

OCBC AL-AMIN BANK BERHAD

Company No. 200801017151 (818444-T)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

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 2020

ASSETS	Note	30 June 2020 RM'000	31 December 2019 RM'000
Cash and cash equivalents	9	1,118,796	958,140
Financial assets at fair value through profit or loss ("FVTPL")	10	16,329	16,330
Financial investments at fair value through other comprehensive income ("FVOCI")	11	4,265,379	4,206,452
Financing and advances	12	11,385,516	11,805,289
Derivative financial assets	14	21,680	12,289
Other assets	15	50,171	70,569
Tax recoverable		5,104	5,726
Statutory deposits with Bank Negara Malaysia ("BNM")		-	309,300
Property and equipment		6,373	7,421
Right-of-use ("ROU") assets		2,948	3,017
Deferred tax assets		2,623	2,586
Total assets		16,874,919	17,397,119
LIABILITIES			
Deposits from customers	16	12,499,002	12,591,597
Investment accounts due to designated financial institution	17	1,485,567	1,986,054
Deposits and placements of banks and other financial institutions	18	741,254	763,189
Bills and acceptances payable		12,782	17,535
Derivative financial liabilities	14	23,300	12,442
Other liabilities	19	195,602	170,126
Provision for taxation and zakat		75	50
Subordinated sukuk	20	200,000	200,000
Total liabilities		15,157,582	15,740,993
EQUITY			
Share capital		555,000	555,000
Reserves		1,162,337	1,101,126
Total equity		1,717,337	1,656,126
Total liabilities and equity		16,874,919	17,397,119
Commitments and contingencies	30	3,712,116	4,140,499

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 2019 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 2020**

	Note	Quarter Ended		Year-To-Date Ended	
		30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Income derived from investment of depositors' funds and others	21	134,602	164,668	295,651	323,226
Income derived from investment of investment account funds	22	12,702	14,016	32,935	28,359
Income derived from investment of shareholder's funds	23	32,021	35,651	67,573	64,999
Impairment allowance and provisions	24	(28,610)	(21,556)	(69,665)	(49,034)
Total distributable income		150,715	192,779	326,494	367,550
Income attributable to depositors	25	(72,005)	(96,638)	(161,312)	(188,183)
Income attributable to investment account holder	26	(8,959)	(10,738)	(23,004)	(21,436)
Total net income		69,751	85,403	142,178	157,931
Operating expenses	27	(47,984)	(50,199)	(96,031)	(97,658)
Profit before taxation and zakat		21,767	35,204	46,147	60,273
Income tax expense	28	(2,957)	(5,408)	(7,437)	(10,547)
Zakat		(12)	(17)	(25)	(17)
Profit for the period		18,798	29,779	38,685	49,709
Other comprehensive income, 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		28,808	11,737	39,836	26,353
- Transferred to profit or loss		(2,420)	(6,180)	(10,229)	(6,861)
- Related tax		(6,334)	(1,338)	(7,104)	(4,680)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		29	(64)	23	(135)
Other comprehensive income for the period, net of income tax		20,083	4,155	22,526	14,677
Total comprehensive income for the period		38,881	33,934	61,211	64,386
Profit attributable to the owner of the Bank		18,798	29,779	38,685	49,709
Total comprehensive income attributable to the owner of the Bank		38,881	33,934	61,211	64,386
Basic earnings per ordinary share (sen)		10.16	16.10	20.91	26.87

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 2019 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 2020

	<i>Non-distributable</i>			<i>Distributable</i>		Total Equity RM'000
	Share Capital RM'000	Regulatory Reserve RM'000	ECL Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	
2020						
At 1 January 2020	555,000	91,000	153	23,778	986,195	1,656,126
Fair value reserve						
- Change in fair value	-	-	-	39,836	-	39,836
- Transferred to profit or loss	-	-	-	(10,229)	-	(10,229)
- Related tax	-	-	-	(7,104)	-	(7,104)
Change in ECL reserve	-	-	23	-	-	23
Total other comprehensive income for the period	-	-	23	22,503	-	22,526
Profit for the period	-	-	-	-	38,685	38,685
Total comprehensive income for the period	-	-	23	22,503	38,685	61,211
At 30 June 2020	555,000	91,000	176	46,281	1,024,880	1,717,337
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

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 2019 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 2020

	30 June 2020 RM'000	30 June 2019 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	46,147	60,273
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial investments at FVOCI	(10,229)	(6,861)
- Property and equipment	-	3
Depreciation of equipment	1,237	1,399
Depreciation of ROU assets	1,140	1,311
Impairment allowance and provisions	69,665	49,034
Finance cost	39	67
Share-based costs	176	201
Unrealised loss/(gain) on:		
- Financial assets at FVTPL	59	23
- Derivatives	1,474	(830)
Operating profit before changes in working capital	<u>109,708</u>	<u>104,620</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at FVTPL	(58)	(6,210)
Financing and advances	350,108	(1,351,075)
Derivative financial assets	(9,391)	(6,121)
Other assets	18,925	(22,105)
Statutory deposits with BNM	309,300	(7,400)
Deposits from customers	(92,595)	95,236
Investment accounts due to designated financial institution	(500,487)	753,950
Deposits and placements of banks and other financial institutions	(21,935)	(206,151)
Bills and acceptances payable	(4,753)	(1,268)
Derivative financial liabilities	10,858	5,280
Other liabilities	25,369	69,913
Cash generated from/(used in) operations	<u>195,049</u>	<u>(571,331)</u>
Income tax and zakat paid	<u>(13,956)</u>	<u>(26,023)</u>
Net cash generated from/(used in) operating activities	<u>181,093</u>	<u>(597,354)</u>
Cash flows from investing activities		
Acquisition of financial investments at FVOCI	(5,775,000)	(3,325,000)
Proceeds from disposal of financial investments at FVOCI	5,755,932	3,855,841
Acquisition of property and equipment	(190)	(66)
Proceeds from disposal of property and equipment	-	2
Net cash (used in)/generated from investing activities	<u>(19,258)</u>	<u>530,777</u>
Cash flows from financing activity		
Payment of lease liabilities	<u>(1,179)</u>	<u>(1,352)</u>
Net cash used in financing activity	<u>(1,179)</u>	<u>(1,352)</u>
Net increase/(decrease) in cash and cash equivalents	160,656	(67,929)
Cash and cash equivalents at 1 January	<u>958,141</u>	<u>959,600</u>
Cash and cash equivalents at 30 June	<u>1,118,797</u>	<u>891,671</u>

