	-	-	1,112,841	1,377,132	-	-	1,377,132
	3,786,078	-	-	3,786,078	4,260,695	30,006	-	4,290,701
Contingent liabilities and credit commitments (excluding derivative financial assets)								
Pass	3,149,803	254,539	-	3,404,342	4,006,461	253,176	-	4,259,637
Special mention	-	241,370	-	241,370	-	210	-	210
Credit impaired	-	-	5,944	5,944	-	-	10,340	10,340
	3,149,803	495,909	5,944	3,651,656	4,006,461	253,386	10,340	4,270,187

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

31 CREDIT RISK (continued)

Credit quality analysis (continued)

(i) By credit rating/internal grading and ECL stage (continued)

Financing and advances

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 not credit impaired whereas Substandard, Doubtful and Loss are credit impaired.

Past due but not credit impaired financing and advances where the customer has failed to make a principal or profit payment when contractually due, and includes financing which are past due one or more days after the contractual due date but less than 3 months past due.

Credit quality and ECL stages

	30 June 2019				31 December 2018			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Neither past due nor credit impaired								
(i) By internal grading								
Pass	10,598,389	556,196	-	11,154,585	9,444,398	509,924	-	9,954,322
Special mention	-	262,362	-	262,362	-	117,091	-	117,091
	<u>10,598,389</u>	<u>818,558</u>	<u>-</u>	<u>11,416,947</u>	<u>9,444,398</u>	<u>627,015</u>	<u>-</u>	<u>10,071,413</u>
Past due but not credit impaired								
(ii) By period overdue								
Less than 2 months	-	64,687	-	64,687	-	82,343	-	82,343
2 months to less than 3 months	-	21,369	-	21,369	-	27,063	-	27,063
	<u>-</u>	<u>86,056</u>	<u>-</u>	<u>86,056</u>	<u>-</u>	<u>109,406</u>	<u>-</u>	<u>109,406</u>
Credit impaired								
Past due	-	-	351,568	351,568	-	-	272,990	-
Not past due	-	-	39,334	39,334	-	-	102,110	-
	<u>-</u>	<u>-</u>	<u>390,902</u>	<u>390,902</u>	<u>-</u>	<u>-</u>	<u>375,100</u>	<u>375,100</u>
Total	<u>10,598,389</u>	<u>904,614</u>	<u>390,902</u>	<u>11,893,905</u>	<u>9,444,398</u>	<u>736,421</u>	<u>375,100</u>	<u>10,555,919</u>

All past due but not credit impaired financing are classified as Special Mention.
 The analysis of impaired financing and advances is detailed in Note 12(a).

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

31 CREDIT RISK (continued)

Credit quality analysis (continued)

(i) By credit rating/internal grading and ECL stage (continued)

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 being financed; and
- For other financing, charges over business assets such as premises, inventories, trade receivables, equipment or deposits.

As at 30 June 2019 and 31 December 2018, 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) The 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 is as follows:

	30 June	31 December
	RM'000	RM'000
Fair value of collateral held against the covered portion of credit impaired financing and advances	263,619	230,531
Covered portion of credit impaired financing and advances	190,980	178,920
Uncovered portion of credit impaired financing and advances	199,922	196,180
	390,902	375,100

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

31 CREDIT RISK (continued)

Credit quality analysis (continued)

	30 June 2019					31 December 2018				
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000
(ii) By issuer/counterparty										
Government and Central Bank	-	2,444,450	-	-	-	-	2,567,367	-	-	-
Foreign government	-	66,693	-	-	-	-	170,352	-	-	-
Public sector	-	316,542	-	-	-	-	230,234	-	-	-
Banking institutions	-	796,299	-	8,195	-	-	1,146,898	-	2,139	91,040
Non-bank financial institutions	-	70,609	-	4	7,171	-	85,286	-	11	2,841
Business enterprises	16,167	91,485	42,902	140	3,550,859	9,980	90,564	54,853	68	4,093,407
Individuals	-	-	43,154	-	93,626	-	-	54,553	-	82,899
	16,167	3,786,078	86,056	8,339	3,651,656	9,980	4,290,701	109,406	2,218	4,270,187
(iii) By geographical distribution										
Malaysia	9,987	3,719,385	86,049	8,339	3,603,637	9,980	4,120,349	109,406	2,215	4,129,518
Other ASEAN countries	6,180	25,052	7	-	46,742	-	65,372	-	3	11,205
Rest of the world	-	41,641	-	-	1,277	-	104,980	-	-	129,464
	16,167	3,786,078	86,056	8,339	3,651,656	9,980	4,290,701	109,406	2,218	4,270,187

* Past due but not impaired. The analysis of financing and advances by geographical distribution is detailed in Note 11(v).

