

**OCBC AL-AMIN BANK BERHAD**

Company No. 200801017151 (818444-T)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

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

OCBC AL-AMIN BANK BERHAD  
Company No. 200801017151 (818444-T)  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2020**

<b>CONTENTS</b>	<b>PAGE</b>
STATEMENT OF FINANCIAL POSITION	1
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS	5 - 24

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020**

		<b>31 March 2020</b>	<b>31 December 2019</b>
<b>ASSETS</b>	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents	9	789,584	958,140
Financial assets at fair value through profit or loss ("FVTPL")	10	16,250	16,330
Financial investments at fair value through other comprehensive income ("FVOCI")	11	4,293,870	4,206,452
Financing and advances	12	11,914,816	11,805,289
Derivative financial assets	14	21,855	12,289
Other assets	15	38,888	70,569
Tax recoverable		8,151	5,726
Statutory deposits with Bank Negara Malaysia ("BNM")		240,100	309,300
Property and equipment		6,843	7,421
Right-of-use ("ROU") assets		3,198	3,017
Deferred tax assets		5,525	2,586
<b>Total assets</b>		<b>17,339,080</b>	<b>17,397,119</b>
<b>LIABILITIES</b>			
Deposits from customers	16	12,189,127	12,591,597
Investment accounts due to designated financial institution	17	2,008,499	1,986,054
Deposits and placements of banks and other financial institutions	18	1,024,291	763,189
Bills and acceptances payable		18,643	17,535
Derivative financial liabilities	14	22,551	12,442
Other liabilities	19	197,451	170,126
Provision for taxation and zakat		62	50
Subordinated sukuk	20	200,000	200,000
<b>Total liabilities</b>		<b>15,660,624</b>	<b>15,740,993</b>
<b>EQUITY</b>			
Share capital		555,000	555,000
Reserves		1,123,456	1,101,126
<b>Total equity</b>		<b>1,678,456</b>	<b>1,656,126</b>
<b>Total liabilities and equity</b>		<b>17,339,080</b>	<b>17,397,119</b>
<b>Commitments and contingencies</b>	30	<b>3,866,489</b>	<b>4,140,499</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 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 31 MARCH 2020**

	Note	Year-To-Date Ended	
		31 March 2020 RM'000	31 March 2019 RM'000
Income derived from investment of depositors' funds and others	21	161,049	158,558
Income derived from investment of investment account funds	22	20,233	14,343
Income derived from investment of shareholder's funds	23	35,552	29,348
Impairment allowance and provisions	24	(41,055)	(27,478)
Total distributable income		175,779	174,771
Income attributable to depositors	25	(89,307)	(91,545)
Income attributable to investment account holder	26	(14,045)	(10,698)
Total net income		72,427	72,528
Operating expenses	27	(48,047)	(47,459)
<b>Profit before taxation and zakat</b>		24,380	25,069
Income tax expense	28	(4,480)	(5,139)
Zakat		(13)	-
<b>Profit for the period</b>		19,887	19,930
<b>Other comprehensive income, net of income tax</b>			
<i>Items that may be subsequently reclassified to profit or loss</i>			
Fair value reserve (debt instruments)			
- Change in fair value		11,028	14,616
- Transferred to profit or loss		(7,809)	(681)
- Related tax		(770)	(3,342)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		(6)	(71)
<b>Other comprehensive income for the period, net of income tax</b>		2,443	10,522
<b>Total comprehensive income for the period</b>		22,330	30,452
Profit attributable to owner of the Bank		19,887	19,930
Total comprehensive income attributable to the owner of the Bank		22,330	30,452
<b>Basic earnings per ordinary share (sen)</b>		10.75	10.77