Details of cash and cash equivalents are disclosed in Note 9 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 2019 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020

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 RM38.7 million for the financial period ended 30 June 2020, a decrease of RM11.0 million against the corresponding period last year. The decrease was mainly due to lower income from investment of depositors' funds and others of RM27.6 million and higher allowances of RM20.6 million partly offset by lower profit attributable to depositors of RM26.9 million, higher net income from investment account funds and shareholder's fund of RM3.0 million and RM2.6 million respectively and lower overheads and tax of RM1.6 million and RM3.1 million respectively.

Income from investment of depositors' funds and others decreased by RM27.6 million mainly due to lower finance income from financing and advances of RM20.5 million, affected by a 100 basis points drop in Overnight Policy Rate ("OPR").

Allowances increased by RM20.6 million mainly due to higher recoveries from restricted profit sharing investment account holder of RM29.8 million in the previous corresponding period last year, and for the current financial period, higher Stage 1 and Stage 2 ECL allowance of RM29.5 million and lower bad debt recovered of RM3.9 million partially offset by lower Stage 3 ECL allowance of RM42.6 million.

Gross financing and advances decreased by RM369 million or 3% in the first half of 2020, mainly from one large corporate repayment. Deposits from customers concurrently decreased by RM93 million over the same period to RM12.5 billion, mainly due to drop in non-bank financial institution deposits which decreased by RM1 billion partly offset by deposits from individuals which increased by RM895 million as part of the Bank's efforts to diversify and reduce the concentration risk on its sources of funds. Deposits from individuals has grown from 31% of total customer deposits as at 31 December 2019 to represent 38% of total customer deposits as at 30 June 2020.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 capital ratios of 16.508% and total capital ratio of 19.141%.

ECONOMIC PERFORMANCE AND PROSPECTS

The Malaysian economy contracted sharply in the second quarter of the year due to measures introduced to contain the COVID-19 pandemic globally and domestically. Following the gradual and progressive reopening of the economy since early May, economic activities have begun to recover. The fiscal stimulus packages, alongside monetary and financial measures as well as the gradual recovery in global market conditions, will continue to help improve the Malaysian economic outlook. The pace and strength of the recovery, however, will remain subject to downside risks emanating from both domestic and external factors. These include the prospect of further outbreaks of the pandemic leading to a potential re-imposition of containment measures, persistent weaknesses in labour market conditions, the weaker global oil and commodity prices and a weaker-than-expected recovery in global growth.

Bank Negara Malaysia ("BNM") reduced the OPR on 7 July 2020 for the fourth time this year, by a further 25 basis points to 1.75%. The low interest rate environment could spur some improvement in business and market sentiment.

The Bank will continue to support and assist selected customers with banking solutions for those businesses facing COVID-19 related short term financial difficulties.

The Bank will continue to monitor its asset quality, capital and liquidity closely.

1 BASIS OF PREPARATION

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

1 BASIS OF PREPARATION (continued)

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 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 BNM's Shariah requirements.

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Bank for the financial year ended 31 December 2019. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2019.

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

- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

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.

The Bank has not adopted the following amendment 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 2022

- Amendments to MFRS 9, *Financial Instruments - Annual Improvements to MFRS Standards 2018-2020*
- Amendments to MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contract - Cost of Fulfilling a Contract*

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.

(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 2019.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

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 2019, except as disclosed in Note 1(a) to the interim financial statements.

3 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The auditor's report on the financial statements for the financial year ended 31 December 2019 was not subject to any qualification.

4 SEASONALITY OF OPERATIONS

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

5 DEBT SECURITIES

There were no other issuances, cancellations, repurchases and repayments of debt securities by the Bank during the financial period ended 30 June 2020.

6 DIVIDEND

No dividend was paid in respect of the financial period ended 30 June 2020.

7 SUBSEQUENT EVENTS

There was no material event subsequent to the end of the reporting period that requires disclosure or adjustments to the unaudited condensed interim financial statements.

8 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items affecting the assets, liabilities, equity and net income or cash flows of the Bank for the financial period ended 30 June 2020.

9 CASH AND CASH EQUIVALENTS

	30 June 2020 RM'000	31 December 2019 RM'000
Cash and balances with banks and other financial institutions	90,440	110,496
Deposits and placements with BNM	1,028,357	847,645
	<u>1,118,797</u>	<u>958,141</u>
Stage 1 ECL allowance	(1)	(1)
	<u>1,118,796</u>	<u>958,140</u>
By geographical distribution determined based on where the credit risk resides		
Malaysia	1,058,257	898,474
Singapore	26,761	17,308
Other ASEAN countries	887	753
Rest of the world	32,891	41,605
	<u>1,118,796</u>	<u>958,140</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

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

	30 June 2020 RM'000	31 December 2019 RM'000
At fair value		
Islamic Corporate Sukuk	16,329	16,330

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

	30 June 2020 RM'000	31 December 2019 RM'000
At fair value		
Malaysian Government Investment Issues	2,484,891	2,261,060
Malaysian Government Sukuk	96,330	94,846
Malaysian Government Islamic Treasury Bills	227,170	-
Islamic Corporate Sukuk	381,505	389,940
Islamic Negotiable Instruments of Deposit	998,349	1,374,877
Cagamas Sukuk	51,114	60,842
Foreign Government Sukuk	26,020	24,887
	<u>4,265,379</u>	<u>4,206,452</u>

