

**OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES**
(Incorporated in Malaysia)

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

OCBC BANK (MALAYSIA) BERHAD
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CONTENTS	PAGE
DIRECTORS' REPORT	3 - 15
STATEMENT BY DIRECTORS	16
STATUTORY DECLARATION	16
INDEPENDENT AUDITORS' REPORT	17 - 20
STATEMENTS OF FINANCIAL POSITION	21
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	22
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	23
STATEMENT OF CHANGES IN EQUITY	24
STATEMENTS OF CASH FLOWS	24 - 27
NOTES TO THE FINANCIAL STATEMENTS	28 - 154

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Group and the Bank are principally engaged in banking and related financial services. There has been no significant change in the nature of these activities during the financial year.

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard Oversea-Chinese Banking Corporation Limited ("OCBC Ltd"), a licensed commercial bank incorporated in Singapore, as the immediate and ultimate holding company of the Bank during the financial year and until the date of this report.

SUBSIDIARY COMPANIES

The details of the Bank's subsidiary companies are disclosed in Note 13 to the financial statements.

FINANCIAL RESULTS

	Group 2020 RM'000	Bank 2020 RM'000
Profit for the year attributable to the owner of the Bank	<u>564,491</u>	<u>492,666</u>

SHARE CAPITAL AND DEBENTURES

There were no changes in the issued and paid-up share capital nor debentures issued by the Bank during the financial year other than those disclosed in the financial statements.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review other than those disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Bank paid a final dividend of 63 sen per ordinary share totalling RM181,125,000 in respect of the financial year ended 31 December 2019 as reported in the Directors' Report of that year, on 15 May 2020.

The Directors recommend a final dividend of 72 sen per ordinary share in respect of the current financial year amounting to RM207,000,000. This dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the subsequent financial period upon approval by the Board of Directors and shareholder of the Bank.

FINANCIAL PERFORMANCE

The Group recorded a net profit of RM564 million for the financial year ended 31 December 2020; a decline of RM389 million or 41% compared to the previous financial year, mainly due to higher impairment allowances by RM458 million made to buffer against increased expected credit losses under worsened market conditions brought about by the COVID-19 pandemic.

The Group's total income decreased marginally by 1% or RM23 million, largely due to lower gains on disposal of financial investments of RM45 million, lower fee and commission income of RM7 million and lower net interest income by 1% or RM18 million impacted by four Overnight Policy Rate ("OPR") cuts totalling 125 basis points during the financial year and partially offset by better trading income of RM51 million.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

FINANCIAL PERFORMANCE (continued)

Operating expenses were kept flat despite having incurred unplanned costs of protection against COVID-19 which included the provision of masks, sanitisers and thermal scanners for staff working onsite, whilst laptops and digital licenses were purchased en bloc to enable staff to work from home.

After deducting proposed dividends, the Group and the Bank remained well capitalised with Common Equity Tier 1 capital ratios of 15.686% and 15.281%, Tier 1 capital ratios of 16.539% and 16.337% and Total capital ratios of 19.113% and 18.908%, respectively.

MARKET OUTLOOK

Global economic recovery, dampened in the near term by a resurgence of COVID-19 cases, is expected to strengthen as confidence, consumption and trade gradually improve, supported by ongoing vaccinations. The World Bank has projected the global economy to grow at 4% in 2021, predicated on proper pandemic management and effective vaccination limiting the community spread of COVID-19 in many countries, as well as continued monetary policy accommodation accompanied by diminishing fiscal support. However, the overall outlook remains subject to downside risks, primarily if there is further resurgence of COVID-19 infections and delays in mass inoculations against COVID-19.

The recovery momentum of the Malaysian economy in the last quarter of 2020 was also impacted with the recent resurgence in COVID-19 cases in the country. While near-term growth in 2021 will be affected by the re-introduction of stricter containment measures, the impact is expected to be less severe than that experienced in the first half of 2020. The growth trajectory is projected to improve from the second quarter onwards driven by recovery in global demand, turnaround in public and private sector expenditure amid continued support from policy measures, and higher production from existing and new manufacturing and mining facilities. The roll-out of vaccines in the coming months will also lift sentiments. Downside risks to this outlook include the dynamics of the pandemic and potential challenges that might affect the roll-out of vaccines both globally and domestically.

ACTIVITIES AND ACHIEVEMENTS

During the period under review, OCBC Bank (Malaysia) Berhad ("OCBC Malaysia") and its subsidiaries won several industry awards in recognition of its market leadership position in the syndicated loan market and strong efforts in promoting sustainable financing as an integral part of its business. The awards include "Best Loan Adviser, Malaysia" by The Asset, as well as clinching accolades for "Malaysia International Initiative of the Year for Green Financing" and "Malaysia International Project Finance Bank of the Year" during the recent Asian Banking and Finance Awards.

In consumer banking, we continued our digital journey to redefine banking through the launch of FRANK by OCBC, which offers the mobile generation greater personal control over their finances and entirely through their smart phones. For high net worth clients, we introduced a digital client onboarding initiative for them to establish a relationship with us from the comfort of their own locations digitally. At the height of the pandemic, we also set up a phone banking centralised system to manage footfall and banking transaction requests without the need for clients to be present at our branches. For our thriving client base, we introduced a Premier multi-channel strategy that aims to remove over-dependence on relationship managers. We also relocated our Melaka branch to significantly larger and more visible premises to cater to our burgeoning high net worth clientele there.

As part of our overall digital roadmap, we became the first foreign bank to provide a digital account opening option for businesses, with a relatively low initial deposit. The initiative benefits small and medium sized enterprises ("SME") customers by removing the need to join queues at the Bank thanks to a remote application process. We also made our first significant venture into digital financing with an established supply chain platform for major supermarkets in the region, paving the way for us to book new-to-bank lending customers even during the difficult period of the pandemic.

Our corporate and commercial banking efforts focused on supporting community development projects that contribute to improving the living standards of communities both locally and regionally. These included efforts in supporting basic infrastructure improvements, affordable homes and further expansion into sustainability initiatives such as those related to solar and renewable energy.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

ACTIVITIES AND ACHIEVEMENTS (continued)

Despite the challenges of the pandemic, we continued to provide dynamic financial solutions to support our customers' ambitions in privatisation, private equity, IPOs and mergers and acquisitions.

In Treasury, we navigated the difficulties surrounding the pandemic and embraced the trading opportunities related to the US-China trade war, local political developments and the pandemic. We also launched our online FX platform to ensure clients are served even more seamlessly.

OCBC Al-Amin Bank Berhad ("OCBC Al-Amin"), OCBC Malaysia's Islamic Banking subsidiary, continued to innovate in sustainable financing by successfully lead-arranging a first-of-its-kind syndicated multi-currency Shariah-compliant sustainability-linked set of financing facilities of USD800 million for one of the leading telecommunications groups in Asia. This landmark transaction, along with other innovations, won us several Islamic banking awards from various renowned industry publications including Best ASEAN Sustainability SRI Sukuk (Malaysia & Regional), Best Islamic Finance Deal – Asia Pacific, Islamic Finance Deal of the Year, Best Islamic Subordinated Perpetual Bond & Most Innovative Islamic Finance Deal of the Year, and Best ESG Green Financing in Southeast Asia: Malaysia.

Our Islamic banking efforts also centred on deepening relationships and enhancing our product offerings, growing the mortgage segment and strengthening our wealth product proposition.

For staff development, we launched our cloud management system as we continued our 3-year Future Smart journey to upskill and reskill our workforce to be future ready. To promote employees' well-being in light of the pandemic, we provided support through counselling sessions, mental wellness programmes and train-the-trainer modules.

Our corporate social responsibility ("CSR") efforts rode on the momentum of past years with our corporate, division and branch-level initiatives benefitting a record 70,000 people through the collective efforts of more than 2,000 staff. The various projects by the divisions and branches focused on addressing the difficulties brought about by the pandemic and centred on families, promoting education, protecting the environment, promoting engagement with the community and humanitarian work.

MAJOR BUSINESS PLANS AND ACTIVITIES FOR YEAR 2021

Moving into 2021, OCBC Malaysia will continue to uphold its position as a banker of choice and among the top foreign banks in the country with the combined strength of our conventional and Islamic banking franchise as well as in the areas of managing risks, maximising collaboration within business units and growing our wealth products platform.

In consumer banking, we will continue to build our wealth management and Premier and Private Client services through collaborations within the OCBC Group network and referral intermediaries, and by introducing dedicated hub locations for high net worth clients. We will also invest in digital capabilities and introduce fresh initiatives to support customer acquisition. Alongside this, we will endeavour to improve sales staff productivity.

For SMEs, we will continue to focus on digital account opening with an eKYC option to totally remove the need to visit a branch for account activation. We also aim to create greater value for SMEs through an enhanced approach to bundling our products.

Our corporate and commercial banking efforts will continue to focus on supporting our customers' local and regional business ambitions by matching their business expansion requirements with the OCBC Group's strong integrated network of regional capabilities and digital solutions, delivering a seamless and enhanced cross-border customer experience in business banking.

On the back of its ongoing ground-breaking sustainable financing efforts, OCBC Al-Amin will move ahead to focus on similar opportunities in tandem with OCBC Malaysia as part of its long-term growth strategy, which is in keeping with its responsible financing framework. We are also actively exploring strategic collaborations in support of the sustainability and value-based intermediation (VBI) agenda amidst the realities of the pandemic.

The focus of our treasury business will continue to be on collaborating with our partners to improve customer reach and advocacy across delivery channels and processes, alongside purposeful digital initiatives.

Our staff development efforts will continue to revolve around the "We See You" platform where we provide the opportunity for staff to develop their skills in tandem with our Future Smart initiatives for a seamless learning experience and which will remain part of the core of what we will be doing moving ahead.

On the CSR front, we will ride on the momentum created by our various divisions' and branches' efforts in the last few years to fulfil the social needs of the communities where we operate, maintaining our position as a bank that cares beyond business. Our initiatives will continue to provide an environment for every employee to volunteer in one way or another.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

RATINGS BY EXTERNAL AGENCY

RAM Rating Services Berhad ("RAM") has reaffirmed OCBC Bank (Malaysia) Berhad's financial institution rating on 19 August 2020 at AAA/P1 with stable outlook, reflecting the Group's healthy credit metrics and established franchise.

DIRECTORS OF THE BANK

Directors who served during the financial year until the date of this report are:

Tan Ngiap Joo, *Independent Non-executive Chairman*
Samuel N. Tsien, *Non-independent Executive Director*
Tong Hon Keong, *Independent Non-executive Director*
Datuk Azizan Bin Haji Abd Rahman, *Independent Non-executive Director*
Yap Seong Yong, Janet, *Independent Non-executive Director*

In accordance with Articles 106 and 107 of the Bank's Constitution (Articles of Association), Datuk Azizan Bin Haji Abd Rahman and Ms Yap Seong Yong, Janet, shall retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

PROFILE OF THE BOARD OF DIRECTORS

Mr Tan Ngiap Joo

Mr Tan Ngiap Joo was appointed to the Board on 1 October 2015 and appointed as Chairman of the Board on 30 March 2018. He spent 20 years in Citibank NA serving in various capacities, including Senior Risk Manager of Citibank Australia covering both Australia and New Zealand and postings overseas prior to joining Oversea-Chinese Banking Corporation Limited ("OCBC Bank") in August 1990 where he held senior positions over the years, including Chief Executive of OCBC's Australian operations and Head of Group Business Banking. He was appointed Deputy President in December 2001 and retired in December 2007. He is also the Chairman of Investment Committee for MASCOT Private Trust and of OCBC Al-Amin Bank Berhad as well as a Director of OCBC Bank, OCBC Management Services Pte Ltd and Gemstone Asset Holdings Pte Ltd. Mr Tan holds a Bachelor of Arts from University of Western Australia.