*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 31 MARCH 2020**

	<i>Non-distributable</i>			<i>Distributable</i>		<b>Total equity RM'000</b>
	<b>Share capital RM'000</b>	<b>Regulatory reserve RM'000</b>	<b>ECL reserve RM'000</b>	<b>Fair Value reserve RM'000</b>	<b>Retained earnings RM'000</b>	
<b>2020</b>						
At 1 January 2020	555,000	91,000	153	23,778	986,195	1,656,126
Fair value reserve						
- Change in fair value	-	-	-	11,028	-	11,028
- Transferred to profit or loss	-	-	-	(7,809)	-	(7,809)
- Related tax	-	-	-	(770)	-	(770)
Change in ECL reserve	-	-	(6)	-	-	(6)
<b>Total other comprehensive (expense)/income for the period</b>	-	-	(6)	2,449	-	2,443
Profit for the period	-	-	-	-	19,887	19,887
<b>Total comprehensive (expense)/income for the period</b>	-	-	(6)	2,449	19,887	22,330
At 31 March 2020	<b>555,000</b>	<b>91,000</b>	<b>147</b>	<b>26,227</b>	<b>1,006,082</b>	<b>1,678,456</b>
<b>2019</b>						
At 1 January 2019	555,000	91,000	249	2,610	821,721	1,470,580
Fair value reserve						
- Change in fair value	-	-	-	14,616	-	14,616
- Transferred to profit or loss	-	-	-	(681)	-	(681)
- Related tax	-	-	-	(3,342)	-	(3,342)
Change in ECL reserve	-	-	(71)	-	-	(71)
<b>Total other comprehensive (expense)/income for the period</b>	-	-	(71)	10,593	-	10,522
Profit for the period	-	-	-	-	19,930	19,930
<b>Total comprehensive (expense)/income for the period</b>	-	-	(71)	10,593	19,930	30,452
At 31 March 2019	<b>555,000</b>	<b>91,000</b>	<b>178</b>	<b>13,203</b>	<b>841,651</b>	<b>1,501,032</b>

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 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 31 MARCH 2020**

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax expense and zakat	24,380	25,069
<i>Adjustments for:</i>		
Net gain from disposal of:		
- Financial investments at FVOCI	(7,810)	(681)
Depreciation of equipment	630	726
Depreciation of ROU assets	567	674
Impairment allowance and provisions	41,055	27,478
Finance cost	20	36
Share-based costs	105	89
Unrealised loss/(gain) on:		
- Financial assets at FVTPL	63	2
- Derivatives	544	(806)
Operating profit before changes in working capital	<u>59,554</u>	<u>52,587</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at FVTPL	17	(6,120)
Financing and advances	(150,582)	(340,646)
Derivative financial assets	(9,566)	(3,061)
Other assets	31,136	35,572
Statutory deposits with BNM	69,200	(17,000)
Deposits from customers	(402,470)	6,285
Investment accounts due to designated financial institution	22,445	(34,373)
Deposits and placements of banks and other financial institutions	261,102	(162,727)
Bills and acceptances payable	1,108	(1,602)
Derivative financial liabilities	10,109	2,251
Other liabilities	27,037	30,114
<b>Cash used in operations</b>	<u>(80,910)</u>	<u>(438,720)</u>
Income tax and zakat paid	(10,614)	(14,229)
<b>Net cash used in operating activities</b>	<u>(91,524)</u>	<u>(452,949)</u>
<b>Cash flows from investing activities</b>		
Acquisition of financial investments at FVOCI	(3,675,000)	(1,910,000)
Proceeds from disposal of financial investments at FVOCI	3,598,605	1,864,022
Acquisition of equipment	(52)	(32)
Proceeds from disposal of equipment	-	-
<b>Net cash used in investing activities</b>	<u>(76,447)</u>	<u>(46,010)</u>
<b>Cash flows from financing activity</b>		
Payment of lease liabilities	(585)	(693)
<b>Net cash used in financing activity</b>	<u>(585)</u>	<u>(693)</u>
<b>Net decrease in cash and cash equivalents</b>	(168,556)	(499,652)
<b>Cash and cash equivalents at 1 January</b>	958,141	959,600
<b>Cash and cash equivalents at 31 March</b>	<u>789,585</u>	<u>459,948</u>

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

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 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 a profit after tax of RM19.9 million for the financial period ended 31 March 2020; a marginal decrease against the corresponding period last year. The decrease was mainly due to higher allowances of RM13.6 million and overheads of RM0.6 million partly offset by income derived from shareholder funds of RM6.2 million, net income from investment account funds of RM2.6 million, income from investment of depositors' funds and others of RM2.5 million and lower income attributable to depositors of RM2.2 million and lower tax of RM0.7 million.

Allowances increased by RM13.6 million mainly due to higher recoveries from restricted profit sharing investment account holder of RM29.8 million in the previous year, and for the current year, higher Stage 1 and Stage 2 ECL allowance of RM17.3 million and lower bad debt recovered of RM1.5 million partly offset by lower net Stage 3 ECL charge of RM35.0 million.

Gross financing and advances increased by RM147 million or 1% in the first quarter of 2020, mainly from small and medium enterprises ("SMEs") in the transport, storage and communication, manufacturing and agriculture sectors. Deposits from customers decreased by RM0.4 billion over the same period to RM12.2 billion as the bank diversified its sources of funding to a more balanced business banking: retail mix. Deposits from individuals increased by RM0.7 billion, whilst deposits from non-bank financial institutions decreased by RM0.7 billion and corporates by RM0.4 billion.