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

	30 June 2020			31 December 2019		
	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	153	-	153	199	50	249
New financial assets originated or purchased	105	-	105	205	-	205
Financial assets derecognised	(35)	-	(35)	(66)	(41)	(107)
Net remeasurement during the period/year	(48)	-	(48)	(185)	(9)	(194)
At 30 June/31 December	<u>175</u>	<u>-</u>	<u>175</u>	<u>153</u>	<u>-</u>	<u>153</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

12 FINANCING AND ADVANCES

(i) By type and Shariah contract

30 June 2020	<i>Sale based contracts</i>					<i>Lease based contracts</i>			<i>Equity based contracts</i>		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									
At amortised cost and net of unearned income											
Cash line financing	9,376	7,782	-	-	-	-	461,597	-	-	1,467	480,222
Term Financing											
- House financing	-	7,635	-	-	-	-	-	1,849,133	73,042	-	1,929,810
- Syndicated term financing	-	-	553,331	-	-	-	-	146,507	-	-	699,838
- Hire purchase receivables	-	-	-	-	-	170,310	-	169,157	-	-	339,467
- Other term financing	191,566	26,472	2,610,581	-	-	-	-	1,344,809	94,295	-	4,267,723
Bills receivable	-	-	-	16,099	31,681	-	-	-	-	-	47,780
Revolving credit	-	-	3,513,638	-	-	-	-	-	-	-	3,513,638
Claims on customers under acceptance credits	-	-	-	141,483	33,724	-	-	-	-	-	175,207
Other financing	-	-	205,261	-	-	-	-	-	-	-	205,261
Gross financing and advances	200,942	41,889	6,882,811	157,582	65,405	170,310	461,597	3,509,606	167,337	1,467	11,658,946
ECL allowance											(273,430)
Net financing and advances											11,385,516

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 17). 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 2020, the gross exposure and ECL relating to RPSIA financing amounted to RM1,519 million (31 December 2019: RM2,022 million) and RM75 million (31 December 2019: RM61 million) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

12 FINANCING AND ADVANCES (continued)

(i) By type and Shariah contract (continued)

	<i>Sale based contracts</i>					<i>Lease based contracts</i>			<i>Equity based contracts</i>		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 2019											
At amortised cost and net of unearned income											
Cash line financing	10,059	8,631	-	-	-	-	432,413	-	-	2,507	453,610
Term Financing											
- House financing	-	8,095	-	-	-	-	-	1,858,021	76,302	-	1,942,418
- Syndicated term financing	-	-	460,608	-	-	-	-	167,195	-	-	627,803
- Hire purchase receivables	-	-	-	-	-	165,094	-	179,681	-	-	344,775
- Other term financing	216,361	30,253	2,388,283	-	-	-	-	1,419,122	96,927	-	4,150,946
Bills receivable	-	-	-	16,801	35,930	-	-	-	-	-	52,731
Trust receipts	-	-	-	135	-	-	-	-	-	-	135
Revolving credit	-	-	3,905,317	-	-	-	-	-	-	-	3,905,317
Claims on customers under acceptance credits	-	-	-	346,543	73,757	-	-	-	-	-	420,300
Other financing	-	-	129,602	-	-	-	-	-	-	-	129,602
Gross financing and advances	226,420	46,979	6,883,810	363,479	109,687	165,094	432,413	3,624,019	173,229	2,507	12,027,637
ECL allowance											(222,348)
Net financing and advances											11,805,289

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

12 FINANCING AND ADVANCES (continued)

	30 June 2020 RM'000	31 December 2019 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	1,005,267	1,027,120
Domestic business enterprises		
- Small and medium enterprises	2,449,649	2,056,745
- Others	5,406,705	5,610,952
Individuals	2,187,356	2,212,138
Foreign entities	609,969	1,120,682
	<u>11,658,946</u>	<u>12,027,637</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	43,663	47,513
- Hire purchase receivables	170,310	165,095
- Other fixed rate financing	1,336,101	1,550,059
Variable rate		
- Base rate/Base financing rate plus	4,271,746	4,141,835
- Cost plus	5,782,257	6,079,866
- Other variable rate	54,869	43,269
	<u>11,658,946</u>	<u>12,027,637</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,648,030	1,666,299
Mining and quarrying	300,086	300,835
Manufacturing	1,549,935	1,503,469
Electricity, gas and water	46,063	30,509
Construction	802,630	761,864
Real estate	1,257,428	1,212,724
Wholesale & retail trade and restaurants & hotels	1,219,815	1,242,882
Transport, storage and communication	252,017	195,592
Finance, insurance and business services	1,193,700	1,214,855
Community, social and personal services	591,344	565,211
Household		
- Purchase of residential properties	1,939,202	1,952,047
- Purchase of non-residential properties	48,638	46,360
- Others	318,238	332,265
Others	491,820	1,002,725
	<u>11,658,946</u>	<u>12,027,637</u>
(v) By geographical distribution determined based on where the credit risk resides		
Malaysia	11,100,525	10,966,315
Singapore	80,489	579,932
Other ASEAN countries	138,313	162,160
Rest of the world	339,619	319,230
	<u>11,658,946</u>	<u>12,027,637</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

12 FINANCING AND ADVANCES (continued)

	30 June 2020 RM'000	31 December 2019 RM'000
(vi) By residual contractual maturity		
Up to one year	4,497,630	4,910,823
Over one year to three years	745,309	819,478
Over three years to five years	1,680,209	1,425,582
Over five years	4,735,798	4,871,754
	<u>11,658,946</u>	<u>12,027,637</u>

13 IMPAIRED FINANCING AND ADVANCES

(a) Movements in credit-impaired financing and advances

	30 June 2020 RM'000	31 December 2019 RM'000
At 1 January	345,692	375,100
Impaired during the period/year	114,806	378,458
Reclassified as non credit-impaired	(17,691)	(142,180)
Amount recovered	(53,041)	(169,849)
Amount written off	(20,917)	(96,120)
Effect of foreign exchange difference	-	283
At 30 June/31 December	<u>368,849</u>	<u>345,692</u>
Stage 3 ECL allowance	<u>(102,984)</u>	<u>(109,208)</u>
Net impaired financing and advances	<u>265,865</u>	<u>236,484</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 2020, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM51 million (31 December 2019: RM59 million) and RM33 million (31 December 2019: RM33 million) respectively.

