

OCBC AL-AMIN BANK BERHAD

Registration No. 200801017151 (818444-T)
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021

Domiciled in Malaysia
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18 Jalan Tun Perak
50050 Kuala Lumpur

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2021**

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2021

		30 September	31 December
		2021	2020
ASSETS	Note	RM'000	RM'000
Cash and cash equivalents	9	1,930,750	285,723
Financial assets at fair value through profit or loss ("FVTPL")	10	10,104	10,155
Financial investments at fair value through other comprehensive income ("FVOCI")	11	3,505,490	4,204,551
Financing and advances	12	11,890,630	11,244,993
Derivative financial assets	14	16,729	25,948
Other assets	15	137,187	101,361
Tax recoverable		14,609	10,868
Property and equipment		4,724	5,439
Right-of-use ("ROU") assets		3,201	4,493
Deferred tax assets		31,001	8,018
Total assets		<u>17,544,425</u>	<u>15,901,549</u>
LIABILITIES			
Deposits from customers	16	12,997,437	11,495,918
Investment accounts due to designated financial institution	17	1,727,768	1,480,245
Deposits and placements of banks and other financial institutions	18	655,909	775,572
Bills and acceptances payable		9,387	15,064
Derivative financial liabilities	14	17,368	27,253
Other liabilities	19	156,352	155,429
Provision for taxation and zakat		12,038	50
Subordinated sukuk	20	200,000	200,000
Total liabilities		<u>15,776,259</u>	<u>14,149,531</u>
EQUITY			
Share capital		555,000	555,000
Reserves		1,213,166	1,197,018
Total equity		<u>1,768,166</u>	<u>1,752,018</u>
Total liabilities and equity		<u>17,544,425</u>	<u>15,901,549</u>
Commitments and contingencies	30	<u>4,445,339</u>	<u>3,654,590</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2020 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 SEPTEMBER 2021**

	Note	Quarter Ended		Year-To-Date Ended	
		30 September 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
Income derived from investment of depositors' funds and others	21	125,179	136,829	379,009	432,480
Income derived from investment of investment account funds	22	13,629	8,504	37,727	41,439
Income derived from investment of shareholder's funds	23	37,170	35,242	107,951	102,815
Impairment allowance and provisions	24	(38,483)	(57,161)	(149,500)	(126,826)
Total distributable income		137,495	123,414	375,187	449,908
Income attributable to depositors	25	(47,974)	(61,445)	(145,165)	(222,757)
Income attributable to investment account holder	26	(9,524)	(6,629)	(26,348)	(29,633)
Total net income		79,997	55,340	203,674	197,518
Operating expenses	27	(44,084)	(46,437)	(128,225)	(142,468)
Profit before taxation and zakat		35,913	8,903	75,449	55,050
Income tax expense	28	(8,694)	(163)	(18,320)	(7,600)
Zakat		(13)	(12)	(38)	(37)
Profit for the period		27,206	8,728	57,091	47,413
Items that may be subsequently reclassified to profit or loss					
Fair value reserve (debt instruments)					
- Change in fair value		(9,682)	15,581	(36,179)	55,417
- Transferred to profit or loss		(5,797)	(8,394)	(17,641)	(18,623)
- Related tax		3,715	(1,722)	12,919	(8,826)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		(41)	(93)	(42)	(70)
Other comprehensive (expense)/income for the period, net of income tax		(11,805)	5,372	(40,943)	27,898
Total comprehensive income for the period		15,401	14,100	16,148	75,311
Profit attributable to the owner of the Bank		27,206	8,728	57,091	47,413
Total comprehensive income attributable to the owner of the Bank		15,401	14,100	16,148	75,311
Basic earnings per ordinary share (sen)		14.71	4.72	30.86	25.63

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 2020 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 SEPTEMBER 2021

	<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	
2021						
At 1 January 2021	555,000	91,000	90	47,940	1,057,988	1,752,018
Fair value reserve						
- Change in fair value	-	-	-	(36,179)	-	(36,179)
- Transferred to profit or loss	-	-	-	(17,641)	-	(17,641)
- Related tax	-	-	-	12,919	-	12,919
Change in ECL reserve	-	-	(42)	-	-	(42)
Total other comprehensive expense for the period	-	-	(42)	(40,901)	-	(40,943)
Profit for the period	-	-	-	-	57,091	57,091
Total comprehensive (expense)/income for the period	-	-	(42)	(40,901)	57,091	16,148
At 30 September 2021	555,000	91,000	48	7,039	1,115,079	1,768,166
2020						
At 1 January 2020	555,000	91,000	153	23,778	986,195	1,656,126
Fair value reserve						
- Change in fair value	-	-	-	55,417	-	55,417
- Transferred to profit or loss	-	-	-	(18,623)	-	(18,623)
- Related tax	-	-	-	(8,826)	-	(8,826)
Change in ECL reserve	-	-	(70)	-	-	(70)
Total other comprehensive (expense)/income for the period	-	-	(70)	27,968	-	27,898
Profit for the period	-	-	-	-	47,413	47,413
Total comprehensive (expense)/income for the period	-	-	(70)	27,968	47,413	75,311
At 30 September 2020	555,000	91,000	83	51,746	1,033,608	1,731,437