The Bank remains well capitalised with common equity Tier 1 and Tier 1 capital ratios of 16.322% and total capital ratio of 19.000%.

### **ECONOMIC PERFORMANCE AND PROSPECTS**

Due to significant worsening of the macroeconomic outlook as a result of COVID-19 both domestically and globally, Bank Negara Malaysia has projected Malaysia's Gross Domestic Product ("GDP") growth to be between -2.0% and 0.5% in 2020. In the first quarter of 2020, Malaysia's GDP slowed to 0.7% compared to 3.6% in fourth quarter of 2019. The Malaysian Government introduced several countercyclical policy measures to mitigate the economic impact of the pandemic. These measures include offering economic stimulus packages such as the Special Relief Facility, utilisation of BNM Funds for SMEs (including micro-credit schemes like Agrofood facility and Micro Enterprise facility), continued progress of public projects and higher public sector expenditure, complemented by Overnight Policy Rate ("OPR") reductions and lowering of the statutory reserves requirement for banks to provide additional liquidity to the banking system, as well as cashflow/debt relief for individuals and SMEs in the form of 6-months loan moratoriums and deferment of tax payments.

The unprecedented nature and scale of fiscal and monetary policy interventions across economies are expected to cushion the economic disruptions caused by COVID-19 and to support a gradual normalisation of economic activities upon the successful containment of the pandemic. The Malaysian economy is expected to gradually improve in the second half of the year after the containment measures ease and local Movement Control Order is lifted. It is expected to register a positive recovery in 2021.

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 - 31 MARCH 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, 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*
- Interest Rate Benchmark Reform (Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures*)

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 it is not yet effective:

Effective for annual periods commencing on or after 1 January 2022

- Classification of Liabilities as Current or Non-current (Amendments to MFRS 101, *Presentation of Financial Statements*)

#### (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 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 - 31 MARCH 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 31 March 2020.

**6 DIVIDEND**

No dividend was paid in respect of the financial period ended 31 March 2020.

**7 SIGNIFICANT AND SUBSEQUENT EVENTS**

The widespread of COVID-19 since the beginning of 2020 is a fluid and challenging situation affecting all industries and hence, the impact is difficult to reliably predict. The Bank will continue to monitor the situation closely, taking appropriate and timely actions to minimise the impact. The Bank's capital and liquidity positions remain strong and well above the regulatory requirements.

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

**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 31 March 2020.

**9 CASH AND CASH EQUIVALENTS**

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Cash and balances with banks and other financial institutions	87,310	110,496
Deposit and placements with BNM	702,275	847,645
	<u>789,585</u>	<u>958,141</u>
Stage 1 ECL allowance	(1)	(1)
	<u>789,584</u>	<u>958,140</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

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

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>At fair value</b>		
Islamic Corporate Sukuk	16,250	16,330

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

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>At fair value</b>		
Malaysian Government Investment Issues	2,338,288	2,261,060
Malaysian Government Sukuk	96,378	94,846
Malaysian Government Islamic Treasury Bills	58,708	-
Islamic Corporate Sukuk	375,200	389,940
Islamic Negotiable Instruments of Deposit	1,348,850	1,374,877
Cagamas Sukuk	50,714	60,842
Foreign Government Sukuk	25,732	24,887
	<u>4,293,870</u>	<u>4,206,452</u>

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

	<b>31 March 2020</b>			<b>31 December 2019</b>		
	<b>Stage 1 12 Months ECL RM'000</b>	<b>Stage 2 Lifetime ECL RM'000</b>	<b>Total ECL non credit- impaired RM'000</b>	<b>Stage 1 12 Months ECL RM'000</b>	<b>Stage 2 Lifetime ECL RM'000</b>	<b>Total ECL non credit- impaired RM'000</b>
At 1 January	153	-	153	199	50	249
New financial assets originated or purchased	35	-	35	205	-	205
Financial assets derecognised	(12)	-	(12)	(66)	(41)	(107)
Net remeasurement during the period/year	(29)	-	(29)	(185)	(9)	(194)
At 31 March/31 December	<u>147</u>	<u>-</u>	<u>147</u>	<u>153</u>	<u>-</u>	<u>153</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**12 FINANCING AND ADVANCES**