	30 June 2020 RM'000	31 December 2019 RM'000
(i) By sector		
Agriculture, hunting, forestry and fishing	3,199	3,635
Manufacturing	29,516	36,228
Construction	86,870	41,916
Real estate	565	666
Wholesale & retail trade and restaurants & hotels	97,286	104,506
Transport, storage and communication	3,097	3,468
Finance, insurance and business services	8,806	7,612
Community, social and personal services	624	733
Household		
- Purchase of residential properties	72,795	65,633
- Purchase of non-residential properties	765	761
- Others	14,015	22,007
Others	51,311	58,527
	<u>368,849</u>	<u>345,692</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

13 IMPAIRED FINANCING AND ADVANCES (continued)

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

	30 June 2020 RM'000	31 December 2019 RM'000
(ii) By geographical distribution determined based on where the credit risk resides		
Malaysia	368,757	341,775
Singapore	92	3,899
Other ASEAN country	-	18
	<u>368,849</u>	<u>345,692</u>
(iii) By period overdue		
Up to 3 months	69,651	63,873
Over 3 months to 6 months	33,660	30,492
Over 6 months to 9 months	27,865	109,806
Over 9 months	237,673	141,521
	<u>368,849</u>	<u>345,692</u>
(iv) By collateral type		
Property	95,318	93,486
Term deposits	-	1,280
Stocks and shares	36,923	5,780
Machinery	52	4,019
Secured - others	41,610	45,549
Unsecured - corporate and other guarantees	104,060	59,443
Unsecured - clean	90,886	136,135
	<u>368,849</u>	<u>345,692</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

13 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL allowance for financing and advances

	<i>Non credit-impaired</i>			30 June 2020 Total ECL RM'000	<i>Non credit-impaired</i>			31 December 2019 Total ECL RM'000
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	ECL	ECL	ECL		ECL	ECL	ECL	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January	59,706	53,434	109,208	222,348	58,957	57,165	120,198	236,320
Transferred to Stage 1	25,166	(20,814)	(4,352)	-	64,823	(56,128)	(8,695)	-
Transferred to Stage 2	(16,148)	17,782	(1,634)	-	(18,523)	26,608	(8,085)	-
Transferred to Stage 3	(2,257)	(18,583)	20,840	-	(1,953)	(58,309)	60,262	-
New financial assets originated or purchased	13,832	13,383	-	27,215	31,681	8,072	-	39,753
Financial assets derecognised	(11,043)	(10,103)	(4,860)	(26,006)	(24,198)	(14,370)	(11,171)	(49,739)
Net remeasurement during the period/year	(3,876)	69,234	9,511	74,869	(50,925)	90,391	59,215	98,681
Written-off	-	-	(20,917)	(20,917)	-	-	(96,120)	(96,120)
Other movements	729	4	(4,812)	(4,079)	(156)	5	(6,396)	(6,547)
At 30 June/31 December	66,109	104,337	102,984	273,430	59,706	53,434	109,208	222,348
At 1 January								
- Financing and advances	56,055	46,736	109,208	211,999	55,816	56,927	120,198	232,941
- Financing related commitments and financial guarantees	3,651	6,698	-	10,349	3,141	238	-	3,379
	59,706	53,434	109,208	222,348	58,957	57,165	120,198	236,320
At 30 June/31 December								
- Financing and advances	65,317	83,577	102,984	251,878	56,055	46,736	109,208	211,999
- Financing related commitments and financial guarantees	792	20,760	-	21,552	3,651	6,698	-	10,349
	66,109	104,337	102,984	273,430	59,706	53,434	109,208	222,348

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

13 IMPAIRED FINANCING AND ADVANCES (continued)

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

(i) By sector

	<i>Non credit- impaired</i>	<i>Credit- impaired</i>	Stage 3 ECL	
	Stage 1 and 2 ECL RM'000	Stage 3 ECL RM'000	Made during the period RM'000	Written off RM'000
30 June 2020				
Agriculture, hunting, forestry and fishing	15,862	76	7	133
Mining and quarrying	4,349	-	-	-
Manufacturing	34,386	7,744	8,276	4,855
Electricity, gas and water	460	-	-	-
Construction	39,070	16,390	4,484	479
Real estate	7,382	-	-	-
Wholesale & retail trade and restaurants & hotels	16,000	12,887	2,896	2,531
Transport, storage and communication	2,221	576	368	267
Finance, insurance and business services	1,501	1,948	658	235
Community, social and personal services	6,741	139	41	111
Household				
- Purchase of residential properties	5,493	17,678	11,756	3,105
- Purchase of non-residential properties	636	271	4	-
- Others	18,742	12,506	7,372	9,201
Others	17,603	32,769	-	-
	170,446	102,984	35,862	20,917

	<i>Non credit- impaired</i>	<i>Credit- impaired</i>	Stage 3 ECL	
	Stage 1 and 2 ECL RM'000	Stage 3 ECL RM'000	Made during the period RM'000	Written off RM'000
31 December 2019				
Agriculture, hunting, forestry and fishing	7,910	298	417	-
Mining and quarrying	1,653	-	-	-
Manufacturing	17,288	8,723	16,971	8,157
Electricity, gas and water	93	-	-	-
Construction	19,183	14,667	15,322	525
Real estate	7,911	-	292	184
Wholesale & retail trade and restaurants & hotels	12,994	16,953	11,908	4,715
Transport, storage and communication	1,364	508	1,108	1,313
Finance, insurance and business services	822	1,596	1,374	498
Community, social and personal services	4,577	230	570	199
Household				
- Purchase of residential properties	5,316	14,084	13,830	3,396
- Purchase of non-residential properties	325	267	262	-
- Others	19,198	19,113	40,990	22,990
Others	14,506	32,769	29,794	54,143
	113,140	109,208	132,838	96,120