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 2020 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 SEPTEMBER 2021

	30 September 2021 RM'000	30 September 2020 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	75,449	55,050
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial assets at FVTPL	-	96
- Financial investments at FVOCI	(17,641)	(18,623)
- Property and equipment	47	62
Depreciation of equipment	1,236	1,786
Depreciation of ROU assets	1,392	1,623
Impairment allowance and provisions	164,074	137,418
Finance expense on lease liabilities	60	63
Share-based costs	254	274
Unrealised loss/(gain) on:		
- Financial assets at FVTPL	51	(14)
- Derivatives	(630)	1,577
Operating profit before changes in working capital	<u>224,292</u>	<u>179,312</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at FVTPL	-	6,079
Financing and advances	(809,711)	203,145
Derivative financial assets	9,849	(12,762)
Other assets	(35,826)	27,785
Statutory deposits with BNM	-	309,300
Deposits from customers	1,501,519	(232,965)
Investment accounts due to designated financial institution	247,523	(416,119)
Deposits and placements of banks and other financial institutions	(119,663)	(69,600)
Bills and acceptances payable	(5,677)	(4,092)
Derivative financial liabilities	(9,885)	14,338
Other liabilities	1,957	(17,348)
Cash generated from operations	<u>1,004,378</u>	<u>(12,927)</u>
Income tax and zakat paid	<u>(20,175)</u>	<u>(13,956)</u>
Net cash generated from operating activities	<u>984,203</u>	<u>(26,883)</u>
Cash flows from investing activities		
Acquisition of financial investments at FVOCI	(7,096,000)	(8,605,000)
Proceeds from disposal of financial investments at FVOCI	7,758,840	8,779,497
Acquisition of equipment	(569)	(231)
Net cash generated from investing activities	<u>662,271</u>	<u>174,266</u>
Cash flows from financing activity		
Payment of lease liabilities	(1,446)	(1,684)
Net cash used in financing activity	<u>(1,446)</u>	<u>(1,684)</u>
Net increase in cash and cash equivalents	1,645,028	145,699
Cash and cash equivalents at 1 January	285,723	958,141
Cash and cash equivalents at 30 September	<u>1,930,751</u>	<u>1,103,840</u>
	2021	2020
	RM'000	RM'000
At 1 January	4,523	3,047
Payment of lease liabilities	(1,446)	(2,182)
Acquisition of new leases and changes in lease terms	99	3,576
Finance expense on lease liabilities	60	82
At 30 September	<u>3,236</u>	<u>4,523</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 2020 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021

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 RM57.1 million for the financial period ended 30 September 2021, an increase of RM9.7 million against the corresponding period last year. The increase was mainly due to lower income attributable to depositors of RM77.6 million, lower operating expenses of RM14.2 million and higher income from investment of shareholder's funds of RM5.1 million partly offset by lower income from investment of depositors' funds and others of RM53.5 million, higher allowances of RM22.7 million and higher tax of RM10.7 million.

Both the profit attributable to depositors and Income from investment of depositors' funds and others were lower mainly affected by Overnight Policy Rate ("OPR") cuts in 2020.

Allowances increased by RM22.7 million mainly from higher Stage 3 net expected credit loss ("ECL") allowance of RM63.9 million attributed to additional provisions for corporates partly offset by lower Stage 1 and Stage 2 ECL allowance of RM37.2 million and higher bad debt recovered of RM4.0 million.

Gross financing and advances increased by RM0.8 billion or +7% as at 30 September 2021, mainly from financing to corporates. Deposits from customers increased by RM1.5 billion over the same period to RM13.0 billion, garnered mainly from non-bank financial institutions and business enterprises.

The Bank remained well capitalised with Common Equity Tier 1 and Tier 1 capital ratios of 16.891% and total capital ratio of 19.396%.

ECONOMIC PERFORMANCE AND PROSPECTS

Malaysia's economic activity picked up at the start of the second quarter of 2021 ("2Q 2021") and its Gross Domestic Product ("GDP") grew by 16.1% year-on-year in 2Q 2021 compared to a contraction of -0.5% in the first quarter of 2021, supported mainly by improved domestic demand and robust exports performance. However, economic activity slowed down after the reimposition of containment measures under the Full Movement Control Order on 1 June 2021 following a steep climb in Covid-19 infections. Against this backdrop which saw Bank Negara Malaysia revising downwards its projected full year 2021 GDP growth rate for Malaysia to between 3% and 4%, the Bank has taken a prudent stance to set aside, in 3Q 2021, further impairment allowances against expected rise in credit losses especially from the retail segment availed with further industry-wide relief assistance which commenced in the second half of 2021.