(i) By type and Shariah contract

	<i>Sale based contracts</i>					<i>Lease based contracts</i>			<i>Equity based contracts</i>		<b>Total RM'000</b>
	<b>Bai'</b>		<b>Tawarruq RM'000</b>	<b>Murabahah RM'000</b>	<b>Bai' Dayn RM'000</b>	<b>Ijarah</b>		<b>Ijarah Muntahiah Bi Al-Tamlik RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Others RM'000</b>	
	<b>Bai' Inah RM'000</b>	<b>Bithaman Ajil RM'000</b>				<b>Thumma Al-Bai RM'000</b>	<b>Ijarah RM'000</b>				
<b>31 March 2020</b>											
<b>At amortised cost and net of unearned income</b>											
Cash line financing	8,344	9,125	-	-	-	-	458,368	-	-	3,175	479,012
Term Financing											
- House financing	-	7,696	-	-	-	-	-	1,844,037	73,064	-	1,924,797
- Syndicated term financing	-	-	549,910	-	-	-	-	156,897	-	-	706,807
- Hire purchase receivables	-	-	-	-	-	161,519	-	171,883	-	-	333,402
- Other term financing	198,336	28,043	2,509,096	-	-	-	-	1,385,698	93,840	-	4,215,013
Bills receivable	-	-	-	16,010	37,421	-	-	-	-	-	53,431
Trust receipts	-	-	-	161	-	-	-	-	-	-	161
Revolving credit	-	-	4,047,815	-	-	-	-	-	-	-	4,047,815
Claims on customers under acceptance credits	-	-	-	220,438	76,253	-	-	-	-	-	296,691
Other financing	-	-	117,402	-	-	-	-	-	-	-	117,402
<b>Gross financing and advances</b>	<b>206,680</b>	<b>44,864</b>	<b>7,224,223</b>	<b>236,609</b>	<b>113,674</b>	<b>161,519</b>	<b>458,368</b>	<b>3,558,515</b>	<b>166,904</b>	<b>3,175</b>	<b>12,174,531</b>
ECL allowance											(259,715)
<b>Net financing and advances</b>											<b>11,914,816</b>

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 31 March 2020, the gross exposure and ECL relating to RPSIA financing amounted to RM2,042 million (31 December 2019: RM2,022 million) and RM63.7 million (31 December 2019: RM61 million) respectively.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 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>		<b>Total RM'000</b>
	<b>Bai'</b>		<b>Tawarruq RM'000</b>	<b>Murabahah RM'000</b>	<b>Bai' Dayn RM'000</b>	<b>Ijarah</b>		<b>Ijarah Muntahiah Bi Al-Tamlik RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Others RM'000</b>	
	<b>Bai' Inah RM'000</b>	<b>Bithaman Ajil RM'000</b>				<b>Thumma Al-Bai RM'000</b>	<b>Ijarah RM'000</b>				
<b>31 December 2019</b>											
<b>At amortised cost and net of unearned income</b>											
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
<b>Gross financing and advances</b>	<b>226,420</b>	<b>46,979</b>	<b>6,883,810</b>	<b>363,479</b>	<b>109,687</b>	<b>165,094</b>	<b>432,413</b>	<b>3,624,019</b>	<b>173,229</b>	<b>2,507</b>	<b>12,027,637</b>
ECL allowance											(222,348)
<b>Net financing and advances</b>											<b>11,805,289</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**12 FINANCING AND ADVANCES (continued)**

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
(ii) By type of customer		
Domestic non-bank financial institutions	1,031,334	1,027,120
Domestic business enterprises		
- Small and medium enterprises	2,246,853	2,056,745
- Others	5,575,579	5,610,952
Individuals	2,186,369	2,212,138
Foreign entities	1,134,396	1,120,682
	<u>12,174,531</u>	<u>12,027,637</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	46,963	47,513
- Hire purchase receivables	161,519	165,095
- Other fixed rate financing	1,377,727	1,550,059
Variable rate		
- Base rate/Base financing rate plus	4,194,395	4,141,835
- Cost plus	6,325,792	6,079,866
- Other variable rates	68,135	43,269
	<u>12,174,531</u>	<u>12,027,637</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,688,631	1,666,299
Mining and quarrying	312,919	300,835
Manufacturing	1,536,274	1,503,469
Electricity, gas and water	38,387	30,509
Construction	782,929	761,864
Real estate	1,211,600	1,212,724
Wholesale & retail trade and restaurants & hotels	1,240,038	1,242,882
Transport, storage and communication	258,113	195,592
Finance, insurance and business services	1,221,081	1,214,855
Community, social and personal services	563,216	565,211
Household		
- Purchase of residential properties	1,934,109	1,952,047
- Purchase of non-residential properties	47,603	46,360
- Others	323,453	332,265
Others	1,016,178	1,002,725
	<u>12,174,531</u>	<u>12,027,637</u>
(v) By geographical distribution determined based on where the credit risk resides		
Malaysia	11,094,746	10,966,315
Singapore	595,967	579,932
Other ASEAN countries	149,839	162,160
Rest of the world	333,979	319,230
	<u>12,174,531</u>	<u>12,027,637</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**12 FINANCING AND ADVANCES (continued)**