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

13 IMPAIRED FINANCING AND ADVANCES (continued)

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

(ii) By geographical distribution

	<i>Non credit- impaired</i>	<i>Credit- impaired</i>	30 June 2020	<i>Non credit- impaired</i>	<i>Credit- impaired</i>	31 December 2019
	Stage 1 and 2 ECL	Stage 3 ECL	Total ECL	Stage 1 and 2 ECL	Stage 3 ECL	Total ECL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	152,333	102,946	255,279	98,424	109,208	207,632
Singapore	350	38	388	361	-	361
Other ASEAN countries	19	-	19	8	-	8
Rest of the world	17,744	-	17,744	14,347	-	14,347
	170,446	102,984	273,430	113,140	109,208	222,348

14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	30 June 2020			31 December 2019		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	86,895	215	98	68,693	392	152
- Swaps	76,999	229	233	80,175	552	556
Profit rate derivatives						
- Swaps	391,200	21,236	22,969	360,000	11,345	11,734
	555,094	21,680	23,300	508,868	12,289	12,442

15 OTHER ASSETS

	30 June 2020 RM'000	31 December 2019 RM'000
Profit receivable	30,915	31,047
Other receivables, deposits and prepayments	16,154	7,255
Amount due from immediate holding company	1,521	31,955
Amount due from ultimate holding company	1,574	309
Amount due from related company	7	3
	50,171	70,569

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

16 DEPOSITS FROM CUSTOMERS

	30 June 2020 RM'000	31 December 2019 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	554,500	510,986
- Qard	206,291	183,948
Demand deposits		
- Tawarruq	443,317	543,334
- Qard	3,839,788	3,669,057
Term deposits		
- Commodity Murabahah	6,838,900	6,622,560
- Qard	16,866	7,754
Negotiable instruments of deposits		
- Bai' Inah	-	600,000
- Bai Bithaman Ajil	79,212	77,532
Short-term deposits		
- Tawarruq	520,128	376,426
	<u>12,499,002</u>	<u>12,591,597</u>
(b) By type of customer		
Government and statutory bodies	986,061	768,322
Non-bank financial institutions	733,277	1,770,716
Business enterprises	5,593,948	5,813,790
Individuals	4,768,568	3,873,230
Foreign entities	204,149	147,170
Others	212,999	218,369
	<u>12,499,002</u>	<u>12,591,597</u>
(c) By maturity structure of term deposits, negotiable instruments of deposit and short-term deposits		
Up to six months	5,163,411	6,105,962
Over six months to one year	2,265,178	1,565,368
Over one year to three years	26,217	12,942
Over three years to five years	300	-
	<u>7,455,106</u>	<u>7,684,272</u>

17 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	30 June 2020 RM'000	31 December 2019 RM'000
Mudharabah RPSIA		
Licensed bank	1,518,336	2,018,823
Amount receivable from immediate holding company under RPSIA	(32,769)	(32,769)
	<u>1,485,567</u>	<u>1,986,054</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2020 RM'000	31 December 2019 RM'000
Non-Mudharabah		
Licensed banks	736,938	758,235
Other financial institutions	4,316	4,954
	<u>741,254</u>	<u>763,189</u>

Included in the above are deposits and placements of its immediate holding company of RM718 million (2019: RM720 million), which are unsecured and profit-bearing.

19 OTHER LIABILITIES

	30 June 2020 RM'000	31 December 2019 RM'000
Profit payable	61,870	79,323
Other payables and accruals	82,999	72,391
Amount due to immediate holding company	44,797	12,218
Amount due to related company	-	245
Amount due to ultimate holding company	325	176
Equity compensation benefits	599	692
Lease liabilities	2,978	3,047
Provision for commitments and contingencies	2,034	2,034
	<u>195,602</u>	<u>170,126</u>

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

20 SUBORDINATED SUKUK

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

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

21 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Quarter Ended		Year-To-Date Ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Income derived from investment of:				
(i) Term deposits/General investment deposits	69,695	89,277	153,054	171,255
(ii) Other deposits	64,907	75,391	142,597	151,971
	<u>134,602</u>	<u>164,668</u>	<u>295,651</u>	<u>323,226</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

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

	Quarter Ended		Year-To-Date Ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
(i) Income derived from investment of term/general investment deposits				
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	54,193	64,893	112,549	126,508
- Recoveries from credit-impaired financing	395	480	1,239	1,009
- Discount unwind from credit-impaired financing	1,095	928	2,208	2,026
Financial assets at FVTPL	77	81	154	141
Financial investments at FVOCI	13,338	15,326	30,707	32,237
Deposits and placements with banks and other financial institutions	2,917	4,393	4,658	5,698
	<u>72,015</u>	<u>86,101</u>	<u>151,515</u>	<u>167,619</u>
Other trading income				
Unrealised gain/(loss) on financial assets at FVTPL	1	(10)	(28)	(11)
Other operating income				
Net gain from sale of financial investments at FVOCI	1,108	2,991	4,695	3,306
Others	(3,429)	195	(3,128)	341
	<u>69,695</u>	<u>89,277</u>	<u>153,054</u>	<u>171,255</u>
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	50,466	54,800	104,855	112,356
- Recoveries from credit-impaired financing	368	405	1,155	900
- Discount unwind from credit-impaired financing	1,020	784	2,057	1,809
Financial assets at FVTPL	72	69	143	126
Financial investments at FVOCI	12,422	12,942	28,610	28,740
Deposits and placements with banks and other financial institutions	2,717	3,709	4,339	4,929
	<u>67,065</u>	<u>72,709</u>	<u>141,159</u>	<u>148,860</u>
Other trading income				
Unrealised gain/(loss) on financial assets at FVTPL	2	(9)	(25)	(10)
Other operating income				
Net gain from sale of financial investments at FVOCI	1,033	2,526	4,376	2,820
Others	(3,193)	165	(2,913)	301
	<u>64,907</u>	<u>75,391</u>	<u>142,597</u>	<u>151,971</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