After the vaccination programme was accelerated, there was a steady drop in Covid-19 cases and the gradual relaxations for more economic sectors to operate and continued policy support in 4Q 2021 are expected to mitigate the Covid-19 pandemic corollary impact and steer the economy back on the recovery path. Bolstered by the gradual reopening of economic sectors and social activities by this year end as well as continued strong external demand, economic recovery is projected to continue well into 2022 with the World Bank and IMF forecasting that the Malaysian economy will expand by 5.8% and 6.0% respectively in 2022. While the Covid-19 pandemic continues to exert downward pressure on earnings, Malaysia's financial system is expected to remain healthy with banks well capitalised to withstand potential stress, sustain credit intermediation in the economy and facilitate repayment assistance to viable borrowers who are facing temporary difficulties amid a credit risk outlook that remains challenging.

The Bank continues to support and assist customers during these challenging times through flexible repayment packages, including financing moratoriums. In line with the PEMULIH package announced by the Government on 28 June 2021, the Bank is offering 6-month deferment of instalments or 50% reduction in instalments for 6 months to individual and SME/microenterprise customers affected by the pandemic. In line with the Financial Management and Resilience programme ("URUS") announced by the Government on 13 October 2021 designed to help eligible B50 customers alleviate financial difficulties caused by the Covid-19 pandemic, the Bank will offer an option of 3-month profit waiver and/or reduced profit costs on unsecured personal financing and/or reduction in instalments for 24 months to vulnerable B50 customers. The Bank remains committed to assisting affected customers as the economy gradually opens up and recovers.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

1 BASIS OF PREPARATION

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

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

(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 BNM's Shariah requirements.

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

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, *Interest Rate Benchmark Reform - Phase 2*
- Amendments to MFRS 16, *Leases - Covid-19-Related Rent Concessions beyond 30 June 2021*

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - *Interest Rate Benchmark Reform - Phase 2* address issues that might affect the Bank as a result of the reform of a profit rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of a profit rate benchmark with an alternative benchmark rate.

(i) Change in basis for determining cash flows

The amendments require the Bank to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by profit rate benchmark reform by updating the effective profit rate of the financial asset or financial liability. As a result, no immediate gain or loss is recognised. This applies only when the change is necessary as a direct consequence of the reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis.

(ii) Hedge accounting

The amendments provide exceptions to the hedge accounting requirements that will assist the Bank to maintain its existing hedging relationships post transition to the alternative benchmark rate. The Bank will continue to record any ongoing hedge ineffectiveness in profit or loss.

However, the Bank did not have any hedging during the financial period.

(iii) Disclosure

The amendments require the Bank to disclose additional information about the Bank's exposure to risks arising from profit rate benchmark reform and related risk management activities.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

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

Effective for annual periods commencing on or after 1 January 2022

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

Effective for annual periods commencing on or after 1 January 2023

- Amendments to MFRS 7, MFRS 126 and MFRS 134, *consequences of the amendments to the Disclosure of Accounting Policies in MFRS 101 and MFRS Practice Statement 2*
- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Deferred Tax related Assets and Liabilities arising from a Single Transaction*

The Bank plans to apply the abovementioned amendments to accounting standards when they become effective in the respective financial periods. The initial application of the abovementioned amendments to accounting standards are 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 2020.

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 2020, 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 2020 was not subject to any qualification.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

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 September 2021.

6 DIVIDEND

No dividend was proposed in respect of the financial period ended 30 September 2021.

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 was no unusual items affecting the assets, liabilities, equity and net income or cash flows of the Bank for the financial period ended 30 September 2021.

9 CASH AND CASH EQUIVALENTS

	30 September 2021 RM'000	31 December 2020 RM'000
Cash and balances with banks and other financial institutions	117,154	82,779
Deposits and placements with BNM	1,813,597	202,944
	<u>1,930,751</u>	<u>285,723</u>
Stage 1 ECL allowance	(1)	-
	<u>1,930,750</u>	<u>285,723</u>

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

	30 September 2021 RM'000	31 December 2020 RM'000
At fair value		
Islamic Corporate Sukuk	10,104	10,155
	<u>10,104</u>	<u>10,155</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

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

	30 September 2021 RM'000	31 December 2020 RM'000
At fair value		
Malaysian Government Investment Issues	2,086,624	2,476,270
Malaysian Government Sukuk	48,340	73,817
Malaysian Government Islamic Treasury Bills	544,050	218,821
Islamic Corporate Sukuk	311,825	376,159
Islamic Negotiable Instruments of Deposit	499,686	999,225
Cagamas Sukuk	14,965	36,019
Foreign Government Sukuk	-	24,240
	<u>3,505,490</u>	<u>4,204,551</u>

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

	30 September 2021			31 December 2020		
	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	90	-	90	153	-	153
Transferred to Stage 2	(6)	6	-	-	-	-
New financial assets originated or purchased	129	-	129	268	-	268
Financial assets derecognised	(70)	(6)	(76)	(212)	-	(212)
Net remeasurement during the period/year	(95)	-	(95)	(119)	-	(119)
At 30 September/31 December	<u>48</u>	<u>-</u>	<u>48</u>	<u>90</u>	<u>-</u>	<u>90</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