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
(vi) By residual contractual maturity		
Up to one year	4,921,780	4,910,823
Over one year to three years	834,673	819,478
Over three years to five years	1,523,906	1,425,582
Over five years	4,894,172	4,871,754
	<u>12,174,531</u>	<u>12,027,637</u>

**13 IMPAIRED FINANCING AND ADVANCES**

(a) Movements in credit-impaired financing and advances

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
At 1 January	345,692	375,100
Impaired during the period/year	87,283	378,458
Reclassified as non credit-impaired	(11,667)	(142,180)
Amount recovered	(32,725)	(169,849)
Amount written off	(5,499)	(96,120)
Effect of foreign exchange difference	-	283
At 31 March/31 December	<u>383,084</u>	<u>345,692</u>
Stage 3 ECL allowance	<u>(110,192)</u>	<u>(109,208)</u>
Net impaired financing and advances	<u>272,892</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 ventures and accounts for the Stage 3 ECL arising thereon. As at 31 March 2020, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM54 million (31 December 2019: RM59 million) and RM33 million (31 December 2019: RM33 million) respectively.

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
(i) By sector		
Agriculture, hunting, forestry and fishing	3,363	3,635
Manufacturing	35,246	36,228
Construction	87,291	41,916
Real estate	557	666
Wholesale & retail trade and restaurants & hotels	97,389	104,506
Transport, storage and communication	3,467	3,468
Finance, insurance and business services	8,787	7,612
Community, social and personal services	714	733
Household		
- Purchase of residential properties	70,748	65,633
- Purchase of non-residential properties	763	761
- Others	20,371	22,007
Others	54,388	58,527
	<u>383,084</u>	<u>345,692</u>
(ii) By geographical distribution determined based on where the credit risk resides		
Malaysia	378,274	341,775
Singapore	4,793	3,899
Other ASEAN country	17	18
	<u>383,084</u>	<u>345,692</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**13 IMPAIRED FINANCING AND ADVANCES (continued)**

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

	<i>Non credit-impaired</i>			<i>Credit-impaired</i>	<b>31 March 2020</b>	<i>Non credit-impaired</i>			<i>Credit-impaired</i>	<b>31 December 2019</b>
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Stage 3</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Stage 3</b>	<b>Total</b>
	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	59,706	53,434	109,208		222,348	58,957	57,165	120,198		236,320
Transferred to Stage 1	12,867	(10,026)	(2,841)		-	64,823	(56,128)	(8,695)		-
Transferred to Stage 2	(9,159)	10,127	(968)		-	(18,523)	26,608	(8,085)		-
Transferred to Stage 3	(2,236)	(11,265)	13,501		-	(1,953)	(58,309)	60,262		-
New financial assets originated or purchased	8,290	2,143	-		10,433	31,681	8,072	-		39,753
Financial assets derecognised	(5,226)	(4,183)	(1,740)		(11,149)	(24,198)	(14,370)	(11,171)		(49,739)
Net remeasurement during the period/year	(808)	44,957	954		45,103	(50,925)	90,391	59,215		98,681
Written-off	-	-	(5,499)		(5,499)	-	-	(96,120)		(96,120)
Other movements	892	10	(2,423)		(1,521)	(156)	5	(6,396)		(6,547)
At 31 March/31 December	<b>64,326</b>	<b>85,197</b>	<b>110,192</b>		<b>259,715</b>	<b>59,706</b>	<b>53,434</b>	<b>109,208</b>		<b>222,348</b>
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
	<b>59,706</b>	<b>53,434</b>	<b>109,208</b>		<b>222,348</b>	<b>58,957</b>	<b>57,165</b>	<b>120,198</b>		<b>236,320</b>
At 31 March/December										
- Financing and advances	63,496	70,393	110,192		244,081	56,055	46,736	109,208		211,999
- Financing related commitments and financial guarantees	830	14,804	-		15,634	3,651	6,698	-		10,349
	<b>64,326</b>	<b>85,197</b>	<b>110,192</b>		<b>259,715</b>	<b>59,706</b>	<b>53,434</b>	<b>109,208</b>		<b>222,348</b>

**Impact of movements in gross carrying amount on ECL allowance**

Stage 1 ECL allowance increased by RM4.6 million during the financial period mainly due to financing and advances transferred to Stage 1 from improvements in credit quality and from newly originated financing and advances partially offset by transfers to Stage 2 and Stage 3 and repayments.