Mr Samuel N. Tsien

Mr Samuel Tsien was appointed to the Board on 15 April 2012. He is currently a Director and Group Chief Executive Officer of OCBC Bank. He joined OCBC Bank in July 2007 as Senior Executive Vice President and Global Head, Global Corporate Bank overseeing the corporate and commercial banking business at OCBC Bank. He has more than 42 years of banking experience. Prior to joining OCBC Bank, he was the President and Chief Executive Officer of China Construction Bank (Asia) when China Construction Bank acquired Bank of America (Asia). From 1995 to 2006, he was President and Chief Executive Officer of Bank of America (Asia) and Asia Consumer and Commercial Banking Group Executive of Bank of America Corporation. Mr Tsien is a Commissioner of PT Bank OCBC NISP Tbk and he also serves on the boards of major OCBC Group of Companies, including Great Eastern Holdings Ltd, Bank of Singapore Ltd, OCBC Wing Hang Bank Ltd and OCBC Wing Hang Bank (China) Ltd. He is also a Director of Mapletree Investments Pte Ltd and Dr Goh Keng Swee Scholarship Fund. His other commitments include serving as the Chairman of the Association of Banks in Singapore and the Vice Chairman of the IBF Council, a member of the Monetary Authority of Singapore ("MAS") Financial Centre Advisory Panel and a member of the MAS Payments Council. Mr Tsien holds a Bachelor of Arts with Honours in Economics from the University of California, Los Angeles and is an IBF Distinguished Fellow.

Mr Tong Hon Keong

Mr Tong Hon Keong was appointed to the Board on 21 July 2014. He had an illustrious career in Maybank spanning over 30 years. He gained wide ranging experience in various functional responsibilities covering Planning, Information Systems, Central Operations and Management Information Services. Mr Tong holds a Bachelor of Economics (Hons.) from University of Malaya.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

PROFILE OF THE BOARD OF DIRECTORS (continued)

Datuk Azizan Bin Haji Abd Rahman

Datuk Azizan bin Haji Abd Rahman was appointed to the Board on 3 June 2016 as an independent Non-executive Director. He has more than 30 years of experience in the financial industry. He began his career in Bank Negara Malaysia ("BNM") in 1979 where he held several positions in the areas of finance, examination and supervision, and was also the Director of the Banking Supervision Department. While in BNM, Datuk Azizan was a board member of Kumpulan Wang Amanah Pencen and ERF Sdn Bhd, and also an Advisor to the Malaysian Accounting Standards Board. Datuk Azizan was the former Director-General of Labuan Financial Services Authority ("Labuan FSA") where he served for more than six years until his retirement in 2011. While serving in Labuan FSA, Datuk Azizan was a member of several boards including Labuan Corporation and Financial Park (Labuan) Sdn Bhd, as well as an executive committee member of the Malaysian Islamic Finance Committee.

Datuk Azizan is the Chairman of the Board of Directors of Malaysian Rating Corporation Berhad and MIDF Amanah Investment Bank Bhd. Datuk Azizan is also a board member of OCBC Al-Amin Bank Berhad, Malaysian Industrial Development Finance ("MIDF") Bhd, Cagamas SRP Bhd, Danum Capital Berhad, Cagamas Berhad, Kensington Trust Malaysia Bhd and several private limited companies. Datuk Azizan holds a Bachelor's degree in Accounting from University Malaya and a Masters in Business Administration from University of Queensland, Australia. He is a fellow member of CPA Australia and a Chartered Accountant of the Malaysian Institute of Accountants.

Ms Yap Seong Yong, Janet

Ms Yap Seong Yong, Janet was appointed to the Board on 1 April 2019 as an independent Non-executive Director. She was the Technology Managing Director and Corporate Social Responsibility Lead of Accenture Malaysia with more than 32 years of experience in technology and management information consultancy covering various industries and geographies including Malaysia, Hong Kong, China, Thailand, Indonesia and Singapore, building a career in systems implementation and SAP consulting. She is presently a member of the Board of Trustees of World Vision Malaysia. She was appointed as the Chief Executive Officer of Cancer Research Malaysia on 9 March 2020. Ms Yap Seong Yong, Janet holds a Bachelor of Arts with Double Majors in Computing & Information Science and Economics from University of Guelph, Ontario, Canada.

DIRECTORS' INTERESTS IN SHARES AND OPTIONS

The interest and deemed interests in the shares of the Bank and its related corporations (other than wholly-owned subsidiaries) of those who were Directors at the end of financial year (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Registrar of Directors' Shareholding are as follows:

Oversea-Chinese Banking Corporation Limited

Shareholdings registered in the name of Directors or in which Directors have a direct interest

Ordinary Shares

Tan Ngiap Joo
Samuel N. Tsien

	At 1 January 2020	Acquired/ Awarded	Disposed	At 31 December 2020
Tan Ngiap Joo	1,366,312	33,939	-	1,400,251
Samuel N. Tsien	1,758,786	703,948	(437,580)	2,025,154

OCBC Deferred Share Plan and OCBC Employee Share Purchase Plan

Ordinary Shares

Samuel N. Tsien

	At 1 January 2020	Awarded/ Granted	Exercised/ Forfeited/ Lapsed	At 31 December 2020
Samuel N. Tsien	691,216	457,051	(229,064)	919,203

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

DIRECTORS' INTERESTS IN SHARES AND OPTIONS (continued)

Oversea-Chinese Banking Corporation Limited (continued)

Unexercised share options available to the Directors under the OCBC Share Option Scheme 2001	Date options expire	At		Exercised/	At
		1 January 2020	Awarded/ Granted	Forfeited/ Lapsed	31 December 2020
<u>Ordinary Shares</u>					
Samuel N. Tsien	13/03/2021 - 21/3/2028	5,034,060	-	(437,580)	4,596,480

Other than the above, no other Directors in office during the financial year held any interest in shares and options over shares of the Bank and its related corporations.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than the benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in Note 29 to the financial statements or the fixed salary of a full time employee of the Bank or of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in the Bank or any other body corporate except for the share options granted to executives of the Group and the Bank pursuant to the OCBC Share Option Scheme 2001, shares granted under the OCBC Deferred Share Plan which will vest three years from the grant date and will lapse when the Director ceases employment during the vesting period, and acquisition rights under the OCBC Employee Share Purchase Plan.

CORPORATE GOVERNANCE

Board Composition and Independence

The Board comprises five Directors, all of whom are Non-executive Directors except for one Non-independent executive Director. The independent Non-executive Directors are Mr Tan Ngiam Joo (Chairman of the Board), Mr Tong Hon Keong, Datuk Azizan Bin Haji Abd Rahman and Ms Yap Seong Yong, Janet while the Non-independent executive Director is Mr Samuel N. Tsien.

The Bank has set a policy on the tenure limit at 9 continuous years for Independent Directors. The Nominating & Remuneration Committee shall assess the independence of the Directors who have served the Bank continuously for 9 years or more. The Committee can invite the Independent Director to serve his or her tenure beyond 9 years if the Committee is satisfied, after the assessment, that the relevant Director's independence is not compromised and it is in the interest of the Bank to retain the service of the relevant Director in the same capacity.

The roles of the Chairman and the Chief Executive Officer ("CEO") are separated, which is consistent with the principles of corporate governance as set out in BNM's Policy on Corporate Governance, to institute an appropriate balance of power and authority. The Chairman's responsibilities, to name a few, include leading the Board to ensure its effectiveness on all aspects of its role; setting its meeting agendas; ensuring that Directors receive accurate, timely and clear information; encouraging constructive relations between the Board and management; facilitating the effective contribution of Non-executive Directors; and promoting high standards of corporate governance.

The members of the Board, as a group, provide skills and competencies to ensure the effectiveness of the Board. These include banking, accounting, finance, legal, strategy formulation, business acumen, management experience, familiarity with regulatory requirements, knowledge of risk management and technology.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

CORPORATE GOVERNANCE (continued)

Board Composition and Independence (continued)

As a principle of good corporate governance, all Directors are subject to re-election/re-appointment (by rotation) pursuant to the Bank's Constitution (formerly the Articles of Association) and BNM's approval.

Some of the Directors are also members of the Board Audit Committee, the Nominating & Remuneration Committee and the Risk Management Committee. The Board is satisfied that the Directors have been able to devote adequate time and attention to fulfil their duties as Directors of the Bank, in addition to their representation at Board Committees.

Board Conduct and Responsibilities

The Board is elected by the shareholder to supervise the management of business and affairs of the Bank. The prime stewardship responsibility of the Board is to ensure the viability of the Bank and to ensure that it is managed in the best interests of the shareholder and other stakeholders.

Broadly, the responsibilities of the Board include, but are not limited, to the following:

- Reviewing and approving overall business strategy developed and recommended by management;
- Ensuring that decisions and investments are consistent with long-term strategic goals;
- Ensuring that the Bank is operated to preserve its financial integrity and in accordance with policies approved by the Board;
- Overseeing, through the Board Audit Committee, the quality and integrity of the accounting and financial reporting systems, disclosure controls and procedures and internal controls; and through the Risk Management Committee, the quality of the risk management processes and systems;
- Reviewing any transaction for the acquisition or disposal of assets that is material to the Bank; and
- Providing oversight in ensuring that the Bank's risk appetite and activities are consistent with the strategic intent, operating environment, effective internal controls, capital sufficiency and regulatory standards.

Prior to each meeting, members are provided with timely and adequate information to enable them to fulfil their responsibilities. Information provided includes background information on matters to be addressed by the Board, copies of disclosure documents, monthly internal financial reports, risk management reports, budgets, forecasts and reports of variance from budgets and forecasts.

The Board and the Board Audit Committee have separate and independent access to the internal auditors, external auditors, the Bank's senior management and the Bank's Company Secretary. The Directors may, in addition, seek independent professional advice at the Bank's expense as may be deemed appropriate.

Training and development is provided to the Directors, on a continuing basis, to develop and refresh their skills and knowledge to enable them to effectively perform their roles on the Board and its Committees. This, among others, includes updates on regulatory developments, new business and products, accounting and finance, corporate governance, risk management, cybersecurity and technology, which are provided by subject matter experts from within and outside the Bank. A separate programme is established for new Directors which focuses on introductory information, briefings by senior executives on their respective areas and external courses, where relevant.

Board Audit Committee ("BAC")

The BAC comprises Datuk Azizan Bin Haji Abd Rahman (BAC Chairman), Mr Tong Hon Keong and Mr Tan Ngiap Joo; all of whom are independent Directors.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

CORPORATE GOVERNANCE (continued)

Board Audit Committee (continued)

The Board approved the terms of reference of the BAC that describe the responsibilities of its members. The BAC may meet at any time. It has full access to and co-operation from management, and has the discretion to invite any Director and executive officer to attend its meetings. It has explicit authority to investigate any matter within its terms of reference.

In addition to the review of the Group's and the Bank's financial statements, the BAC reviews and evaluates, with the external auditors and internal auditors, the adequacy and effectiveness of the system of internal controls including financial, operational, compliance and information technology controls, and risk management policies and systems. It reviews the scope and results of the audits, the cost-effectiveness of the audits, and the independence and objectivity of the external auditors and internal auditors. When the external auditors provide non-audit services to the Bank, the BAC keeps the nature, extent and costs of such services under review. This is to balance the objectivity of the external auditors against their ability to provide value-for-money services. The BAC also reviews significant financial reporting issues and judgements to ensure the integrity of the financial statements.