12 FINANCING AND ADVANCES

(i) By type and Shariah contract

30 September 2021	<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		Ijarah Muntahiah	Musharakah		Others RM'000	
	Bai' Inah RM'000	Ajil RM'000				Al- Bai RM'000	Ijarah RM'000	Bi Al-Tamlik RM'000	Mutanaqisah RM'000	Mudharabah RM'000		
At amortised cost and net of unearned income												
Cash line financing	8,450	6,553	-	-	-	-	469,025	-	-	-	13,405	497,433
Term Financing												
- House financing	-	6,578	-	-	-	-	-	1,751,910	65,239	-	-	1,823,727
- Syndicated term financing	-	-	1,607,783	-	-	-	-	102,070	-	100,133	-	1,809,986
- Hire purchase receivables	-	-	-	-	-	160,432	-	105,209	-	-	-	265,641
- Other term financing	104,660	24,017	3,180,458	-	-	-	-	1,102,573	84,676	-	-	4,496,384
Bills receivable	-	-	-	17,454	28,668	-	-	-	-	-	-	46,122
Trust receipts	-	-	-	301	-	-	-	-	-	-	-	301
Revolving credit	-	-	2,941,643	-	-	-	-	-	-	-	-	2,941,643
Claims on customers under acceptance credits	-	-	-	237,655	53,750	-	-	-	-	-	-	291,405
Other financing	-	-	197,073	-	-	-	-	-	-	-	-	197,073
Gross financing and advances	<u>113,110</u>	<u>37,148</u>	<u>7,926,957</u>	<u>255,410</u>	<u>82,418</u>	<u>160,432</u>	<u>469,025</u>	<u>3,061,762</u>	<u>149,915</u>	<u>100,133</u>	<u>13,405</u>	<u>12,369,715</u>
ECL allowance												(479,085)
Net financing and advances												<u>11,890,630</u>

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 September 2021, the gross exposure and ECL relating to RPSIA financing amounted to RM1,747 million (31 December 2020: RM1,438 million) and RM35 million (31 December 2020: RM35 million) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (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	Murabahah	Bai' Dayn	Ijarah		Ijarah Muntahiah Bi Al-Tamlik	Musharakah		Others	
	Bai' Inah	Bithaman Ajil				Thumma Al- Bai	Ijarah		Mutanaqisah	Mudharabah		
31 December 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At amortised cost and net of unearned income												
Cash line financing	8,326	6,843	-	-	-	-	461,662	-	-	-	10,091	486,922
Term Financing												
- House financing	-	7,308	-	-	-	-	-	1,822,382	70,340	-	-	1,900,030
- Syndicated term financing	-	-	784,585	-	-	-	-	136,093	-	-	-	920,678
- Hire purchase receivables	-	-	-	-	-	167,197	-	146,583	-	-	-	313,780
- Other term financing	173,367	24,262	2,942,423	-	-	-	-	1,226,327	89,314	-	-	4,455,693
Bills receivable	-	-	-	16,357	38,906	-	-	-	-	-	-	55,263
Trust receipts	-	-	-	421	-	-	-	-	-	-	-	421
Revolving credit	-	-	3,024,425	-	-	-	-	-	-	-	-	3,024,425
Claims on customers under acceptance credits	-	-	-	246,974	110,652	-	-	-	-	-	-	357,626
Other financing	-	-	88,028	-	-	-	-	-	-	-	-	88,028
Gross financing and advances	181,693	38,413	6,839,461	263,752	149,558	167,197	461,662	3,331,385	159,654	-	10,091	11,602,866
ECL allowance												(357,873)
Net financing and advances												11,244,993

In 2020, the Bank incurred a net modification loss of RM8 million from affected financing and advances (before modification) totalling RM394 million.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

12 FINANCING AND ADVANCES (continued)

	30 September 2021 RM'000	31 December 2020 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	1,008,289	1,018,402
Domestic business enterprises		
- Small and medium enterprises	2,420,105	2,484,518
- Others	6,426,177	5,399,924
Individuals	2,026,963	2,142,907
Foreign entities	488,181	557,115
	<u>12,369,715</u>	<u>11,602,866</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	92,623	39,209
- Hire purchase receivables	160,432	167,197
- Other fixed rate financing	1,296,931	1,500,783
Variable rate		
- Base rate/Base financing rate plus	4,001,753	4,241,457
- Cost plus	6,758,078	5,604,723
- Other variable rate	59,898	49,497
	<u>12,369,715</u>	<u>11,602,866</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,328,559	1,428,375
Mining and quarrying	294,954	277,889
Manufacturing	1,889,117	1,496,359
Electricity, gas and water	48,026	49,300
Construction	967,451	1,003,443
Real estate	1,179,627	1,200,401
Wholesale & retail trade and restaurants & hotels	1,281,340	1,575,443
Transport, storage and communication	832,861	363,922
Finance, insurance and business services	1,325,961	1,197,142
Community, social and personal services	1,083,049	749,230
Household		
- Purchase of residential properties	1,832,534	1,909,243
- Purchase of non-residential properties	49,795	48,315
- Others	254,446	301,755
Others	1,995	2,049
	<u>12,369,715</u>	<u>11,602,866</u>
(v) By geographical distribution determined based on where the credit risk resides		
Malaysia	11,953,466	11,090,861
Singapore	71,317	78,956
Other ASEAN countries	73,013	114,774
Rest of the world	271,919	318,275
	<u>12,369,715</u>	<u>11,602,866</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