22 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	12,046	13,594	31,277	27,152
- Recoveries from credit-impaired financing	656	829	1,658	2,426
- Discount unwind from credit-impaired financing	-	(407)	-	(1,219)
	<u>12,702</u>	<u>14,016</u>	<u>32,935</u>	<u>28,359</u>

23 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUND

	Quarter Ended		Year-To-Date Ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	13,575	14,393	27,897	28,456
- Recoveries from credit-impaired financing	99	106	306	227
- Discount unwind from credit-impaired financing	274	206	547	456
Financial assets at FVTPL	19	18	38	32
Financial investments at FVOCI	3,342	3,400	7,605	7,260
Deposits and placements with banks and other financial institutions	731	974	1,158	1,272
	<u>18,040</u>	<u>19,097</u>	<u>37,551</u>	<u>37,703</u>
Other trading income				
Unrealised gain/(loss) on financial assets at FVTPL	1	(2)	(6)	(2)
Other operating income				
Commission	5,759	7,984	12,644	11,545
Service charges and fees	4,850	3,748	9,306	7,455
Net gain from sale of financial investments at FVOCI	278	663	1,158	735
Others	(859)	43	(785)	76
Other trading income				
Net trading gain/(loss)				
- Foreign currency	490	(320)	(912)	(1,216)
- Derivatives	4,392	4,414	10,091	7,873
- Revaluation of derivatives	(930)	24	(1,474)	830
	<u>32,021</u>	<u>35,651</u>	<u>67,573</u>	<u>64,999</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

24 IMPAIRMENT ALLOWANCE AND PROVISIONS

	Quarter Ended		Year-To-Date Ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Financing and advances				
Stage 1 and Stage 2 ECL made during the period	20,924	8,786	57,307	27,933
Stage 3 ECL				
- Made during the period	17,873	29,506	35,862	83,310
- Written back	(7,274)	(11,285)	(16,357)	(21,188)
Credit-impaired financing recovered	(2,942)	(5,387)	(7,170)	(11,092)
Recovery from RPSIA holder*	-	-	-	(29,794)
Financial investments at FVOCI				
Stage 1 and Stage 2 ECL made/(write back) during the period	29	(64)	23	(135)
	<u>28,610</u>	<u>21,556</u>	<u>69,665</u>	<u>49,034</u>

* The RPSIA holder is the Bank's immediate holding company (Note 17).

25 INCOME ATTRIBUTABLE TO DEPOSITORS

	Quarter Ended		Year-To-Date Ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Deposits from customers				
- Non-Mudharabah	67,168	89,165	148,274	171,374
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	2,424	5,049	8,212	11,982
Subordinated sukuk	2,394	2,394	4,787	4,761
Lease liabilities	19	30	39	66
	<u>72,005</u>	<u>96,638</u>	<u>161,312</u>	<u>188,183</u>

26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	8,959	10,738	23,004	21,436

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

27 OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Personnel expenses				
Wages, salaries and bonus	6,513	6,815	11,594	13,029
Employees Provident Fund contributions	925	998	1,826	1,999
Share-based costs	71	112	176	201
Others	994	1,003	1,979	1,950
	<u>8,503</u>	<u>8,928</u>	<u>15,575</u>	<u>17,179</u>
Establishment expenses				
Depreciation of equipment	607	673	1,237	1,399
Depreciation of ROU assets	573	637	1,140	1,311
Rental of premises	(5)	2	(2)	5
Repair and maintenance	121	304	234	530
Information technology costs	170	308	339	463
Hire of equipment	35	34	65	66
Others	690	687	1,390	1,415
	<u>2,191</u>	<u>2,645</u>	<u>4,403</u>	<u>5,189</u>
Marketing expenses				
Advertising and business promotion	19	130	110	258
Transport and travelling	12	80	62	157
Others	1	37	26	52
	<u>32</u>	<u>247</u>	<u>198</u>	<u>467</u>
General administrative expenses				
Shared service fees to immediate holding company	27,203	28,501	56,552	54,928
IT and transaction processing fees to related companies	6,696	7,023	14,078	14,040
Others	3,359	2,855	5,225	5,855
	<u>37,258</u>	<u>38,379</u>	<u>75,855</u>	<u>74,823</u>
Total operating expenses	<u>47,984</u>	<u>50,199</u>	<u>96,031</u>	<u>97,658</u>

28 INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Malaysian income tax				
- Current period	6,389	6,216	14,578	14,648
Deferred tax				
- Origination and reversal of temporary differences	(3,432)	(808)	(7,141)	(4,101)
	<u>2,957</u>	<u>5,408</u>	<u>7,437</u>	<u>10,547</u>

29 CAPITAL COMMITMENTS

	30 June 2020 RM'000	31 December 2019 RM'000
Capital expenditure in respect of property and equipment		
- Contracted but not provided for	40	47

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

30 COMMITMENTS AND CONTINGENCIES

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

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 2020			31 December 2019		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	95,870	95,870	93,186	97,036	97,036	93,643
Transaction-related contingent items	384,213	195,724	137,468	374,020	190,518	130,795
Short-term self-liquidating trade-related contingencies	15,634	4,052	2,622	17,580	6,477	3,802
Foreign exchange related contracts						
- Less than one year	86,995	630	418	68,693	795	791
- One year to five years	76,899	8,696	2,785	80,175	10,974	4,008
Profit rate related contracts						
- Five years and above	391,200	52,876	44,063	360,000	40,683	30,416
Formal standby facilities and credit lines						
- Original maturity exceeding one year	460,777	368,698	312,540	422,525	334,720	267,231
Other unconditionally cancellable commitments	2,200,528	155,893	25,745	2,720,470	126,687	20,308
	3,712,116	882,439	618,827	4,140,499	807,890	550,994