Stage 2 ECL allowance increased by RM31.8 million mainly due to higher net remeasurement arising from COVID-19 weakened macroeconomic outlook, partially mitigated by migration of financing and advances to Stage 1 and Stage 3.

Stage 3 ECL allowance increased by RM1.0 million mainly due to transfers from Stage 2 as credit losses are expected to increase with worsened macro economic outlook for full year 2020 partly offset by higher write-offs.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	31 March 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
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	72,305	653	149	68,693	392	152
- Swaps	91,656	719	590	80,175	552	556
Profit rate derivatives						
- Swaps	391,200	20,483	21,812	360,000	11,345	11,734
	<u>555,161</u>	<u>21,855</u>	<u>22,551</u>	<u>508,868</u>	<u>12,289</u>	<u>12,442</u>

**15 OTHER ASSETS**

	31 March 2020 RM'000	31 December 2019 RM'000
Profit receivable	28,098	31,047
Other receivables, deposits and prepayments	3,273	7,255
Amount due from immediate holding company	6,764	31,955
Amount due from ultimate holding company	751	309
Amount due from related company	2	3
	<u>38,888</u>	<u>70,569</u>

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

**16 DEPOSITS FROM CUSTOMERS**

	31 March 2020 RM'000	31 December 2019 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	563,954	510,986
- Qard	194,698	183,948
Demand deposits		
- Tawarruq	385,241	543,334
- Qard	3,834,164	3,669,057
Term Deposits		
- Commodity Murabahah	6,837,100	6,622,560
- Qard	2,119	7,754
Negotiable instruments of deposit		
- Bai' Inah	-	600,000
- Bai Bithaman Ajil	78,368	77,532
Short term deposits		
- Tawarruq	293,483	376,426
	<u>12,189,127</u>	<u>12,591,597</u>



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**16 DEPOSITS FROM CUSTOMERS (continued)**

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
(b) By type of customer		
Government and statutory bodies	579,722	768,322
Non-bank financial institutions	1,089,778	1,770,716
Business enterprises	5,512,867	5,813,790
Individuals	4,560,136	3,873,230
Foreign entities	229,667	147,170
Others	216,957	218,369
	<u>12,189,127</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	5,149,036	6,105,962
Over six months to one year	2,052,093	1,565,368
Over one year to three years	9,941	12,942
Over three years to five years	-	-
	<u>7,211,070</u>	<u>7,684,272</u>

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

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>Mudharabah RPSIA</b>		
Licensed bank	2,041,268	2,018,823
Amount receivable from immediate holding company under RPSIA	(32,769)	(32,769)
	<u>2,008,499</u>	<u>1,986,054</u>

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

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>Non-Mudharabah</b>		
Licensed banks	1,019,847	758,235
Other financial institutions	4,444	4,954
	<u>1,024,291</u>	<u>763,189</u>

Included in the above are deposits and placements of its immediate holding company of RM1,009 million (2019: RM720 million), which are unsecured and profit-bearing.

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**19 OTHER LIABILITIES**

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Profit payable	80,353	79,323
Other payables and accruals	47,456	72,391
Amount due to immediate holding company	63,336	12,218
Amount due to related company	-	245
Amount due to ultimate holding company	248	176
Equity compensation benefits	794	692
Lease liabilities	3,230	3,047
Provision for commitments and contingencies	2,034	2,034
	<u>197,451</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 in full as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

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

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
Income derived from investment of:		
(i) Term deposits/General investment deposits	83,359	81,978
(ii) Other deposits	77,690	76,580
	<u>161,049</u>	<u>158,558</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