12 FINANCING AND ADVANCES (continued)

	30 September 2021 RM'000	31 December 2020 RM'000
(vi) By residual contractual maturity		
Up to one year	4,008,656	3,880,731
Over one year to three years	1,105,420	1,068,952
Over three years to five years	2,289,354	1,593,017
Over five years	4,966,285	5,060,166
	<u>12,369,715</u>	<u>11,602,866</u>

13 IMPAIRED FINANCING AND ADVANCES

(a) Movements in credit-impaired financing and advances

	30 September 2021 RM'000	31 December 2020 RM'000
At 1 January	615,091	345,692
Impaired during the period/year	238,875	449,776
Reclassified as non credit-impaired	(23,087)	(29,492)
Amount recovered	(218,092)	(109,453)
Amount written off	(24,766)	(41,432)
At 30 September/31 December	<u>588,021</u>	<u>615,091</u>
Stage 3 ECL allowance	<u>(231,752)</u>	<u>(149,315)</u>
Net impaired financing and advances	<u>356,269</u>	<u>465,776</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 allowance arising thereon. As at 30 September 2021, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM39 million (31 December 2020: RM227 million) and RM33 million (31 December 2020: RM33 million) respectively.

	30 September 2021 RM'000	31 December 2020 RM'000
(i) By sector		
Agriculture, hunting, forestry and fishing	2,962	195,204
Mining and quarrying	9	-
Manufacturing	29,960	29,274
Construction	98,531	98,855
Real estate	5,797	6,176
Wholesale & retail trade and restaurants & hotels	198,751	92,948
Transport, storage and communication	45,939	48,479
Finance, insurance and business services	17,631	11,217
Community, social and personal services	8,149	606
Household		
- Purchase of residential properties	149,096	107,603
- Purchase of non-residential properties	1,141	-
- Others	30,055	24,729
	<u>588,021</u>	<u>615,091</u>
(ii) By geographical distribution determined based on where the credit risk resides		
Malaysia	581,771	610,451
Singapore	6,197	4,592
Other ASEAN country	53	48
	<u>588,021</u>	<u>615,091</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

13 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL allowance for financing and advances

	30 September				31 December			
	<i>Non credit-impaired</i>		<i>Credit-impaired</i>		<i>Non credit-impaired</i>		<i>Credit-impaired</i>	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	66,433	142,125	149,315	357,873	59,706	53,434	109,208	222,348
Transferred to Stage 1	57,380	(54,929)	(2,451)	-	87,406	(76,993)	(10,413)	-
Transferred to Stage 2	(35,591)	37,373	(1,782)	-	(47,085)	49,367	(2,282)	-
Transferred to Stage 3	(678)	(45,260)	45,938	-	(2,975)	(57,767)	60,742	-
New financial assets originated or purchased	17,134	32,282	-	49,416	23,318	37,655	-	60,973
Financial assets derecognised	(10,445)	(33,635)	(1,744)	(45,824)	(18,690)	(39,326)	(5,652)	(63,668)
Net remeasurement during the period/year	(59,384)	133,471	72,635	146,722	(34,873)	176,602	47,847	189,576
Written-off	-	-	(24,766)	(24,766)	-	-	(41,432)	(41,432)
Other movements	678	379	(5,393)	(4,336)	(374)	(847)	(8,703)	(9,924)
At 30 September/31 December	35,527	211,806	231,752	479,085	66,433	142,125	149,315	357,873
At 1 January								
- Financing and advances	64,675	126,502	149,315	340,492	56,055	46,736	109,208	211,999
- Financing related commitments and financial guarantees	1,758	15,623	-	17,381	3,651	6,698	-	10,349
	66,433	142,125	149,315	357,873	59,706	53,434	109,208	222,348
At 30 September/31 December								
- Financing and advances	35,044	194,928	231,752	461,724	64,675	126,502	149,315	340,492
- Financing related commitments and financial guarantees	483	16,878	-	17,361	1,758	15,623	-	17,381
	35,527	211,806	231,752	479,085	66,433	142,125	149,315	357,873

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	30 September 2021			31 December 2020		
	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	183,374	1,767	299	42,448	256	48
- Swaps	230,980	121	1,505	64,493	1,713	1,721
Profit rate derivatives						
- Swaps	424,082	14,841	15,564	425,400	23,979	25,484
	838,436	16,729	17,368	532,341	25,948	27,253

15 OTHER ASSETS

	30 September 2021 RM'000	31 December 2020 RM'000
Profit receivable	27,329	28,019
Other receivables, deposits and prepayments	4,122	4,266
Amount due from immediate holding company	105,726	69,065
Amount due from ultimate holding company	10	10
Amount due from related company	-	1
	137,187	101,361