The Bank has in place a whistle blowing policy and the BAC reviews concerns, including anonymous complaints, which staff may, in confidence, raise about possible improprieties in matters of financial reporting or other matters, and have the concerns independently investigated and followed-up. If fraud is determined, appropriate remedial action will be taken by the management and the BAC is updated regularly on its status. The BAC Chairman shall be the designated Non-executive Director responsible to review and evaluate the effectiveness of whistle blowing policy. The whistle-blower's interest will be safeguarded at all times, including the right to appeal to the BAC if reprisals are taken against him.

The BAC meets at least once a year with the external auditors and internal auditors in separate sessions and without the presence of management to consider any matters which might be raised privately. Formal reports are sent to the BAC on a regular basis. The Board is updated on these reports. The BAC has received the requisite disclosures from the external auditors evidencing the latter's independence. It is satisfied that the financial, professional and business relationships between the Bank and the external auditors are compatible with maintaining the independence of the external auditors.

Internal Audit Function

The BAC approves the Audit Charter of Internal Audit and reviews the effectiveness of the internal audit function. In line with leading practice, Internal Audit's mission statement and charter require it to provide independent and reasonable, but not absolute assurance that the Bank's governance, risk management and internal control processes, as designed and implemented by senior management, are adequate and effective.

Internal Audit reports on the adequacy and effectiveness of the system of internal controls to the BAC and management, but does not form any part of the system of internal controls. Internal Audit meets or exceeds the International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors and the Shariah Governance Framework for Islamic Financial Institutions issued by BNM. In addition, the Internal Auditors have acquired the necessary qualifications and training in Islamic Banking.

Internal Audit adopts a risk-based audit approach whereby audit work is prioritised and scoped according to an assessment of current and emerging risks, including financial, operational, technology, compliance and strategic risks.

The work undertaken by Internal Audit involves the assessment of the adequacy and effectiveness of the Bank's governance, risk management and internal control processes in meeting its strategic objectives and operating within the risk appetite established. In addition, Internal Audit provides an independent assessment of the Bank's credit portfolio quality and credit risk management process. Reviews conducted by Internal Audit also focus on the Bank's compliance with relevant laws and regulations, adherence to established policies and whether management has taken appropriate measures to address control deficiencies. Internal Audit provides advice, without assuming management responsibility, on the development of new businesses as well as system developments and enhancements where the objective is to add value and improve governance, risk management and controls.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

CORPORATE GOVERNANCE (continued)

Internal Audit Function (continued)

The BAC is responsible for the adequacy of the internal audit function, its resources and its standing, and ensures that processes are in place for recommendations raised in Internal Audit reports to be dealt with in a timely manner and outstanding exceptions or recommendations are closely monitored. Internal Audit reports functionally to the BAC and administratively to the CEO, and has unfettered access to the BAC, the Board and senior management, as well as the right to seek information and explanations. The division is organised into departments that are aligned with the structure of the Bank. The BAC approves the appointment, removal and remuneration of the Head of Internal Audit and is also notified if the Head of Internal Audit resigns.

Internal Controls

The Bank has established an internal control policy to provide a solid foundation for building an effective internal control system and to help strengthen the control culture of the Bank. The policy outlines the key control objectives that are essential for internal control activities to remain focused. The policy is reviewed at least annually or as when required.

The Bank also has in place self-assessment processes for all business units to assess and manage the adequacy and effectiveness of their internal controls, and their level of compliance with applicable rules and regulations. Senior management attests annually to the CEO and the Risk Management Committee ("RMC") on the adequacy and effectiveness of the internal control system, as well as report key control deficiencies and accompanying remedial plans.

Based on the internal controls established and maintained by the Bank, work performed by the internal auditors and external auditors, and reviews performed by management and various Board Committees, the Board, with the concurrence of the BAC and the RMC, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls, and risk management systems, were adequate and effective, to address the risks which the Bank considers relevant and material to its operations.

The system of internal controls provides reasonable, but not absolute assurance that the Bank will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Nominating & Remuneration Committee ("NRC")

The NRC comprises Mr Tan Ngiap Joo, Datuk Azizan Bin Haji Abd Rahman and Ms Yap Seong Yong, Janet; all of whom are independent Directors. Pending the appointment of the new NRC Chairman, the chairman of the NRC meeting shall be elected by the NRC members at the meeting.

The Board approved the terms of reference of the NRC. The Committee shall be entitled to secure the attendance of any person with relevant experience and expertise at committee meetings if the Committee considers this appropriate.

The Committee shall assess and recommend nominees for directorship, Board Committee membership and for the CEO position, including reappointment of Directors before an application is submitted to BNM for approval. The actual decision as to who shall be nominated shall be the responsibility of the full Board. The Committee shall oversee the annual review of the overall composition of the Board and Board balance, Directors' independence, competency and skills as well as the assessment to ensure that the Directors and key senior management officers are not disqualified under Section 59 of the Financial Services Act 2013. The annual performance evaluation process of the Board as a whole, the Board Committees as well as of the individual Directors was established with the endorsement of the Committee. The Committee will oversee the appointment, management succession planning and performance evaluation of key senior management officers, including recommending to the Board the removal of key senior management officers if they are ineffective, errant and negligent in discharging their responsibilities.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

CORPORATE GOVERNANCE (continued)

Nominating & Remuneration Committee (continued)

The Committee may review the human resource management policies and make recommendations to the Board on policies governing the remuneration of the Executive Directors, including the CEO, and the Non-executive Directors. In considering its recommendations to the Board on the remuneration policies, the Committee shall take into consideration the feedback and inputs from the RMC. In addition, the Committee shall make recommendations to the Board on the remuneration, fee and benefits of the Directors as well as the compensation of the CEO. The Committee shall review and approve the compensation of executive officers of the Bank of any rank as may be delegated by the Board, including key senior management officers and Material Risk Takers.

Remuneration Policy

The objective of the Group's and the Bank's remuneration policy is to attract, motivate, reward and retain quality staff. The Board ensures that the remuneration policies are in line with the strategic objectives and corporate values of the Group and the Bank, and do not give rise to conflicts between the objectives of the Group and the Bank and the interests of individual Directors and key executives.

The total compensation packages for employees comprise basic salary, variable performance bonus, allowances and deferred share awards for eligible executives, as well as benefits. Compensation is significantly differentiated between performance levels. Executives are remunerated based on the achievements of their own performance measures, and the demonstration of core values and competencies, while taking into account market compensation data for their respective job roles. Compensation packages are linked to personal performance, the performance of organisational function as a whole and the overall performance of the Group and the Bank. Compensation is tied to the achievement of business and performance objectives based on a balanced scorecard approach and adherence to core values. Where relevant, financial measures are adjusted as appropriate for the various types of risk (such as market, credit and operational risks) and include:

- Operating efficiency measures which include revenue, direct and allocated costs and operating profits, net profits as well as efficiency indicators such as unit costs.
- Economic efficiency measures such as cost of capital. Capital is attributed to each business based on the amount of risk-weighted assets used and the return on capital.
- Liquidity is factored into the performance measurement of each business through the application of liquidity premiums charged or credited according to the behavioural maturity of each type of asset and liability booked.

Each business unit has its own performance measures that match its functions and objectives that are consistent with the Group's and the Bank's risk appetite. In the determination of remuneration of senior executives, risk and control indicators as well as audit findings and compliance issues are taken into account when assessing business performance. The performance of risk and compliance functions is measured independently of the businesses they oversee. Employees in these functions are assessed based on the achievement related to their respective performance measures.

In determining the composition of compensation packages, the Group and the Bank take into account the time horizon of risk and include, in the total compensation for executives, a portion of deferred payment in the form of deferred shares. For senior management and officers entrusted with the effective implementation of Shariah governance in the business and operations of OCBC Al-Amin Bank Berhad, the Group and the Bank shall also take into account the reinforcement of a risk culture that is in line with Shariah governance objectives.

The Group and the Bank have identified a group of senior executives whose authorities and actions are deemed to have a major influence on the long term performance of the Group and the Bank. This group ("Material Risk Takers") comprises certain members of senior management, employees of Senior Vice President rank and above, key personnel at business units, senior control staff and employees who had been awarded high variable performance bonuses.

The Group's and the Bank's remuneration policy requires Material Risk Takers to have 40% of their total variable compensation deferred as long term incentive, if the total variable compensation meets a minimum threshold. The long term incentive will be in the form of OCBC Bank deferred shares. Share awards under the OCBC Deferred Share Plan ("the Plan") are also granted annually to other eligible executives who are paid high variable performance bonuses. The share awards form 20% to 40% of their total variable performance bonus for the year.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

CORPORATE GOVERNANCE (continued)

Remuneration Policy (continued)

Under the Plan, 50% of the share awards will vest after two years with the remaining 50% vesting at the end of the third year in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

Quantitative disclosure of the Group's and the Bank's key management and other material risk takers remuneration is disclosed in Note 29 to the financial statements.

All variable cash compensation of senior executives and share grants are subject to cancellation and clawback if it is determined that they were made on the basis of materially inaccurate financial statements and/or the employee has engaged in conduct that results in financial loss, reputational harm, restatement of financial results and/or adverse changes of the Group's and the Bank's risk profile/rating and/or the employee has committed a gross misconduct, fraud or breach of trust in relation to the Group or the Bank.

The Group's and the Bank's compensation practices are reviewed annually by an independent party to ensure that it meets the Financial Stability Forum ("FSF") principles and implementation standards for Sound Compensation Practices, as well as regulatory requirements.

Risk Management Committee ("RMC")

The RMC comprises Mr Tong Hon Keong (RMC Chairman), Mr Tan Ngiap Joo, Datuk Azizan Bin Haji Abd Rahman and Ms Yap Seong Yong, Janet; all of whom are independent Directors.

BNM had, on 8 February 2007, approved the delegation of approving authority of the Board of Directors pertaining to risk management matters to the RMC. The Board approved the terms of reference of the RMC. The Committee shall meet at least once every quarter. The Committee shall be entitled to secure the attendance of any person with relevant experience and expertise at committee meetings if the Committee considers this appropriate.

The Committee shall review and approve risk management strategies, policies and risk tolerance; review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk. The Committee shall ensure the infrastructure, resources and systems are in place for risk management; review management's periodic reports on risk exposure, risk portfolio composition and risk management activities; the Committee shall ensure compliance with OCBC Group's risk management strategies, policies and tolerance.

Management Information

All Directors review the Board and Board Committee reports prior to the Board meetings. Information and materials, duly endorsed by the CEO and the relevant functional heads, that are important to the Directors' understanding of the agenda items and related topics are distributed in advance of the meeting. These are issued in sufficient time to enable the Directors to obtain further explanations, where necessary, in order to be briefed properly before the meeting. The Bank will provide information on business, financials and risks to the Directors on a regular basis as well as on an ad-hoc basis.

The Board and Board Committee reports include, amongst others, the following:

- Minutes of meetings of all Board and Board Committees;
- Performance Report;
- Credit Risk Management Report;
- Asset Liability & Market Risk Report; and
- Operational Risk Management Report.

The Board provides input on the Bank's policies from the country perspective in line with the prevailing regulatory framework, economic and business environment.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

CORPORATE GOVERNANCE (continued)

Management Information (continued)

Directors' Attendance At Board And Board Committee Meetings in 2020

Name of Director	Attendance of Meetings Held			
	Board	Board Audit Committee	Nominating & Remuneration Committee	Risk Management Committee
Tan Ngiap Joo	8 of 8	7 of 7	2 of 2	7 of 7
Samuel N. Tsien	8 of 8			
Tong Hon Keong	8 of 8	7 of 7		7 of 7
Datuk Azizan Bin Haji Abd Rahman	8 of 8	7 of 7	2 of 2	7 of 7
Yap Seong Yong, Janet	8 of 8		2 of 2	7 of 7

The Bank's Constitution (formerly Articles of Association) provide for Directors to participate in the Board and Board Committee meetings by means of telephone conferencing, video conferencing or audio visual equipment.