31 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 2020 RM'000	31 December 2019 RM'000
Aggregate value of outstanding credit exposures with connected parties[^]		
Credit facility and leasing (except guarantee)	103,637	103,555
Commitments and contingencies*	93,286	31,610
	196,923	135,165
Impaired or in default	-	-
Outstanding credit exposures to connected parties		
As a proportion of total credit exposures	1.53%	1.02%

[^] 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 2020 (continued)

32 CREDIT RISK

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

	Note	30 June 2020 RM'000	31 December 2019 RM'000
Cash and cash equivalents *	9	1,118,797	958,141
Financial assets at FVTPL	10	16,329	16,330
Financial investments at FVOCI	11	4,265,379	4,206,452
Financing and advances *	12	11,658,946	12,027,637
Derivative financial assets	14	21,680	12,289
Other assets	15	50,171	70,569
Contingent liabilities and credit commitments		3,157,022	3,631,631
		<u>20,288,324</u>	<u>20,923,049</u>

* Stated at gross before ECL allowance

Credit quality analysis

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

	30 June 2020				31 December 2019			
	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
Cash and cash equivalents	1,118,797	-	-	1,118,797	958,141	-	-	958,141
Financial assets at FVTPL*								
Investment grade (AAA)	-	-	-	10,184	-	-	-	10,203
Unrated	-	-	-	6,145	-	-	-	6,127
	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,329</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,330</u>

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

32 CREDIT RISK

Credit quality analysis (continued)

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

	30 June 2020				31 December 2019			
	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)	384,911	-	-	384,911	419,809	-	-	419,809
Government and Central Bank (unrated)	2,423,480	-	-	2,423,480	1,936,097	-	-	1,936,097
Foreign government (AAA to BBB)	26,020	-	-	26,020	24,887	-	-	24,887
Investment grade (AAA to BBB)	124,677	-	-	124,677	133,484	-	-	133,484
Unrated	1,306,291	-	-	1,306,291	1,692,175	-	-	1,692,175
	<u>4,265,379</u>	<u>-</u>	<u>-</u>	<u>4,265,379</u>	<u>4,206,452</u>	<u>-</u>	<u>-</u>	<u>4,206,452</u>
Contingent liabilities and credit commitments (excluding derivative financial assets)								
Pass	2,411,268	399,549	-	2,810,817	3,132,775	345,029	-	3,477,804
Special mention	-	280,644	-	280,644	-	118,778	-	118,778
Credit-impaired	-	-	65,561	65,561	-	-	35,049	35,049
	<u>2,411,268</u>	<u>680,193</u>	<u>65,561</u>	<u>3,157,022</u>	<u>3,132,775</u>	<u>463,807</u>	<u>35,049</u>	<u>3,631,631</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

32 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 are 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 2020				31 December 2019			
	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	9,774,213	1,045,706	-	10,819,919	10,652,163	686,968	-	11,339,131
Special mention	-	336,063	-	336,063	-	267,026	-	267,026
	<u>9,774,213</u>	<u>1,381,769</u>	<u>-</u>	<u>11,155,982</u>	<u>10,652,163</u>	<u>953,994</u>	<u>-</u>	<u>11,606,157</u>
Past due but not credit-impaired								
(ii) By period overdue								
Less than 2 months	-	106,232	-	106,232	-	62,619	-	62,619
2 months to less than 3 months	-	27,883	-	27,883	-	13,169	-	13,169
	<u>-</u>	<u>134,115</u>	<u>-</u>	<u>134,115</u>	<u>-</u>	<u>75,788</u>	<u>-</u>	<u>75,788</u>
Credit-impaired								
Past due	-	-	305,650	305,650	-	-	296,812	296,812
Not past due	-	-	63,199	63,199	-	-	48,880	48,880
	<u>-</u>	<u>-</u>	<u>368,849</u>	<u>368,849</u>	<u>-</u>	<u>-</u>	<u>345,692</u>	<u>345,692</u>
Total	<u>9,774,213</u>	<u>1,515,884</u>	<u>368,849</u>	<u>11,658,946</u>	<u>10,652,163</u>	<u>1,029,782</u>	<u>345,692</u>	<u>12,027,637</u>

The past due but not credit-impaired financing are classified as part of Special Mention.
 The analysis of impaired financing and advances is detailed in Note 13(a).

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

32 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 2020 and 31 December 2019, 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 credit-impaired financing is as follows:

	30 June 2020 RM'000	31 December 2019 RM'000
Fair value of collateral held against the covered portion of credit-impaired financing and advances	218,717	226,634
Covered portion of credit-impaired financing and advances	173,903	150,114
Uncovered portion of credit-impaired financing and advances	194,946	195,578
	<u>368,849</u>	<u>345,692</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

32 CREDIT RISK (continued)

Credit quality analysis (continued)

	30 June 2020					31 December 2019				
	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	-	2,808,391	-	-	-	-	2,355,906	-	-	-
Foreign government	-	26,020	-	-	-	-	24,887	-	-	-
Public sector	-	307,942	-	-	-	-	317,299	-	-	-
Banking institutions	-	998,349	-	20,074	-	-	1,374,877	-	11,350	139,179
Non-bank financial institutions	-	51,114	-	1	1,583	-	60,842	-	3	1,583
Business enterprises	16,329	73,563	109,956	1,605	3,038,677	16,330	72,641	23,151	936	3,388,186
Individuals	-	-	24,159	-	116,762	-	-	52,637	-	102,683
	16,329	4,265,379	134,115	21,680	3,157,022	16,330	4,206,452	75,788	12,289	3,631,631
(iii) By geographical distribution										
Malaysia	10,184	4,239,359	131,916	21,680	3,118,100	10,203	4,181,565	72,651	12,288	3,573,696
Other ASEAN countries	6,145	26,020	2,199	-	9,322	6,127	24,887	3,122	1	29,722
Rest of the world	-	-	-	-	29,600	-	-	15	-	28,213
	16,329	4,265,379	134,115	21,680	3,157,022	16,330	4,206,452	75,788	12,289	3,631,631

* Past due but not credit-impaired. The analysis of financing and advances by geographical distribution is detailed in Note 12(v).