** Excluding derivative financial assets.

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

31 CREDIT RISK (continued)

Credit quality analysis (continued)

	30 June 2019					31 December 2018				
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000
(iv) By sector										
Agriculture, hunting, forestry and fishing	-	30,426	1,625	-	113,078	-	29,892	294	-	126,058
Mining and quarrying	-	-	420	-	29,576	-	-	-	-	133,825
Manufacturing	-	-	7,292	119	894,891	-	-	12,787	25	1,067,892
Electricity, gas and water	-	106,944	-	-	-	-	85,893	-	-	14,170
Construction	-	-	3,674	-	1,014,397	-	-	3,363	-	1,162,346
Real estate	-	-	2,638	-	280,463	-	-	4,027	-	220,151
Wholesale & retail trade and restaurants & hotels	-	-	17,472	11	363,578	-	-	20,361	22	297,197
Transport, storage and communication	-	55,491	1,827	4	152,655	-	155,030	7,934	10	124,671
Finance, insurance and business services	-	866,908	7,551	8,203	561,863	-	1,232,184	5,380	2,161	878,643
Community, social and personal services	-	-	403	-	145,553	-	-	708	-	159,379
Household										
- Purchase of residential properties	-	-	25,379	-	89,493	-	-	30,208	-	79,312
- Others	-	-	17,775	-	683	-	-	24,344	-	672
Others	16,167	2,726,309	-	2	5,426	9,980	2,787,702	-	-	5,871
	16,167	3,786,078	86,056	8,339	3,651,656	9,980	4,290,701	109,406	2,218	4,270,187
(v) By residual contractual maturity										
Within one year	-	1,689,211	7,686	105	2,433,092	-	2,095,162	11,633	-	2,764,553
One year to five years	11,158	1,791,179	12,525	60	695,412	4,983	1,937,118	19,464	82	793,256
Over five years	5,009	305,688	65,845	8,174	523,152	4,997	258,421	78,309	2,136	712,378
	16,167	3,786,078	86,056	8,339	3,651,656	9,980	4,290,701	109,406	2,218	4,270,187

* Past due but not impaired. The analysis of financing and advances by sector and residual contractual maturity are detailed in Note 11(iv) and Note 11(vi) respectively.

** Excluding derivative financial assets.

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

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

Financial instruments carried at fair value

	Level 1	Level 2	Total
	RM'000	RM'000	RM'000
30 June 2019			
Financial assets at fair value			
Financial assets at FVTPL	-	16,167	16,167
Financial investments at FVOCI	2,349,036	1,437,042	3,786,078
Derivative financial assets	16	8,323	8,339
	<u>2,349,052</u>	<u>1,461,532</u>	<u>3,810,584</u>
Financial liabilities at fair value			
Derivative financial liabilities	77	8,992	9,069
31 December 2018			
Financial assets at fair value			
Financial assets at FVTPL	-	9,980	9,980
Financial investments at FVOCI	2,322,794	1,967,907	4,290,701
Derivative financial assets	21	2,197	2,218
	<u>2,322,815</u>	<u>1,980,084</u>	<u>4,302,899</u>
Financial liabilities at fair value			
Derivative financial liabilities	86	3,703	3,789

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

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

33 CAPITAL ADEQUACY

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

	30 June 2019 RM'000	31 December 2018 RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	871,430	821,721
Other reserves	108,422	93,610
Regulatory adjustment	(108,651)	(102,233)
Eligible CET 1 / Tier 1 capital	<u>1,426,201</u>	<u>1,368,098</u>
Tier 2 capital		
Stage 1 and Stage 2 ECL and qualifying regulatory reserves under the Standardised Approach	3,307	4,160
Surplus eligible provisions over expected losses	51,527	47,604
Subordinated sukuk	200,000	200,000
Eligible Tier 2 capital	<u>254,834</u>	<u>251,764</u>
Capital base	<u>1,681,035</u>	<u>1,619,862</u>
Before the effects of PSIA		
CET 1 / Tier 1 capital ratio	12.634%	12.983%
Total capital ratio	<u>14.892%</u>	<u>15.373%</u>
After the effects of PSIA		
CET 1 / Tier 1 capital ratio	14.776%	15.054%
Total capital ratio	<u>17.416%</u>	<u>17.825%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks of the assets funded by the RPSIA which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 June 2019, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM1,636 million (31 December 2018: RM1,450 million).

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

	30 June 2019 RM'000	31 December 2018 RM'000
Total RWA for credit risk	8,852,372	8,266,772
Total RWA for market risk	3,538	2,616
Total RWA for operational risk	796,417	818,290
	<u>9,652,327</u>	<u>9,087,678</u>