COMPLIANCE WITH BNM'S EXPECTATIONS ON FINANCIAL REPORTING

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that BNM's expectations on financial reporting have been complied with, including those as set out in BNM's Guidelines and Policies on Financial Reporting, Capital Funds and Corporate Governance.

DIRECTORS' INDEMNITY

A Directors' and Officers' Liability Insurance has been entered into by the Group and the Bank for the financial year ended 31 December 2020. The policy provides appropriate cover for legal action brought against its Directors in accordance with qualifying third party indemnity provisions (as defined by Section 289 of the Companies Act 2016). During the financial year, the cost of this insurance effected for the Directors and Officers of the Group and the Bank amounted to RM114,718 and RM107,474 (2019: RM114,718 and RM106,464) respectively.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that:

- all known bad debts and financing have been written off and adequate impairment allowance made for doubtful debts and financing, and
- any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances:

- that would render the amount written off for bad debts and financing or the amount of the impairment allowance for doubtful debts and financing in the Group and in the Bank inadequate to any substantial extent, or
- that would render the value attributed to the current assets in the financial statements of the Group and of the Bank misleading, or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate, or
- not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Bank misleading.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

DIRECTORS' REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

OTHER STATUTORY INFORMATION (continued)

At the date of this report, there does not exist:

- any charge on the assets of the Group or of the Bank that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year, other than in the ordinary course of banking business.

No contingent liability or other liability of the Group and of the Bank, other than those arising from the transactions made in the ordinary course of business of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Bank for the financial year ended 31 December 2020 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, PricewaterhouseCoopers PLT, has expressed its willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 28 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

TAN NGIAP JOO
Chairman

DATUK AZIZAN BIN HAJI ABD RAHMAN
Director

Kuala Lumpur, Malaysia
13 April 2021

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

In the opinion of the Directors, the financial statements set out on pages 21 to 154 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN NGIAP JOO
Chairman

DATUK AZIZAN BIN HAJI ABD RAHMAN
Director

Kuala Lumpur, Malaysia
13 April 2021

STATUTORY DECLARATION PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT 2016

I, Teoh Yin Meng, the officer primarily responsible for the financial management of OCBC Bank (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 21 to 154 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TEOH YIN MENG
MIA No: 11978
Chartered Accountant

Subscribed and solemnly declared by the abovenamed, Teoh Yin Meng at Kuala Lumpur in Malaysia on 13 April 2021, before me:

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)
(Registration No.199401009721 (295400-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of OCBC Bank (Malaysia) Berhad (“the Bank”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2020, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Bank, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 21 to 154.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors’ report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors’ Report, but does not include the financial statements of the Group and of the Bank and our auditors’ report thereon.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia

T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD

(Incorporated in Malaysia)

(Registration No.199401009721 (295400-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

(Registration No.199401009721 (295400-W))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF OCBC BANK (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

(Registration No.199401009721 (295400-W))

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NG YEE LING
03032/01/2023 J
Chartered Accountant

Kuala Lumpur
13 April 2021

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
ASSETS					
Cash and cash equivalents	3	2,926,206	4,620,314	3,056,698	3,948,293
Deposits and placements with banks and other financial institutions	4	344,182	184,537	665,147	618,913
Investment account placements	5	-	-	1,478,468	1,958,154
Financial assets at fair value through profit or loss ("FVTPL")	6	1,313,475	1,176,469	1,303,320	1,160,139
Financial investments at fair value through other comprehensive income ("FVOCI")	7	20,112,853	15,555,244	15,908,302	11,426,798
Loans, advances and financing	8	66,273,563	69,058,329	55,030,346	57,280,940
Derivative financial assets	10	1,151,754	749,732	1,153,095	749,830
Other assets	11	374,921	375,557	562,845	553,854
Statutory deposits with Bank Negara Malaysia	12	97,601	1,686,883	97,601	1,377,583
Investments in subsidiaries	13	-	-	557,051	557,051
Property and equipment	14	152,014	154,493	146,575	147,072
Right-of-use ("ROU") assets	15	30,757	25,805	26,309	22,831
Tax recoverable		11,068	6,457	-	-
Deferred tax assets	16	68,797	46,437	60,733	43,737
Total assets		92,857,191	93,640,257	80,046,490	79,845,195
LIABILITIES					
Deposits from customers	17	73,375,532	75,095,805	61,882,313	62,583,956
Deposits and placements of banks and other financial institutions	18	5,195,681	4,196,309	5,157,288	4,153,615
Bills and acceptances payable		88,737	89,047	73,673	71,512
Recourse obligation on loans sold to Cagamas Berhad		700,000	700,000	700,000	700,000
Derivative financial liabilities	10	1,229,790	700,023	1,229,826	699,968
Other liabilities	19	1,957,093	3,075,514	1,890,708	2,953,977
Tax payable and zakat		44,445	44,018	44,395	43,968
Subordinated bonds	20	1,491,327	1,482,439	1,491,327	1,482,439
Total liabilities		84,082,605	85,383,155	72,469,530	72,689,435
EQUITY					
Share capital	21	754,000	754,000	754,000	754,000
Reserves	22	8,020,586	7,503,102	6,822,960	6,401,760
Total equity		8,774,586	8,257,102	7,576,960	7,155,760
Total liabilities and equity		92,857,191	93,640,257	80,046,490	79,845,195
Commitments and contingencies	34	97,610,426	111,312,514	94,493,687	107,672,746

The accompanying notes form an integral part of the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income	23	2,812,816	3,532,694	2,872,848	3,622,681
Interest income for financial assets at FVTPL	23	67,457	80,927	67,457	80,927
Interest expense	23	(1,391,690)	(2,106,897)	(1,429,319)	(2,163,203)
Net interest income	23	1,488,583	1,506,724	1,510,986	1,540,405
Income from Islamic banking operations	24	446,291	447,927	-	-
Net fee and commission income	25	409,250	416,332	406,902	414,255
Net trading income	26	210,954	160,208	210,954	160,208
Other operating income	27	103,154	149,633	212,221	262,243
Operating income		2,658,232	2,680,824	2,341,063	2,377,111
Operating expenses	28	(1,234,282)	(1,233,176)	(1,162,889)	(1,154,616)
Operating profit before impairment allowance and provision		1,423,950	1,447,648	1,178,174	1,222,495
Impairment allowance and provisions	30	(675,777)	(217,341)	(512,881)	(194,207)
Profit before income tax and zakat		748,173	1,230,307	665,293	1,028,288
Income tax expense	31	(183,632)	(276,730)	(172,627)	(239,377)
Zakat		(50)	(50)	-	-
Profit for the year		564,491	953,527	492,666	788,911
Items that will not be reclassified to profit or loss					
Change in fair value reserve (equity instruments)		6,752	6,059	6,752	6,059
Items that are or may be reclassified subsequently to profit or loss					
Fair value reserve (debt instruments)					
- Change in fair value		260,408	276,936	209,526	238,878
- Amount transferred to profit or loss		(94,499)	(131,107)	(75,876)	(120,982)
- Related tax		(39,818)	(35,002)	(32,081)	(28,295)
Change in expected credit loss (ECL) reserve on debt instruments at FVOCI		1,275	(764)	1,338	(668)
Other comprehensive income for the year		134,118	116,122	109,659	94,992
Total comprehensive income for the year		698,609	1,069,649	602,325	883,903
Profit attributable to owner of the Bank		564,491	953,527	492,666	788,911
Total comprehensive income attributable to owner of the Bank		698,609	1,069,649	602,325	883,903
Basic earnings per ordinary share (sen)	32	196.3	331.7	171.4	274.4

The accompanying notes form an integral part of the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

Group	Share capital	Regulatory reserve	<i>Non-distributable</i>		<i>Distributable</i>		Total equity
			Capital reserve	ECL reserve	Fair value reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	754,000	600,000	56,619	641	200,536	6,645,306	8,257,102
Fair value reserve							
- Change in fair value	-	-	-	-	267,160	-	267,160
- Transferred to profit or loss	-	-	-	-	(94,499)	-	(94,499)
- Related tax	-	-	-	-	(39,818)	-	(39,818)
Change in ECL reserve	-	-	-	1,275	-	-	1,275
Total other comprehensive income for the year	-	-	-	1,275	132,843	-	134,118
Profit for the year	-	-	-	-	-	564,491	564,491
Total comprehensive income for the year	-	-	-	1,275	132,843	564,491	698,609
Transfer to retained earnings	-	-	(56,619)	-	-	56,619	-
Contributions by and distributions to owner of the Bank							
Final 2019 ordinary dividend paid	-	-	-	-	-	(181,125)	(181,125)
At 31 December 2020	754,000	600,000	-	1,916	333,379	7,085,291	8,774,586
At 1 January 2019	754,000	600,000	56,619	1,405	83,650	5,967,779	7,463,453
Fair value reserve							
- Change in fair value	-	-	-	-	282,995	-	282,995
- Transferred to profit or loss	-	-	-	-	(131,107)	-	(131,107)
- Related tax	-	-	-	-	(35,002)	-	(35,002)
Change in ECL reserve	-	-	-	(764)	-	-	(764)
Total other comprehensive (expense)/income for the year	-	-	-	(764)	116,886	-	116,122
Profit for the year	-	-	-	-	-	953,527	953,527
Total comprehensive (expense)/income for the year	-	-	-	(764)	116,886	953,527	1,069,649
Contributions by and distributions to owner of the Bank							
Final 2018 ordinary dividend paid	-	-	-	-	-	(138,000)	(138,000)
Interim 2019 ordinary dividend paid	-	-	-	-	-	(138,000)	(138,000)
At 31 December 2019	754,000	600,000	56,619	641	200,536	6,645,306	8,257,102

The accompanying notes form an integral part of the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020**

	Share capital RM'000	Non-distributable			Distributable	Total equity RM'000
		Regulatory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Retained earnings RM'000	
Bank						
At 1 January 2020	754,000	509,000	488	177,118	5,715,154	7,155,760
Fair value reserve						
- Change in fair value	-	-	-	216,278	-	216,278
- Transferred to profit or loss	-	-	-	(75,876)	-	(75,876)
- Related tax	-	-	-	(32,081)	-	(32,081)
Change in ECL reserve	-	-	1,338	-	-	1,338
Total other comprehensive income for the year	-	-	1,338	108,321	-	109,659
Profit for the year	-	-	-	-	492,666	492,666
Total comprehensive income for the year	-	-	1,338	108,321	492,666	602,325
Contributions by and distributions to owner of the Bank						
Final 2019 ordinary dividend paid	-	-	-	-	(181,125)	(181,125)
At 31 December 2020	754,000	509,000	1,826	285,439	6,026,695	7,576,960
At 1 January 2019	754,000	509,000	1,156	81,458	5,202,243	6,547,857
Fair value reserve						
- Change in fair value	-	-	-	244,937	-	244,937
- Transferred to profit or loss	-	-	-	(120,982)	-	(120,982)
- Related tax	-	-	-	(28,295)	-	(28,295)
Change in ECL reserve	-	-	(668)	-	-	(668)
Total other comprehensive (expense)/income for the year	-	-	(668)	95,660	-	94,992
Profit for the year	-	-	-	-	788,911	788,911
Total comprehensive (expense)/income for the year	-	-	(668)	95,660	788,911	883,903
Contributions by and distributions to owners of the Bank						
Final 2018 ordinary dividend paid	-	-	-	-	(138,000)	(138,000)
Interim 2019 ordinary dividend paid	-	-	-	-	(138,000)	(138,000)
At 31 December 2019	754,000	509,000	488	177,118	5,715,154	7,155,760