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

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
(i) Income derived from investment of term/general investment deposits		
<b>Finance income and hibah</b>		
Financing and advances		
- Finance income earned other than recoveries	58,356	61,615
- Recoveries from credit-impaired financing	844	529
- Discount unwind from credit-impaired financing	1,113	1,098
Financial assets at FVTPL	77	60
Financial investments at FVOCI	17,369	16,911
Deposits and placements with banks and other financial institutions	1,741	1,305
	<u>79,500</u>	<u>81,518</u>
<b>Other trading income</b>		
Unrealised loss on financial assets at FVTPL	(29)	(1)
<b>Other operating income</b>		
Net gain from sale of financial investments at FVOCI	3,587	315
Others	301	146
	<u>83,359</u>	<u>81,978</u>
(ii) Income derived from investment of other deposits		
<b>Finance income and hibah</b>		
Financing and advances		
- Finance income earned other than recoveries	54,389	57,556
- Recoveries from credit-impaired financing	787	495
- Discount unwind from credit-impaired financing	1,037	1,025
Financial assets at FVTPL	71	57
Financial investments at FVOCI	16,188	15,798
Deposits and placements with banks and other financial institutions	1,622	1,220
	<u>74,094</u>	<u>76,151</u>
<b>Other trading income</b>		
Unrealised loss on financial assets at FVTPL	(27)	(1)
<b>Other operating income</b>		
Net gain from sale of financial investments at FVOCI	3,343	294
Others	280	136
	<u>77,690</u>	<u>76,580</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

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

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
<b>Finance income and hibah</b>		
Financing and advances		
- Finance income earned other than recoveries	19,231	13,558
- Recoveries from credit-impaired financing	1,002	1,597
- Discount unwind from credit-impaired financing	-	(812)
	<u>20,233</u>	<u>14,343</u>

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

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
<b>Finance income and hibah</b>		
Financing and advances		
- Finance income earned other than recoveries	14,322	14,063
- Recoveries from credit-impaired financing	207	121
- Discount unwind from credit-impaired financing	273	250
Financial assets at FVTPL	19	14
Financial investments at FVOCI	4,263	3,860
Deposits and placements with banks and other financial institutions	427	298
	<u>19,511</u>	<u>18,606</u>
<b>Other trading income</b>		
Unrealised loss on financial assets at FVTPL	(7)	-
<b>Other operating income</b>		
Commission	6,885	3,561
Service charges and fees	4,456	3,707
Net gain from sale of financial investments at FVOCI	880	72
Others	74	33
<b>Other trading income</b>		
Net trading (loss)/gain		
- Foreign currency	(1,402)	(896)
- Trading derivatives	5,699	3,459
- Revaluation of derivatives	(544)	806
	<u>35,552</u>	<u>29,348</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**24 IMPAIRMENT ALLOWANCE/(WRITEBACK) AND PROVISIONS**

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
<b>Financing and advances</b>		
Stage 1 and Stage 2 ECL made during the period	36,383	19,147
Stage 3 ECL		
- Made during the period	17,989	53,804
- Written back	(9,083)	(9,903)
Credit-impaired financing recovered	(4,228)	(5,705)
Recovery from RPSIA holder*	-	(29,794)
<b>Financial investments at FVOCI</b>		
Stage 1 and Stage 2 ECL write back during the period	(6)	(71)
	<u>41,055</u>	<u>27,478</u>

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

**25 INCOME ATTRIBUTABLE TO DEPOSITORS**

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
Deposits from customers		
- Non-Mudharabah	81,106	82,209
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah	5,788	6,933
Subordinated sukuk	2,393	2,367
Lease liabilities	20	36
	<u>89,307</u>	<u>91,545</u>

**26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER**

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
Investment accounts due to designated financial institution		
- Mudharabah	14,045	10,698
	<u>14,045</u>	<u>10,698</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**27 OPERATING EXPENSES**

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
<b>Personnel expenses</b>		
Wages, salaries and bonus	5,081	6,214
Employees Provident Fund contributions	901	1,001
Share-based costs	105	89
Others	985	947
	<u>7,072</u>	<u>8,251</u>
<b>Establishment expenses</b>		
Depreciation of equipment	630	726
Depreciation of ROU assets	567	674
Rental of premises	3	3
Repair and maintenance	113	226
Information technology costs	169	155
Hire of equipment	30	32
Others	700	728
	<u>2,212</u>	<u>2,544</u>
<b>Marketing expenses</b>		
Advertising and business promotion	91	128
Transport and travelling	50	77
Others	25	15
	<u>166</u>	<u>220</u>
<b>General administrative expenses</b>		
Shared service fees to immediate holding company	29,349	26,427
IT and transaction processing fees to related companies	7,382	7,017
Others	1,866	3,000
	<u>38,597</u>	<u>36,444</u>
<b>Total operating expenses</b>	<u>48,047</u>	<u>47,459</u>

**28 INCOME TAX EXPENSE**

	<b>31 March 2020 RM'000</b>	<b>31 March 2019 RM'000</b>
Malaysian income tax		
- Current period	8,189	8,432
Deferred tax		
- Origination and reversal of temporary differences	(3,709)	(3,293)
	<u>4,480</u>	<u>5,139</u>

**29 CAPITAL COMMITMENTS**

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Capital commitments in respect of property and equipment		
- Contracted but not provided for	47	47
	<u>47</u>	<u>47</u>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 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 defined by BNM for regulatory capital adequacy purposes.