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

16 DEPOSITS FROM CUSTOMERS

	30 September 2021 RM'000	31 December 2020 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	642,262	613,063
- Qard	236,756	212,557
Demand deposits		
- Tawarruq	1,226,780	707,734
- Qard	4,383,477	3,998,492

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

16 DEPOSITS FROM CUSTOMERS (continued)

	30 September 2021 RM'000	31 December 2020 RM'000
(a) By type of deposit (continued)		
Term deposits		
- Tawarruq	5,121,406	5,181,896
- Qard	31,886	7,311
Short-term deposits		
- Tawarruq	1,354,870	774,865
	<u>12,997,437</u>	<u>11,495,918</u>
(b) By type of customer		
Government and statutory bodies	402,818	324,831
Non-bank financial institutions	2,047,243	1,300,503
Business enterprises	5,923,623	5,478,370
Individuals	4,308,725	4,078,151
Foreign entities	200,356	183,166
Others	114,672	130,897
	<u>12,997,437</u>	<u>11,495,918</u>
(c) By maturity structure of term deposits and short-term deposits		
Up to six months	4,794,271	5,417,120
Over six months to one year	1,684,253	543,233
Over one year to three years	29,175	3,406
Over three years to five years	463	313
	<u>6,508,162</u>	<u>5,964,072</u>

17 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	30 September 2021 RM'000	31 December 2020 RM'000
Mudharabah RPSIA		
Licensed bank	1,760,537	1,513,014
Amount receivable from immediate holding company under RPSIA	(32,769)	(32,769)
	<u>1,727,768</u>	<u>1,480,245</u>

The placements are from its immediate holding company, OCBC Bank (Malaysia) Berhad and are used to fund specific financing (Note 12). These deposits follow the principle of Mudharabah which states that profits will be shared with the Bank as mudarib and losses borne by depositors.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2021 RM'000	31 December 2020 RM'000
Non-Mudharabah		
Licensed banks	649,812	770,767
Other financial institutions	6,097	4,805
	<u>655,909</u>	<u>775,572</u>

Included in the above are deposits and placements of its immediate holding company of RM637 million (2020: RM737 million), which are unsecured and profit-bearing.

19 OTHER LIABILITIES

	30 September 2021 RM'000	31 December 2020 RM'000
Profit payable	29,998	51,807
Other payables and accruals	74,183	78,527
Amount due to immediate holding company	(a) 32,756	17,136
Amount due to related company	(a) -	167
Amount due to ultimate holding company	(a) 616	464
Equity compensation benefits	784	771
Lease liabilities	3,236	4,523
Provision for commitments and contingencies	14,779	2,034
	<u>156,352</u>	<u>155,429</u>

(a) 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 September 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
Income derived from investment of:				
(i) Term deposits	47,247	61,922	148,474	214,976
(ii) Other deposits	77,932	74,907	230,535	217,504
	<u>125,179</u>	<u>136,829</u>	<u>379,009</u>	<u>432,480</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

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

	Quarter Ended		Year-To-Date Ended	
	30 September 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
(i) Income derived from investment of term deposits				
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	33,106	43,131	103,038	155,680
- Recoveries from credit-impaired financing	764	554	1,974	1,793
- Discount unwind from credit-impaired financing	516	792	1,884	3,000
Financial assets at FVTPL	36	55	115	209
Financial investments at FVOCI	8,243	12,273	27,297	42,980
Deposits and placements with banks and other financial institutions	2,443	1,552	7,506	6,210
	<u>45,108</u>	<u>58,357</u>	<u>141,814</u>	<u>209,872</u>
Other trading income				
Net loss from sale of financial assets at FVTPL	-	(39)	-	(39)
Unrealised (loss)/gain on financial assets at FVTPL	(3)	29	(16)	1
Other operating income				
Net gain from sale of financial investments at FVOCI	1,937	3,354	6,115	8,049
Others	205	221	561	(2,907)
	<u>47,247</u>	<u>61,922</u>	<u>148,474</u>	<u>214,976</u>
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	54,609	52,175	159,949	157,030
- Recoveries from credit-impaired financing	1,262	670	3,088	1,825
- Discount unwind from credit-impaired financing	850	958	2,895	3,015
Financial assets at FVTPL	62	67	180	210
Financial investments at FVOCI	13,596	14,846	42,349	43,456
Deposits and placements with banks and other financial institutions	4,029	1,877	11,696	6,216
	<u>74,408</u>	<u>70,593</u>	<u>220,157</u>	<u>211,752</u>
Other trading income				
Net loss from sale of financial assets at FVTPL	-	(46)	-	(46)
Unrealised (loss)/gain on financial assets at FVTPL	(8)	35	(28)	10
Other operating income				
Net gain from sale of financial investments at FVOCI	3,195	4,057	9,531	8,433
Others	337	268	875	(2,645)
	<u>77,932</u>	<u>74,907</u>	<u>230,535</u>	<u>217,504</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