The accompanying notes form an integral part of the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Cash flows from operating activities				
Profit before income tax and zakat	748,173	1,230,307	665,293	1,028,288
<i>Adjustments for:</i>				
Depreciation of property and equipment	25,648	29,625	23,423	26,902
Depreciation of right-of-use assets	18,216	18,518	16,159	16,115
Dividends received from financial investments at FVOCI	(859)	(2,822)	(859)	(2,822)
Impairment allowance and provisions	723,713	256,328	538,116	220,147
Finance expense on lease liabilities	903	690	904	690
Net (gain)/loss on disposal of:				
- Financial investments at FVOCI	(94,499)	(131,107)	(75,876)	(120,982)
- Property and equipment	-	57	-	16
Share-based expense	10,978	9,490	10,600	9,045
Unrealised (gain)/loss on:				
- Financial assets at FVTPL	(918)	(408)	(918)	(232)
- Hedging derivatives	(5)	(31)	(5)	(31)
- Trading derivatives	156,135	(19,586)	154,973	(18,166)
- Subordinated bonds	9,568	(10,730)	9,568	(10,730)
Other non-cash items	7,975	-	-	-
Operating profit before changes in working capital	1,605,028	1,380,331	1,341,378	1,148,240
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	(159,636)	508,996	(46,225)	654,963
Investment account placements	-	-	505,810	(693,680)
Financial assets at FVTPL	(136,088)	697,454	(142,263)	703,628
Loans, advances and financing	2,057,488	(732,710)	1,690,828	817,017
Other assets	167	43,329	(9,462)	45,497
Statutory deposits with Bank Negara Malaysia	1,589,282	226,289	1,279,982	184,389
Derivative financial assets and liabilities	(28,363)	13,045	(28,353)	13,043
Deposits from customers	(1,720,273)	(755,416)	(701,643)	(1,540,372)
Deposits and placements of banks and other financial institutions	999,372	(2,873,768)	1,003,673	(2,833,334)
Bills and acceptances payable	(310)	(3,794)	2,161	(6,780)
Other liabilities	(1,131,751)	(7,015)	(1,074,746)	(30,674)
Cash generated from/(used in) operations	3,074,916	(1,503,259)	3,821,140	(1,538,063)
Income tax and zakat paid	(250,046)	(301,105)	(221,277)	(265,485)
Net cash generated from/(used in) operating activities	2,824,870	(1,804,364)	3,599,863	(1,803,548)

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of financial investments at FVOCI	(25,522,545)	(21,565,530)	(15,097,545)	(14,735,530)
Acquisition of property and equipment	(26,341)	(19,867)	(26,036)	(19,528)
Dividends received from financial investments at FVOCI	859	2,822	859	2,822
Proceeds from disposal of financial investments at FVOCI	21,232,075	24,097,163	10,832,297	17,141,668
Proceeds from disposal of property and equipment	134	84	73	44
Net cash (used in)/from investing activities	(4,315,818)	2,514,672	(4,290,352)	2,389,476
Cash flows from financing activities				
Dividends paid to owner of the Bank	(181,125)	(276,000)	(181,125)	(276,000)
Redemption of subordinated bonds	(550,680)	(400,000)	(550,680)	(400,000)
Issuance of subordinated bonds	550,000	-	550,000	-
Payment of lease liabilities	(21,719)	(18,914)	(19,664)	(16,542)
Net cash used in financing activities	(203,524)	(694,914)	(201,469)	(692,542)
Net (decrease)/increase in cash and cash equivalents	(1,694,472)	15,394	(891,958)	(106,614)
Cash and cash equivalents at 1 January	4,620,696	4,605,302	3,948,674	4,055,288
Cash and cash equivalents at 31 December	2,926,224	4,620,696	3,056,716	3,948,674

Details of cash and cash equivalents are disclosed in Note 3 to the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 (continued)

Changes in liabilities arising from financing activities

	At 1 January RM'000	Effect of adopting MFRS 16 RM'000	Net Cash outflows RM'000	Foreign exchange movement RM'000	Acquisition of new leases RM'000	Finance cost RM'000	At 31 December RM'000
2020							
Group							
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	-	700,000
Subordinated bonds	1,482,439	-	(680)	9,568	-	-	1,491,327
Lease liabilities	25,387	-	(21,719)	-	23,168	903	27,739
Total liabilities from financing activities	2,207,826	-	(22,399)	9,568	23,168	903	2,219,066
Bank							
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	-	700,000
Subordinated bonds	1,482,439	-	(680)	9,568	-	-	1,491,327
Lease liabilities	22,382	-	(19,664)	-	19,637	904	23,259
Total liabilities from financing activities	2,204,821	-	(20,344)	9,568	19,637	904	2,214,586
2019							
Group							
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	-	700,000
Subordinated bonds	1,893,169	-	(400,000)	(10,730)	-	-	1,482,439
Lease liabilities	-	29,336	(18,914)	-	14,275	690	25,387
Total liabilities from financing activities	2,593,169	29,336	(418,914)	(10,730)	14,275	690	2,207,826
Bank							
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	-	700,000
Subordinated bonds	1,893,169	-	(400,000)	(10,730)	-	-	1,482,439
Lease liabilities	-	25,097	(16,542)	-	13,137	690	22,382
Total liabilities from financing activities	2,593,169	25,097	(416,542)	(10,730)	13,137	690	2,204,821

The accompanying notes form an integral part of the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020

GENERAL INFORMATION

The Bank is a limited liability company, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 19th Floor, Menara OCBC, 18 Jalan Tun Perak, 50050 Kuala Lumpur.

The consolidated financial statements of the Bank as at and for the financial year ended 31 December 2020 comprise the Bank and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities").

The Bank is principally engaged in banking and related financial services, whilst its subsidiaries are principally engaged in the businesses of Islamic Banking, corporate finance and related advisory services and the provision of nominee services. There has been no significant change in the nature of these activities during the financial year.

The immediate and ultimate holding company of the Bank is Oversea-Chinese Banking Corporation Limited ("OCBC Bank" or "OCBC Ltd"), a licensed commercial bank incorporated in Singapore.

The financial statements were approved and authorised for issue by the Board of Directors on 13 April 2021.

1 BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for the assets and liabilities which are stated at fair value as disclosed in the notes to the financial statements: financial assets at FVTPL, financial investments at FVOCI and derivative financial instruments. The 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 financial statements of the Group and the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia and BNM's Shariah requirements (operations of Islamic Banking).

The financial statements incorporate all activities relating to Islamic Banking which have been undertaken by the Group in compliance with Shariah principles. Islamic Banking refers generally to the acceptance of deposits and granting of financing under Shariah principles.

The following amendments to accounting standards have been adopted by the Group and the Bank during the financial year:

- *The Conceptual Framework for Financial Reporting (Revised 2018)*
- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*
- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

The adoption of the abovementioned accounting standards and amendments did not have any material impact on the financial statements of the Group and the Bank except for Amendments to MFRS 9, MFRS 139 and MFRS 7 which impact is disclosed in note 10.

The Group and the Bank have 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 2021

- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16, *Interest Rate Benchmark Reform - Phase 2*

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance (continued)

Effective for annual periods commencing on or after 1 January 2022

- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments - Annual Improvements to MFRS Standards 2018-2020*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contracts - Cost of Fulfilling a Contract*

Effective date to be announced by MASB

- Amendments to MFRS 10 and MFRS 128, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan 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 Group and the Bank except for Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 - *Interest Rate Benchmark Reform - Phase 2* set out below.

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

(i) Change in basis for determining cash flows

The amendments will require an entity 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 interest rate benchmark reform by updating the effective interest 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 Group and the Banks to maintain its existing hedging relationships post transition to the alternative benchmark rate. The Group will continue to record any ongoing hedge ineffectiveness in profit or loss.

(iii) Disclosure

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

(b) Use of estimates and judgements

The preparation of the financial statements in conformity with MFRSs 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.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

There are no significant areas of estimation uncertainty and critical judgements used in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following:

- (i) Fair value estimation for financial assets at fair value through profit or loss ("FVTPL") (Note 6), financial investments at fair value through other comprehensive income ("FVOCI") (Note 7) and derivative financial assets and liabilities (Note 10). Fair values of financial instruments that are traded in active markets are based on quoted market prices or dealer price quotations. For financial instruments which are not traded in an active market (for example, over-the-counter derivatives), the fair value is determined using valuation techniques, which include the use of mathematical models, comparison to similar instruments for which market observable prices exist and other valuation techniques. Where possible, assumptions and inputs used on valuation techniques include observable data such as risk-free and benchmark discount rates and credit spreads.

Where observable market data is not available, judgement is required in the determination of model input, which normally incorporates assumptions that other market participants would use in their valuations, including assumptions about interest/profit rate yield curves, exchange rates, volatilities and prepayment and default rates. Judgement is also required in assessing the impairment of financial investments at FVOCI as the Group and the Bank evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost, and the financial health and near-term business outlook of the investee, including factors such as industry and sector performance, changes in technology and operational and financial cash flows.

- (ii) Impairment of financial assets

In determining whether the credit risk of the Group's and the Bank's financial exposures have increased significantly since initial recognition, the Group and the Bank will consider reasonable and supportable information that is readily available without undue cost or effort. This includes both quantitative and qualitative information such as the Group's and the Bank's historical credit assessment experience and available forward-looking information. Expected credit loss ("ECL") estimates are produced for all relevant instruments based on probability-weighted forward-looking economic scenarios. The measurement of ECL is primarily calculated based on the probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). These are parameters derived from internal rating models after adjusting them to be unbiased and forward-looking. Where internal rating models are not available, such estimates are based on comparable internal rating models after adjusting for portfolio differences.

The PD, LGD and EAD models which support these determinations are reviewed regularly in light of differences between loss estimates and actual loss experience. The underlying models and their calibration, including how they react to forward-looking economic conditions, are subject to continuous review and refinement. The assumptions and judgements used by management may affect impairment allowances computed.

COVID-19 pandemic

The COVID-19 pandemic and the effects on the global economy are unprecedented in its scale and impact. These have increased the estimated uncertainty in the preparation of these financial statements. Sources of estimation uncertainty include how the pandemic will continue to evolve, the corresponding impact on the duration and extent of disruption to businesses, individuals and the wider economy (including macroeconomic forecasts, credit, liquidity and market conditions) as well as the effectiveness of government support measures in softening the impact of the crisis.

The significant accounting estimates impacted by these uncertainties relate mainly to impairment of financial assets, as discussed below:

Allowances for non-credit impaired loans to customers

The forward-looking scenarios used in the ECL model have been updated from those as of 31 December 2019 since 31 March 2020. They reflect the latest available macroeconomic view which shows a sharp deterioration in the short term and a gradual subsequent recovery, resulting in an increase in ECL during the year. This view also considers the impact of significant government measures to cushion the impact of the crisis to some degree. Due to the unprecedented nature of the COVID-19 crisis, additional post-model adjustment has been made during the year to account for the estimated impact of continued economic uncertainties not reflected in the modelled outcome, which further increased the ECL.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

1 BASIS OF PREPARATION (continued)

(b) Use of estimates and judgements (continued)

(ii) Impairment of financial assets (continued)

Allowances for non-credit impaired loans to customers (continued)

Another key element in determining ECL is the assessment of whether or not a significant increase in credit risk (SICR) has occurred and hence whether a lifetime, rather than 12-month, ECL is required. During this year, various loan reliefs, such as payment holidays and moratoriums, have been offered to affected customers as part of a broader set of COVID-19 support measures. Deferral of payments by customers in hardship arrangements is generally treated as an indication of a SICR. However, in line with regulatory guidance, the Group and the Bank have determined that the extension of such reliefs are not automatically considered to indicate SICR, but considers it within a broader set of indicators to assess and grade customer facilities as necessary.