** Excluding derivative financial assets.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

32 CREDIT RISK (continued)

Credit quality analysis (continued)

	30 June 2020					31 December 2019				
	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	-	31,508	1,741	-	13,658	-	31,046	149	-	91,300
Mining and quarrying	-	-	153	-	126,612	-	-	248	-	126,517
Manufacturing	-	-	66,362	93	685,919	-	-	5,682	555	836,278
Electricity, gas and water	-	98,536	-	-	3,339	-	97,497	-	-	4,855
Construction	-	-	15,729	-	789,338	-	-	1,274	-	950,216
Real estate	-	-	3,847	-	364,246	-	-	3,341	-	369,674
Wholesale & retail trade and restaurants & hotels	-	-	16,712	108	395,253	-	-	7,620	378	364,997
Transport, storage and communication	-	30,907	519	-	126,623	-	45,536	1,872	2	152,416
Finance, insurance and business services	-	1,049,463	5,000	21,474	521,009	-	1,435,718	2,262	11,353	615,810
Community, social and personal services	-	-	140	5	9,970	-	-	703	1	14,623
Household										
- Purchase of residential properties	-	-	2,805	-	105,667	-	-	39,661	-	98,424
- Others	-	-	21,107	-	11,095	-	-	12,976	-	4,259
Others	16,329	3,054,965	-	-	4,293	16,330	2,596,655	-	-	2,262
	16,329	4,265,379	134,115	21,680	3,157,022	16,330	4,206,452	75,788	12,289	3,631,631
(v) By residual contractual maturity										
Up to one year	6,145	1,906,646	88,099	215	2,150,708	6,127	2,147,683	6,660	392	2,709,777
Over one year to five years	10,184	1,992,466	11,589	229	399,288	10,203	1,862,419	12,636	552	431,873
Over five years	-	366,267	34,427	21,236	607,026	-	196,350	56,492	11,345	489,981
	16,329	4,265,379	134,115	21,680	3,157,022	16,330	4,206,452	75,788	12,289	3,631,631

* Past due but not credit-impaired. The analysis of financing and advances by sector and residual contractual maturity are detailed in Note 12(iv) and Note 12(vi) respectively.

** Excluding derivative financial assets.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

33 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 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2020				
Financial assets at fair value				
Financial assets at FVTPL	16,329	-	-	16,329
Financial investments at FVOCI	3,267,030	998,349	-	4,265,379
Derivative financial assets	12	21,652	16	21,680
	<u>3,283,371</u>	<u>1,020,001</u>	<u>16</u>	<u>4,303,388</u>
Financial liabilities at fair value				
Derivative financial liabilities	67	23,218	15	23,300
31 December 2019				
Financial assets at fair value				
Financial assets at FVTPL	-	16,330	-	16,330
Financial investments at FVOCI	2,261,060	1,945,392	-	4,206,452
Derivative financial assets	14	12,275	-	12,289
	<u>2,261,074</u>	<u>1,973,997</u>	<u>-</u>	<u>4,235,071</u>
Financial liabilities at fair value				
Derivative financial liabilities	91	12,351	-	12,442

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy of financial assets and liabilities (continued)

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

	30 June 2020 RM'000	31 December 2019 RM'000
Financial assets at fair value		
At 1 January	-	-
Transferred into Level 3	-	6
Settled/Disposed	-	(6)
Unrealised gain recognised in profit or loss	16	-
At 30 June/31 December	<u>16</u>	<u>-</u>
Financial liabilities at fair value		
At 1 January	-	-
Transferred into Level 3	-	5
Settled/Disposed	-	(5)
Unrealised loss recognised in profit or loss	15	-
At 30 June/31 December	<u>15</u>	<u>-</u>

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

Bank	30 June 2020 Fair value RM'000	31 December 2019 Fair value RM'000	Classification	Valuation technique	Unobservable input
Asset					
Derivative financial assets	16	-	Hedge for trading	Option pricing model	Standard deviation
Liability					
Derivative financial liabilities	15	-	Hedge for trading	Option pricing model	Standard deviation

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2020 (continued)

34 CAPITAL ADEQUACY

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

	30 June 2020 RM'000	31 December 2019 RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	1,024,880	986,195
Other reserves	137,281	114,778
Regulatory adjustment	(120,517)	(107,214)
	<u>1,596,644</u>	<u>1,548,759</u>
Tier 2 capital		
Stage 1 and Stage 2 ECL and qualifying regulatory reserves under the Standardised Approach	2,637	2,818
Surplus eligible provisions over expected losses	52,044	49,474
Subordinated sukuk	200,000	200,000
	<u>254,681</u>	<u>252,292</u>
Capital base	<u>1,851,325</u>	<u>1,801,051</u>
Before the effects of PSIA		
CET 1 / Tier 1 capital ratio	15.242%	14.495%
Total capital ratio	<u>17.674%</u>	<u>16.857%</u>
After the effects of PSIA		
CET 1 / Tier 1 capital ratio	16.508%	16.704%
Total capital ratio	<u>19.141%</u>	<u>19.425%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account 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 2020, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM803 million (31 December 2019: RM1,413 million).

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

	30 June 2020 RM'000	31 December 2019 RM'000
Total RWA for credit risk	8,884,986	8,471,121
Total RWA for market risk	6,883	9,820
Total RWA for operational risk	779,986	790,685
	<u>9,671,855</u>	<u>9,271,626</u>