22 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 September	30 September	30 September	30 September
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	11,421	5,794	30,349	37,071
- Recoveries from credit-impaired financing	2,144	2,710	6,926	4,368
Deposits and placements with banks and other financial institutions	64	-	452	-
	<u>13,629</u>	<u>8,504</u>	<u>37,727</u>	<u>41,439</u>

23 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUND

	Quarter Ended		Year-To-Date Ended	
	30 September	30 September	30 September	30 September
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	11,360	12,643	33,660	40,540
- Recoveries from credit-impaired financing	262	162	648	468
- Discount unwind from credit-impaired financing	177	232	614	779
Financial assets at FVTPL	13	16	38	54
Financial investments at FVOCI	2,829	3,597	8,902	11,202
Deposits and placements with banks and other financial institutions	838	455	2,451	1,613
	<u>15,479</u>	<u>17,105</u>	<u>46,313</u>	<u>54,656</u>
Other trading income				
Net loss from sale of financial assets at FVTPL	-	(11)	-	(11)
Unrealised (loss)/gain on financial assets at FVTPL	(2)	9	(7)	3
Other operating income				
Commission	8,864	6,189	26,795	18,833
Service charges and fees	7,513	6,403	18,458	15,709
Net gain from sale of financial investments at FVOCI	665	983	1,995	2,141
Others	70	65	184	(720)
Other trading income				
Net trading gain/(loss)				
- Foreign currency	335	334	931	(578)
- Derivatives	3,907	4,268	12,652	14,359
- Revaluation of derivatives	339	(103)	630	(1,577)
	<u>37,170</u>	<u>35,242</u>	<u>107,951</u>	<u>102,815</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

24 IMPAIRMENT ALLOWANCE AND PROVISIONS

	Quarter Ended		Year-To-Date Ended	
	30 September 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
Financing and advances				
Stage 1 and Stage 2 ECL net charge during the period	25,239	18,680	38,775	75,987
Stage 3 ECL				
- Made during the period	34,051	46,613	139,734	82,475
- Written back	(15,940)	(4,617)	(27,138)	(20,974)
Credit-impaired financing recovered	(3,640)	(3,422)	(14,574)	(10,592)
Financial investments at FVOCI				
Stage 1 and Stage 2 ECL write-backs during the period	(41)	(93)	(42)	(70)
Commitments and contingencies				
Net (write-back) / charge during the period	(1,186)	-	12,745	-
	<u>38,483</u>	<u>57,161</u>	<u>149,500</u>	<u>126,826</u>

25 INCOME ATTRIBUTABLE TO DEPOSITORS

	Quarter Ended		Year-To-Date Ended	
	30 September 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
Deposits from customers				
- Non-Mudharabah	44,007	58,303	134,347	206,577
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	1,539	699	3,579	8,911
Subordinated sukuk	2,419	2,420	7,180	7,207
Lease liabilities	9	23	59	62
	<u>47,974</u>	<u>61,445</u>	<u>145,165</u>	<u>222,757</u>

26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 September 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	9,524	6,629	26,348	29,633

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

27 OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 September 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
Personnel expenses				
Wages, salaries and bonus	5,443	5,897	14,515	17,491
Employees Provident Fund contributions	819	886	2,452	2,712
Share-based costs	82	98	254	274
Others	740	871	2,363	2,850
	<u>7,084</u>	<u>7,752</u>	<u>19,584</u>	<u>23,327</u>
Establishment expenses				
Depreciation of equipment	361	549	1,236	1,786
Depreciation of ROU assets	459	483	1,392	1,623
Rental of premises	2	(5)	7	(7)
Repair and maintenance	97	408	298	642
Information technology costs	159	171	489	510
Hire of equipment	9	22	66	87
Others	605	661	1,790	2,051
	<u>1,692</u>	<u>2,289</u>	<u>5,278</u>	<u>6,692</u>
Marketing expenses				
Advertising and business promotion	36	28	139	138
Transport and travelling	18	20	40	82
Others	-	2	1	28
	<u>54</u>	<u>50</u>	<u>180</u>	<u>248</u>
General administrative expenses				
Shared service fees to immediate holding company	26,480	26,468	78,713	83,020
IT and transaction processing fees to related companies	5,525	6,923	16,221	21,001
Others	3,249	2,955	8,249	8,180
	<u>35,254</u>	<u>36,346</u>	<u>103,183</u>	<u>112,201</u>
Total operating expenses	<u>44,084</u>	<u>46,437</u>	<u>128,225</u>	<u>142,468</u>

28 INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 September 2021 RM'000	30 September 2020 RM'000	30 September 2021 RM'000	30 September 2020 RM'000
Malaysian income tax				
- Current period charge	14,913	3,376	28,384	17,954
Deferred tax				
- Origination and reversal of temporary differences	(6,219)	(3,213)	(10,064)	(10,354)
	<u>8,694</u>	<u>163</u>	<u>18,320</u>	<u>7,600</u>