Allowances for credit impaired loans to customers

In respect of credit impaired exposures, management judgement and estimation are applied in, amongst others, identifying impaired exposures, estimating the related recoverable cash flows and where applicable, determining collateral values and timing of realisation. Judgements and assumptions in respect of these matters have been updated to reflect the potential impact of COVID-19.

The Group's and the Bank's allowances for financial assets are disclosed in Note 9 and Note 30.

- (iii) Management judgement is required for estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome is not determined until a later date. Whereas, for deferred tax, management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group and the Bank to the periods presented in these financial statements.

A Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less any impairment allowances, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the difference above is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(c) Acquisitions of non-controlling interests

The Group accounts for all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(d) Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities acquired are recognised at the carrying amount recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

(e) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

(f) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

B Foreign currency transactions

Transactions in foreign currencies are translated to RM, which is the functional currency of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of equity instruments at fair value through other comprehensive income or a financial instrument designated as a cash flow hedge, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the Foreign Currency Translation Reserve ("FCTR") in equity.

C Financial instruments

(a) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Bank becomes a party to the contractual provisions of the instrument.

A financial instrument is initially measured at fair value plus or minus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issuance.

The Group and the Bank account for an embedded derivative separately from the host contract when:

- the host contract is not an asset in the scope of MFRS 9;
- the host contract is not itself carried at FVTPL;
- the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract; and
- the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.

(b) Financial instrument categories and subsequent measurement

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Bank changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(b) Financial instrument categories and subsequent measurement (continued)

Financial assets

The categories of financial assets are as follows:

(i) Amortised cost

Amortised cost category comprises financial assets that are held within a business model which objective is to hold assets to collect contractual cash flows and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and are not designated as FVTPL. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment allowances, if any. Interest income, foreign exchange gains and losses and impairment allowances are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest/profit income is recognised by applying effective interest/profit rate to the gross carrying amount except for credit-impaired financial assets (see Note 2K(a)) where the effective interest/profit rate is applied to the amortised cost.

Financing and advances consist of sales based contracts (Bai' Inah, Bai' Bithaman Ajil, Tawarruq, Murabahah and Bai' Dayn), leased based contracts (Ijarah Thumma Al-Bai, Ijarah and Ijarah Muntahiah Bi Al-Tamlik), equity based contracts (Musharakah Mutanaqisah) and other contracts (Wakalah and Qard). The Group entity's core business is in providing financing to customers and not into leasing business. As a result, we have recognised all lease-based contracts as forms of financing and recognised them accordingly as financial instruments under MFRS 9. Except for Ijarah financing, assets funded under Ijarah Thumma Al-Bai and Ijarah Muntahiah Bi Al-Tamlik contracts are owned by the Group throughout the tenure of the financing and ownership of the assets will be transferred to the customer at the end of the financing.

(ii) Fair value through other comprehensive income ("FVOCI")

Debt investments

FVOCI category comprises debt investments that are held within a business model which objective is achieved by both collecting contractual cash flows and selling the debt investments, and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and are not designated as at FVTPL. Interest/profit income calculated using the effective interest/profit method, foreign exchange gains and losses and impairment allowances are recognised in profit or loss. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Debt instruments with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest/profit.

Interest/Profit income is recognised by applying effective interest/profit rate to the gross carrying amount except for credit-impaired financial assets (see Note 2K(a)) where the effective interest/profit rate is applied to the amortised cost.

Equity investments

This category comprise investments in equity that are not held for trading, and the Group and the Bank irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(b) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(iii) Fair value through profit or loss ("FVTPL")

All financial assets not measured at amortised cost or FVOCI as described above are measured at FVTPL. These include derivative financial assets (except for derivatives that are designated and effective hedging instruments). On initial recognition, the Group or the Bank may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment assessment (see Note 2G(a)).

Financial liabilities

At the end of the reporting year, there are no non-derivative financial liabilities categorised as FVTPL.

All financial liabilities are subsequently measured at amortised cost, other than those categorised as FVTPL.

FVTPL category comprises financial liabilities that are derivatives (except for derivatives that are financial guarantee contracts or designated as effective hedging instruments) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of equity instruments that do not have a quoted price in an active market for identical instruments which fair values cannot otherwise be reliably measured are measured at cost.

Where derivatives are embedded in the host contract (e.g. structured investments), the embedded derivatives are required to be separated and accounted as a derivative and the host contract at amortised cost (in Other Liabilities) if the economic risks and characteristics of the embedded derivatives are not closely related to the economic risks and characteristics of the host contract. Separate accounting is not required if the combined instrument is fair valued with changes in fair value recognised in profit or loss.

Financial liabilities categorised as FVTPL are measured at their fair values with the gain or loss recognised in profit or loss.

(c) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

In the ordinary course of business, the Group and the Bank gave financial guarantees consisting of letters of credit, guarantees and acceptances.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(d) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using settlement date accounting. Settlement date accounting refers to:

- the recognition of an asset to be received and the liability to pay for it on the settlement date; and
- the derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for a payment on the settlement date.

(e) Hedge accounting

At inception of a designated hedging relationship, the Group and the Bank document the risk management objective and strategy for undertaking the hedge. The Group and the Bank also document the economic relationship between the hedged item and the hedging instrument including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

(i) Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect profit or loss.

In a fair value hedge, the gain or loss on the hedging instrument shall be recognised in profit or loss (or other comprehensive income, if the hedging instrument hedges an equity instrument which the Group or the Bank has elected to present subsequent changes in fair value of the investment in equity in other comprehensive income).

The hedging gain or loss on the hedged item shall adjust the carrying amount of the hedged item and be recognised in profit or loss. If the hedged item is a financial asset (or a component thereof) that is measured at FVOCI, the hedging gain or loss on the hedged item shall be recognised in profit or loss. However, if the hedged item is an equity instrument for which an entity has elected to present changes in FVOCI, those amounts shall remain in other comprehensive income. When a hedged item is an unrecognised firm commitment (or a component thereof), the cumulative change in the fair value of the hedged item subsequent to its designation is recognised as an asset or a liability with a corresponding gain or loss recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated EIR.

(ii) Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In cash flow hedge, the portion of the gain or loss on the hedging instruments that is determined to be an effective hedge is recognised in other comprehensive income and accumulated in equity and the ineffective portion is recognised in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in other comprehensive income is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(e) Hedge accounting (continued)

(ii) Cash flow hedge (continued)

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

The Group or the Bank designates only the change in fair value of the spot element of forward contracts as the hedging instrument in cash flow hedging relationships. The change in fair value of the forward element of forward exchange contracts ("forward points") and/or the foreign currency basis spread are separately accounted for as cost of hedging and recognised in a cost of hedging reserve within equity.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in equity until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to profit or loss.

(f) Derivatives

Derivatives are categorised as trading unless they are designated as hedging instruments.

Financial derivatives include forward contracts for the purchase and sale of foreign currencies, interest/profit rate and currency swaps, financial futures and option contracts. These instruments allow the Group and its customers to transfer, modify or reduce their foreign exchange and interest/profit rate risks.

All derivative financial instruments are recognised at inception on the statement of financial position (including transaction costs), which are normally zero or negligible at inception at fair value, and subsequent changes in fair value as a result of fluctuation in market interest/profit rates or foreign exchange rates are recorded as assets when fair value is positive and as liabilities when fair value is negative.

When the Group or the Bank enters into derivatives for trading purposes, realised and unrealised gains and losses are recognised in trading income. Observable market data are used to determine the fair values of derivatives held-for-trading. Valuations are either based on quoted price or valuation technique. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

C Financial instruments (continued)

(g) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or are transferred, or control of the financial asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(h) Modification

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual cash flows of the financial asset. Financial assets that are renegotiated or otherwise modified will be accounted based on the nature and extent of changes that is expected to arise as a result of the modification or renegotiation.

(i) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the amounts and the intention to settle on a net basis or realise the asset and settle the liability simultaneously. Income and expense are presented on a net basis only when permitted by the accounting standards.

D Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less any accumulated depreciation and any accumulated impairment allowance.

Costs include expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other operating income" in profit or loss.

(b) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

D Property and equipment (continued)

(c) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciate as it has indefinite life. Property and equipment under construction are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

- Buildings on freehold land 50 years
- Leasehold land and building on leasehold land 50 years or remaining life of the lease whichever is shorter
- Office equipment and furniture 3-5 years
- Computer equipment/software 3-8 years
- Motor vehicles 5 years
- Renovation 8 years or remaining lease term whichever is shorter

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted as appropriate.

E Leases

(a) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the Group and the Bank have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Bank have the right to direct the use of the asset, i.e. when the Group and the Bank have the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group and the Bank allocate the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Bank is a lessee, the Group and the Bank will account for the lease and non-lease components as a single lease component.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

E Leases (continued)

(b) Recognition and initial measurement

As a lessee

The Group recognises a right-of-use ("ROU") asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's and the Bank's incremental borrowing rate.

Lease payment included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group and the Bank are reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group and the Bank are reasonably certain not to terminate early.

The Group and the Bank have elected not to recognise ROU assets and lease liabilities for certain short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group and the Bank recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

When the Group or the Bank acts as a lessor, it determines at the lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Bank make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group or the Bank is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group or the Bank applies the exemption described above, then it classifies the sublease as an operating lease.

(c) Subsequent measurement

As a lessee

The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of ROU assets are determined on the same basis as those of property and equipment. In addition, the ROU is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

E Leases (continued)

(c) Subsequent measurement (continued)

As a lessee (continued)

The lease liability is measured at amortised cost using the effective interest/profit rate method. It is remeasured when there is a change in future lease payments arising from a change in the index or rate, if there is a revision of in-substance fixed lease payments, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset, or is recorded in profit or loss if the carrying amount of the ROU asset has been reduced to zero.

As a lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

Amendment to MFRS 16, Leases - Covid-19-Related Rent Concessions

Current financial year

During the financial year, the Group and the Bank apply practical expedient to account for a COVID-19-related rent concession that meets all of the following conditions in the same way as they would if they were not lease modification:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments due on or before 30 June 2021; and
- there is no substantive change to other terms and conditions of the lease.

The Group and the Bank account for COVID-19 related rent concession as a variable lease payment in the period in which the event or condition that triggers the reduced payment occurs. Impacts of rent concessions are presented within operating expenses.

Previous financial year

Until 31 December 2019, a change in lease payments (including rent concession), other than those arising from a change in amounts expected to be payable under residual value guarantees or in an index or rate used to determine lease payments, is accounted for as a lease modification if it is not part of the original terms and conditions of the lease. The lease modification is accounted for as either a new lease or as a remeasurement of an existing lease liability, depending on the criteria set in MFRS 16.

F Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances with banks and central banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of one month or less.

Cash and cash equivalents are categorised and measured as amortised cost in accordance with Note 2(C)(b)(i).

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

G Impairment

(a) Financial assets

The Group and the Bank recognise impairment allowances for ECL on financial assets measured at amortised cost, financial investments measured at FVOCI and certain off-statement of financial position commitments and financial guarantees which were previously provided for under MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*.

(i) ECL impairment model

Under MFRS 9, impairment allowances on the aforesaid financial assets are measured on each reporting date according to a three-stage ECL impairment model:

- Stage 1: On initial recognition, ECL will be that resulting from default events that are possible over the next 12 months (12-month ECL).
- Stage 2: Following a significant increase in credit risk of the financial assets since its initial recognition, the credit loss allowance will be that which results from all possible default events over the expected life of the asset (Lifetime ECL non credit-impaired). See details in Note 2G(a)(iii).
- Stage 3: When a financial asset exhibits objective evidence of impairment and is considered to be credit-impaired, its loss allowance will be the full lifetime ECL (credit-impaired).