	31 March 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	95,851	95,851	83,194	97,036	97,036	93,643
Transaction-related contingent items	378,463	192,845	120,713	374,020	190,518	130,795
Short-term self-liquidating trade-related contingencies	19,097	4,389	1,912	17,580	6,477	3,802
Foreign exchange related contracts						
- Less than one year	81,589	1,429	805	68,693	795	791
- One year to five years	82,372	9,672	3,200	80,175	10,974	4,008
Profit rate related contracts						
- Five years and above	391,200	55,506	44,445	360,000	40,683	30,416
Formal standby facilities and credit lines						
- Original maturity exceeding one year	498,820	395,043	355,414	422,525	334,720	267,231
Other unconditionally cancellable commitments	2,319,097	146,921	23,428	2,720,470	126,687	20,308
	<b>3,866,489</b>	<b>901,656</b>	<b>633,111</b>	<b>4,140,499</b>	<b>807,890</b>	<b>550,994</b>

**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**31 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**Fair value hierarchy of financial instruments**

The Bank measures the fair value of financial assets and liabilities using 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:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fair value determined as	Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.	Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.	Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.
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**

	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>31 March 2020</b>				
<b>Financial assets at fair value</b>				
Financial assets at FVTPL	-	16,250	-	16,250
Financial investments at FVOCI	2,396,996	1,896,874	-	4,293,870
Derivative financial assets	27	21,763	65	21,855
	<u>2,397,023</u>	<u>1,934,887</u>	<u>65</u>	<u>4,331,975</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	29	22,501	21	22,551
<b>31 December 2019</b>				
<b>Financial assets at fair value</b>				
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>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	91	12,351	-	12,442



**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 31 MARCH 2020 (continued)**

**31 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:

	31 March 2020 RM'000	31 December 2019 RM'000
<b>Financial assets at fair value</b>		
At 1 January	-	-
Transferred into Level 3	-	6
Settled/Disposed	-	(6)
Unrealised gain recognised in profit or loss	65	-
At 31 March/31 December	<u>65</u>	<u>-</u>
<b>Financial liabilities at fair value</b>		
At 1 January	-	-
Transferred into Level 3	-	5
Settled/Disposed	-	(5)
Unrealised loss recognised in profit or loss	21	-
At 31 March/31 December	<u>21</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	31 March 2020 Fair value RM'000	31 December 2019 Fair value RM'000	Classification	Valuation technique	Unobservable input
<b>Asset</b>					
Derivative financial assets	65	-	Hedge for trading	Option pricing model	Standard deviation
<b>Liability</b>					
Derivative financial liabilities	21	-	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 - 31 MARCH 2020 (continued)**

**32 CAPITAL ADEQUACY**

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

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>Common Equity Tier 1 ("CET 1") capital</b>		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	986,195	986,195
Other reserves	117,227	114,778
Regulatory adjustment	(113,958)	(107,214)
	<u>1,544,464</u>	<u>1,548,759</u>
<b>Tier 2 capital</b>		
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	2,638	2,818
Surplus eligible provisions over expected losses	50,762	49,474
Subordinated sukuk	200,000	200,000
	<u>253,400</u>	<u>252,292</u>
<b>Capital base</b>	<u>1,797,864</u>	<u>1,801,051</u>
<b>Before the effects of PSIA</b>		
CET 1 / Tier 1 capital ratio	14.266%	14.495%
Total capital ratio	<u>16.606%</u>	<u>16.857%</u>
<b>After the effects of PSIA</b>		
CET 1 / Tier 1 capital ratio	16.322%	16.704%
Total capital ratio	<u>19.000%</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 31 March 2020, credit risks related to RPSIA assets excluded from the total capital ratio calculation amounted to RM1,364 million (31 December 2019: RM1,413 million).

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

	<b>31 March 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Total RWA for credit risk	8,671,346	8,471,121
Total RWA for market risk	1,719	9,820
Total RWA for operational risk	789,571	790,685
	<u>9,462,636</u>	<u>9,271,626</u>