29 CAPITAL COMMITMENTS

	30 September 2021 RM'000	31 December 2020 RM'000
Capital expenditure in respect of property and equipment		
- Contracted but not provided for	38	45

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (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 September 2021			31 December 2020		
	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	54,193	54,193	60,944	79,229	76,229	85,163
Transaction-related contingent items	360,327	183,014	124,780	383,512	196,318	122,719
Short-term self-liquidating trade-related contingencies	17,206	4,043	2,392	31,402	6,714	3,735
Foreign exchange related contracts						
- One year or less	363,678	2,541	1,212	42,448	441	322
- Over one year to five years	50,676	4,599	1,668	64,493	8,815	4,196
Profit rate related contracts						
- Over five years	424,082	45,578	39,055	425,400	60,027	52,194
Formal standby facilities and credit lines						
- Original maturity up to one year	16,800	12,600	3,620	40,000	30,000	13,203
- Original maturity over one year	617,004	483,226	393,152	494,136	392,293	328,065
Other unconditionally cancellable commitments	2,541,373	172,716	31,184	2,093,970	175,240	31,864
	4,445,339	962,510	658,007	3,654,590	946,077	641,461

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (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:

	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.	OTC derivatives. Deposits and placements with banks and other financial institutions.	Private debt equity instruments. Corporate sukuk with illiquid markets. Financing and advances. OTC derivatives.
Type of financial liabilities	OTC derivatives.	OTC derivatives. Deposits from customers. Investment accounts due to designated financial institutions. Deposits and placements of banks and other financial institutions. Subordinated sukuk.	OTC derivatives.

Financial instruments carried at fair value

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2021				
Financial assets at fair value				
Financial assets at FVTPL	10,104	-	-	10,104
Financial investments at FVOCI	3,005,804	499,686	-	3,505,490
Derivative financial assets	35	16,561	133	16,729
	3,015,943	516,247	133	3,532,323
Financial liabilities at fair value				
Derivative financial liabilities	31	17,336	1	17,368
31 December 2020				
Financial assets at fair value				
Financial assets at FVTPL	10,155	-	-	10,155
Financial investments at FVOCI	3,205,326	999,225	-	4,204,551
Derivative financial assets	69	25,878	1	25,948
	3,215,550	1,025,103	1	4,240,654
Financial liabilities at fair value				
Derivative financial liabilities	30	27,219	4	27,253

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (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:

	30 September 2021 RM'000	31 December 2020 RM'000
Financial assets at fair value		
At 1 January	1	-
Unrealised gain recognised in profit or loss	132	1
At 30 September/31 December	<u>133</u>	<u>1</u>
Financial liabilities at fair value		
At 1 January	4	-
Unrealised loss recognised in profit or loss	(3)	4
At 30 September/31 December	<u>1</u>	<u>4</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 September 2021 Fair value RM'000	31 December 2020 Fair value RM'000	Classification	Valuation technique	Unobservable input
Asset					
Derivative financial assets	<u>133</u>	<u>1</u>	Hedge for trading	Option pricing model	Standard deviation
Liability					
Derivative financial liabilities	<u>1</u>	<u>4</u>	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.

32 CAPITAL ADEQUACY

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

	30 September 2021 RM'000	31 December 2020 RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	1,087,873	1,057,988
Other reserves	98,039	138,940
Regulatory adjustment	3,230	(31,115)
	<u>1,744,142</u>	<u>1,720,813</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2021 (continued)

32 CAPITAL ADEQUACY (continued)

	30 September 2021 RM'000	31 December 2020 RM'000
Tier 2 capital		
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	2,886	2,659
Surplus eligible provisions over expected losses	55,787	53,936
Subordinated sukuk	200,000	200,000
	<u>258,673</u>	<u>256,595</u>
Capital base	<u>2,002,815</u>	<u>1,977,408</u>
	30 September 2021	31 December 2020
Before the effects of PSIA		
CET 1/Tier 1 capital ratio	15.694%	16.533%
Total capital ratio	<u>18.022%</u>	<u>18.998%</u>
After the effects of PSIA		
CET 1/Tier 1 capital ratio	16.891%	17.239%
Total capital ratio	<u>19.396%</u>	<u>19.810%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts ("RPSIA") which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 September 2021, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM787 million (31 December 2020: RM427 million).

The bank has elected to apply the transitional arrangements for regulatory capital treatment of accounting provisions for four financial years commencing in 2020. Had the transitional arrangements not been applied, the Bank's capital adequacy ratios would be as follows:

	30 September 2021 RM'000	31 December 2020 RM'000
After the effects of PSIA		
CET 1 / Tier 1 capital ratio	15.592%	16.284%
Total capital ratio	<u>18.097%</u>	<u>18.854%</u>

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

	30 September 2021 RM'000	31 December 2020 RM'000
Total RWA for credit risk	9,528,670	9,202,127
Total RWA for market risk	9,588	3,848
Total RWA for operational risk	787,857	776,034
	<u>10,326,115</u>	<u>9,982,009</u>