Loans/Financing are written off against impairment allowances when all feasible recovery actions have been exhausted or when the recovery prospects are considered remote.

(ii) Measurement

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are non credit-impaired at the reporting date: At the present value of all cash shortfalls, being the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and the Bank expect to receive;
- Financial assets that are credit-impaired at the reporting date: At the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: At the present value of the difference between the contractual cash flows that are due to the Group and the Bank if the commitment is drawn down and the cash flows that the Group and the Bank expect to receive; and
- Financial guarantee contracts: The expected payments to reimburse the holder less any amounts that the Group and the Bank expect to recover.

The Group and the Bank use three forecast economic scenarios to calculate an unbiased Stage 1 and Stage 2 ECL. They represent a "most likely" Base scenario, and two other less likely "Upside" and "Downside" scenarios. These scenarios are probability-weighted and underlying key macro-economic assumptions are based on independent external and in-house views. The assumptions are subject to regular management reviews to constantly reflect current economic situations. Stage 3 ECL is quantified based on the recovery strategy adopted, which the Group and the Bank take into account other factors including forward looking scenarios and market conditions.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

G Impairment (continued)

(a) Financial assets (continued)

(iii) Movement between stages

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

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

The Group and the Bank consider both qualitative and quantitative parameters in the assessment of significant increase in credit risk. These include the following:

- The Group and the Bank have established thresholds for significant increases in credit risk based on both relative and absolute changes in lifetime probability of default ("PD") relative to initial recognition.
- The Group and the Bank conduct qualitative assessment to ascertain if there has been significant increase in credit risk.
- The Group and the Bank use 30 days/one month past due as an indication of significant increase in credit risk.

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

The Group and the Bank are also guided by the policy document on Financial Reporting issued by Bank Negara Malaysia ("BNM") whereby, a credit facility is classified as credit-impaired if it is past due for more than 3 months or where the amount is past due for less than 3 months but exhibits weakness in accordance with the Group's and the Bank's internal credit risk assessment. In addition, where repayments are scheduled on intervals of 3 months or longer, the credit facility is classified as credit-impaired as soon as default occurs.

The assessments for significant increase in credit risk since initial recognition and credit-impairment are performed independently as at each reporting period. Assets can move in both directions through the stages of the impairment model. After a financial asset has migrated to Stage 2, if it is no longer considered that credit risk has significantly increased relative to initial recognition in a subsequent reporting period, it will move back to Stage 1. Similarly, an asset that is in Stage 3 will move back to Stage 2 if it is no longer considered to be credit-impaired. For credit-impaired portfolio, Stage 3 ECL is assessed individually and measured as described in Note 40 of the financial statements.

(iv) Regulatory framework

Under BNM's policy document on Financial Reporting, the Group and the Bank must maintain, in aggregate, impairment allowance for non credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of impairment allowance for credit impaired exposures.

Pursuant to BNM's Letter dated 24 March 2020 on "Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak", the drawdown of prudential buffers is allowed; temporarily reducing the regulatory reserves held against expected loss to 0% and to gradually reinstate the buffer by 30 September 2021. Presently, the Group and the Bank are still maintaining their regulatory reserves buffer.

(b) Other assets

The carrying amounts of other assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

G Impairment (continued)

(b) Other assets (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment allowance is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment allowance is recognised in profit or loss. Impairment allowance recognised in respect of cash-generating units is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (groups of cash-generating units) on a pro rata basis.

Impairment allowance recognised in prior periods is assessed at the end of each reporting date for any indications that the loss has decreased or no longer exists. An impairment allowance is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment allowance was recognised. An impairment allowance is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment allowance had been recognised. Reversals of impairment allowance are credited to profit or loss in the financial year in which the reversals are recognised.

H Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently. Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

Ordinary shares are classified as equity.

Preference share capital is classified as equity if it is non-redeemable, or is redeemable but only at the Bank's option, and any dividend is discretionary. Dividend is recognised as distributions within equity.

Interim dividend on ordinary shares and dividend on preference shares are recorded in the financial year in which they are declared payable by the Board of Directors. Final dividends are recorded in the financial year when the dividends are approved at the annual general meeting. Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument is recognised directly in equity.

I Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, paid annual leave and sick leave, variable cash performance bonus and non-monetary benefits are measured on an undiscounted basis and expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group or the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The cost of accumulating compensated absences is recognised as an expense and measured based on the additional amount that the Group or the Bank expects to pay as a result of the unused entitlement that has accumulated as at the end of the reporting period.

The Group's and the Bank's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once contributions have been paid, the Group and the Bank have no further payment obligations.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

I Employee benefits (continued)

(b) Share-based payment transactions

(i) OCBC Deferred Share Plan

Under the OCBC Deferred Share Plan ("the Plan"), shares of the immediate and ultimate holding company of the Bank, Oversea-Chinese Banking Corporation Limited ("OCBC Ltd"), are awarded to eligible executives. A trust is set up to administer the shares purchased under the Plan. 50% of the share awards will vest after two years with the remaining 50% vesting at the end of the third year in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares. The awards will lapse immediately on the termination of employment, except in the event of retirement, redundancy, death, or where approved by the relevant approving authorities at OCBC Ltd whom may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined.

(ii) OCBC Share Option Scheme 2001

Under the OCBC Share Option Scheme 2001, shares of the immediate and ultimate holding company of the Bank are offered to executives of the rank of Manager and above, including Executive Directors. Options granted are exercisable for a period commencing after the 1st anniversary and expire on the 10th anniversary of the respective dates of grant except for options granted to Non-executive Directors which are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and fully vested after the 3rd anniversary. OCBC Ltd has ceased granting share options under the OCBC Share Option Scheme 2001 effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by recipients.

(iii) OCBC Employee Share Purchase Plan

The Employee Share Purchase Plan ("ESP Plan") is a savings-based share ownership plan that allows eligible employees to participate in shares of the immediate and ultimate holding company of the Bank by making monthly contributions to the ESP Plan Account and interest accrued at a preferential rate determined by the OCBC Ltd Remuneration Committee. The Committee will fix the offering period and acquisition price for the new ordinary shares to be issued under the ESP Plan.

Equity instruments granted are recognised as expense in profit or loss based on the fair value of the equity instrument at the date of the grant. The expense is recognised over the vesting period of the grant, based on the recharge by the immediate and ultimate holding company. At each reporting date, the Group and the Bank revise the estimates of the number of equity instruments expected to be vested, and the impact of the change to the original estimates, if any, is recognised in profit or loss over the remaining vesting period. A liability is recognised based on the recharge by the immediate and ultimate holding company of the Bank over the vesting period. The Group and the Bank accrue for interest/profit on the monthly contributions made by employees to the savings-based ESP Plan. Further details of the equity compensation benefits are disclosed in Note 19(b) to the financial statements.

J Provisions

A provision is recognised if, as a result of past event, the Group or the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

K Income and expenses

(a) Interest/finance income and interest/finance expense

Interest/finance income or expense is recognised using the effective interest/profit method.

The effective interest/finance rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or amortised cost of the financial liability.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

K Income and expenses (continued)

(a) Interest/finance income and interest/finance expense (continued)

In calculating the interest/finance income and expense, the effective interest/profit rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest/finance income is calculated by applying the effective interest/profit rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income/profit reverts to the gross basis. The gross carrying amount of a financial asset refers to amortised cost of a financial asset before adjusting for any ECL.

Finance income for sale-based contracts (Bai' Inah, Bai' Bithaman Ajil, Tawarruq, Murabahah and Bai' Dayn) are recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding.

Finance income for lease-based contracts (Ijarah Thumma Al-Bai, Ijarah and Ijarah Muntahiah Bi Al-Tamlik) are recognised on effective profit rate basis over the lease term.

Finance income for equity-based contracts (Musharakah Mutanaqisah) are recognised on the basis of the reducing balance on a time-apportioned basis that reflects the effective yield on the asset.

(b) Fee and commission income

The Group and the Bank earn fees and commissions from a range of services rendered to its customers. Fees and commissions are recognised when the Group and the Bank has satisfied its performance obligations in providing the services to the customer. Transaction based fees and commissions are generally recognised upon the completion of a transaction. For services provided over a period of time or credit risk undertaken, fees and commissions are amortised over the relevant period. Expenses are offset against gross fees and commissions in the income statement only when they are directly related.

(c) Net trading income

Net trading income comprises gains and losses from changes in financial assets at FVTPL and trading derivatives, gains and losses on foreign exchange trading and other trading activities.

(d) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Bank's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(e) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(f) Other income

Pursuant to BNM's Guidelines on Late Payment Charges for Islamic Banking Institutions, the Group recognises all late penalty income arising from Islamic banking under 'Islamic Banking' in profit or loss.

L Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

L Income tax (continued)

(a) Current tax

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

M Earnings per ordinary share

Basic earnings per ordinary share is calculated by dividing the profit or loss attributable to the ordinary shareholder of the Bank less preference shares dividend by the weighted average number of ordinary shares outstanding during the period.

N Restricted profit sharing investment accounts ("RPSIA")

The RPSIA used to fund specific financing follow the principle of Mudharabah which states that profits will be shared with the Group entity as mudarib and losses borne by depositors.

O Contingencies

(a) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote.

Possible obligations, which existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

O Contingencies (continued)

(b) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not being wholly within the control of the Group and the Bank, the asset is not recognised in the statement of financial position but is disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

P Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Bank use observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group or the Bank can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Bank recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Q Recourse obligation on loans sold to Cagamas Berhad

In the normal course of banking operations, the Bank sells loans to Cagamas Berhad. The Bank is liable in respect of the loans sold directly to Cagamas Berhad under the condition that the Bank undertakes to administer the loans on behalf of Cagamas Berhad and to buy back any loans which are regarded as defective based on prudence. Such financing transactions and the obligation to buy back the loans are reflected as a financial liability on the statement of financial position.

Loans sold to Cagamas Berhad are recognised initially, at its fair value plus transaction costs that are directly attributable to the loans sold to Cagamas Berhad and subsequently measured at amortised cost using effective interest method.

R Zakat contribution

Zakat represents business zakat payable by the Group to comply with the principles of Shariah and as approved by the Shariah Committee. The Group only pays zakat on its business and does not pay zakat on behalf of depositors or shareholder.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

3 CASH AND CASH EQUIVALENTS

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	420,339	716,740	337,560	606,244
Money at call and deposit placements with financial institutions maturing within one month	57,941	41,311	474,156	327,430
Deposit placements with Bank Negara Malaysia	2,447,944	3,862,645	2,245,000	3,015,000
	2,926,224	4,620,696	3,056,716	3,948,674
Stage 1 ECL allowance	(18)	(382)	(18)	(381)
	2,926,206	4,620,314	3,056,698	3,948,293

(a) By geographical distribution

Malaysia	2,671,394	4,362,316	2,857,452	3,749,962
Singapore	86,477	59,149	57,399	41,841
Other ASEAN countries	18,432	6,826	15,858	6,071
Rest of the world	149,921	192,405	126,007	150,800
	2,926,224	4,620,696	3,056,716	3,948,674

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

(b) Included in the Bank's cash and cash equivalents are deposits and placements with OCBC Al-Amin of RM416 million (31 December 2019: RM286 million), which are unsecured and profit bearing.

(c) Movements in ECL allowance

Group	2020			2019		
	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non credit- impaired RM'000	Stage 1 12 months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non credit- impaired RM'000
At 1 January	382	-	382	1,345	-	1,345
New financial assets originated or purchased	94	-	94	172	-	172
Financial assets derecognised	(927)	-	(927)	(24)	-	(24)
Net remeasurement during the year	519	-	519	(1,091)	-	(1,091)
Other movements	(50)	-	(50)	(20)	-	(20)
At 31 December	18	-	18	382	-	382

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

3 CASH AND CASH EQUIVALENTS (continued)

Bank	2020			2019		
	Stage 1	Stage 2	Total ECL	Stage 1	Stage 2	Total ECL
	12 months	Lifetime	non credit-	12 months	Lifetime	non credit-
	ECL	ECL	impaired	ECL	ECL	impaired
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	381	-	381	1,345	-	1,345
New financial assets originated or purchased	94	-	94	172	-	172
Financial assets derecognised	(927)	-	(927)	(24)	-	(24)
Net remeasurement during the year	520	-	520	(1,092)	-	(1,092)
Other movements	(50)	-	(50)	(20)	-	(20)
At 31 December	18	-	18	381	-	381

4 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Licensed bank	344,182	184,537	665,147	618,913
(a) By geography determined based on where the credit risk resides				
Malaysia	145,584	77,288	466,549	511,664
Singapore	172,760	103,524	172,760	103,524
Rest of the world	25,838	3,725	25,838	3,725
	344,182	184,537	665,147	618,913

(b) By residual contractual maturity

Maturity within one year	344,182	184,537	665,147	618,913
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(c) Included in the Bank's deposits and placements with licensed banks are deposits and placements with OCBC Al-Amin of RM321 million (31 December 2019: RM434 million), which are unsecured and profit bearing.

(d) Movements in ECL allowance

Group and Bank	2020			2019		
	Stage 1	Stage 2	Total ECL	Stage 1	Stage 2	Total ECL
	12 months	Lifetime	non credit-	12 months	Lifetime	non credit-
	ECL	ECL	impaired	ECL	ECL	impaired
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	44	-	44
New financial assets originated or purchased	23	-	23	-	-	-
Net remeasurement during the year	(23)	-	(23)	(44)	-	(44)
At 31 December	-	-	-	-	-	-

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

5 INVESTMENT ACCOUNT PLACEMENTS

<u>Bank</u>	2020 RM'000	2019 RM'000
Restricted Profit Sharing Investment Accounts	1,513,013	2,018,823
ECL allowance	(34,545)	(60,669)
	<u>1,478,468</u>	<u>1,958,154</u>

(a) By geography based on where the credit risk resides

Malaysia	1,513,013	1,518,811
Singapore	-	500,012
	<u>1,513,013</u>	<u>2,018,823</u>

(b) By residual contractual maturity

Within one year	1,285,664	1,960,296
Over five years	227,349	58,527
	<u>1,513,013</u>	<u>2,018,823</u>

The exposures to Restricted Profit Sharing Investment Accounts ("RPSIA") is an arrangement with its subsidiary, OCBC Al-Amin, which the contract is based on Mudharabah principle to fund a specific business venture where the Bank solely provides capital and the business venture is managed solely by OCBC Al-Amin. The profit of the business venture arrangement is shared with the Bank as mudarib based on a pre-agreed ratio, and losses borne by the Bank.

(c) Movements in ECL allowance

<u>Bank</u>	<i>Non credit-impaired</i>		<i>Credit-impaired</i>	
	Stage 1	Stage 2	Stage 3	Total
	12 months	Lifetime	Lifetime	
	ECL	ECL	ECL	ECL
	RM'000	RM'000	RM'000	RM'000
2020				
At 1 January	1,285	26,615	32,769	60,669
Transferred to Stage 3	-	(42,229)	42,229	-
New financial assets originated or purchased	586	-	-	586
Financial assets derecognised	(669)	-	-	(669)
Net remeasurement during the year	574	15,614	(42,229)	(26,041)
At 31 December	<u>1,776</u>	<u>-</u>	<u>32,769</u>	<u>34,545</u>
2019				
At 1 January	3,392	-	57,118	60,510
Transferred to Stage 2	(5,189)	5,189	-	-
New financial assets originated or purchased	316	-	-	316
Net remeasurement during the year	2,766	21,426	29,794	53,986
Written off	-	-	(54,143)	(54,143)
At 31 December	<u>1,285</u>	<u>26,615</u>	<u>32,769</u>	<u>60,669</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At fair value				
Malaysian Government Investment Issues	397,195	589,121	397,195	589,121
Malaysian Government Securities	280,306	275,024	280,306	275,024
Malaysian Government Treasury Bills	466,658	295,732	466,658	295,732
Corporate Bonds and Sukuk	169,316	16,592	159,161	262
	1,313,475	1,176,469	1,303,320	1,160,139

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At fair value				
Malaysian Government Investment Issues	8,414,541	6,107,784	5,938,271	3,846,724
Malaysian Government Securities	4,081,419	3,129,096	4,081,419	3,129,096
Malaysian Treasury Bills and Islamic Treasury Bills	1,313,006	39,840	1,094,184	39,840
Malaysian Government Debt Securities and Sukuk	137,466	125,283	63,649	30,437
Bank Negara Malaysia Monetary Notes	-	497,441	-	497,441
Foreign Government Debt Securities and Sukuk	203,273	204,109	179,033	179,222
Negotiable Instruments of Deposit and Islamic Negotiable Instruments of Deposit	3,344,587	2,768,686	2,345,362	1,471,815
Corporate and Islamic Corporate Bonds, Sukuk and Sanadat Mudharabah Cagamas	2,506,531	2,577,728	2,094,354	2,126,946
Unquoted shares in Malaysia	112,030	105,277	112,030	105,277
<i>Of which:</i>				
<i>Cagamas Holdings Berhad</i>	80,538	75,235	80,538	75,235
<i>Others</i>	31,492	30,042	31,492	30,042
	20,112,853	15,555,244	15,908,302	11,426,798

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

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

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

<u>Group</u>	2020			2019		
	Stage 1	Stage 2	Total ECL	Stage 1	Stage 2	Total ECL
	12 months ECL RM'000	Lifetime ECL RM'000	non credit- impaired RM'000	12 months ECL RM'000	Lifetime ECL RM'000	non credit- impaired RM'000
At 1 January	641	-	641	1,355	50	1,405
Transferred to Stage 1	766	(766)	-	-	-	-
Transferred to Stage 2	(79)	79	-	-	-	-
New financial assets originated or purchased	764	-	764	276	-	276
Financial assets derecognised	(736)	(275)	(1,011)	(716)	(41)	(757)
Net remeasurement during the year	585	974	1,559	(272)	(9)	(281)
Other movements	(25)	(12)	(37)	(2)	-	(2)
At 31 December	1,916	-	1,916	641	-	641
<u>Bank</u>						
At 1 January	488	-	488	1,156	-	1,156
Transferred to Stage 1	766	(766)	-	-	-	-
Transferred to Stage 2	(79)	79	-	-	-	-
New financial assets originated or purchased	496	-	496	71	-	71
Financial assets derecognised	(524)	(275)	(799)	(650)	-	(650)
Net remeasurement during the year	704	974	1,678	(87)	-	(87)
Other movements	(25)	(12)	(37)	(2)	-	(2)
At 31 December	1,826	-	1,826	488	-	488

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

8 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At amortised cost				
Overdrafts	2,922,818	3,398,207	2,435,896	2,944,597
Term loans/financing				
- Housing loans/financing	23,220,572	24,189,809	21,320,542	22,247,391
- Syndicated term loans/financing	4,887,639	4,392,816	3,966,961	3,765,013
- Hire purchase receivables	341,654	344,785	27,874	10
- Other term loans/financing	21,565,380	21,500,426	17,109,687	17,349,480
Credit cards	590,170	673,849	590,170	673,849
Bills receivable	201,503	189,342	146,240	136,611
Trust receipts	31,699	33,364	31,278	33,229
Claims on customers under acceptance credits	2,458,990	3,121,354	2,101,364	2,701,054
Revolving credit	9,491,988	10,293,142	6,467,563	6,387,825
Staff loans/financing	45,484	48,156	45,484	48,156
Other loans/financing	1,966,505	1,833,851	1,878,477	1,704,249
	<u>67,724,402</u>	<u>70,019,101</u>	<u>56,121,536</u>	<u>57,991,464</u>
At fair value				
Other term loans/financing	11,381	10,560	11,381	10,560
Gross loans, advances and financing	<u>67,735,783</u>	<u>70,029,661</u>	<u>56,132,917</u>	<u>58,002,024</u>
ECL allowance	(1,462,220)	(971,332)	(1,102,571)	(721,084)
Net loans, advances and financing	<u>66,273,563</u>	<u>69,058,329</u>	<u>55,030,346</u>	<u>57,280,940</u>

During the year, the Group incurred a net modification loss of RM8 million arising from affected loans, advances and financing (before modification) totalling RM394 million.

(a) By type of customer

Domestic banking institutions	2,419	23,358	2,419	23,358
Domestic non-bank financial institutions	2,132,030	2,818,760	1,113,628	1,791,640
Domestic business enterprises				
- Small and medium enterprises	14,554,161	10,912,492	12,069,643	8,855,747
- Others	22,118,893	25,626,000	16,718,969	20,015,048
Individuals	25,852,361	26,986,984	23,709,454	24,774,846
Foreign entities	3,075,919	3,662,067	2,518,804	2,541,385
	<u>67,735,783</u>	<u>70,029,661</u>	<u>56,132,917</u>	<u>58,002,024</u>

(b) By interest/profit rate sensitivity

Fixed rate				
- Housing loans/financing	72,969	54,597	33,760	7,084
- Hire purchase receivables	195,078	165,105	27,881	10
- Other fixed rate loans/financing	6,907,966	7,088,138	5,407,183	5,538,079
Variable rate				
- Base rate/Base lending rate/Base financing rate plus	37,963,920	39,487,376	33,722,463	35,345,541
- Cost plus	21,215,075	22,442,446	15,610,352	16,362,580
- Other variable rates	1,380,775	791,999	1,331,278	748,730
	<u>67,735,783</u>	<u>70,029,661</u>	<u>56,132,917</u>	<u>58,002,024</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

8 LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(c) By sector				
Agriculture, hunting, forestry and fishing	4,049,154	4,789,873	2,620,779	2,701,393
Mining and quarrying	488,973	523,637	211,084	222,802
Manufacturing	8,234,720	8,154,764	6,738,361	6,651,295
Electricity, gas and water	411,600	464,669	362,300	434,160
Construction	2,893,317	3,226,626	1,889,874	2,444,176
Real estate	8,304,924	7,931,295	7,104,523	6,718,571
Wholesale & retail trade and restaurants & hotels	7,968,964	7,710,554	6,393,521	6,467,672
Transport, storage and communication	1,117,674	1,337,624	753,752	1,083,505
Finance, insurance and business services	3,008,845	4,151,250	1,811,703	2,435,541
Community, social and personal services	3,497,343	2,361,993	2,748,113	1,796,782
Household				
- Purchase of residential properties	24,157,473	25,165,317	22,248,230	23,213,270
- Purchase of non-residential properties	853,164	908,656	804,849	862,296
- Others	2,700,184	2,796,820	2,398,429	2,464,555
Others	49,448	506,583	47,399	506,006
	67,735,783	70,029,661	56,132,917	58,002,024

(d) By geography determined based on where the credit risk resides

Malaysia	64,687,991	66,421,116	53,597,130	55,454,801
Singapore	1,359,384	1,865,837	1,280,428	1,285,905
Other ASEAN countries	438,491	511,654	323,717	349,494
Rest of the world	1,249,917	1,231,054	931,642	911,824
	67,735,783	70,029,661	56,132,917	58,002,024

(e) By residual contractual maturity

Up to one year	19,919,974	22,536,861	16,039,243	17,626,038
Over one year to three years	4,660,054	3,519,191	3,591,102	2,699,713
Over three years to five years	6,482,295	6,009,591	4,889,278	4,584,009
Over five years	36,673,460	37,964,018	31,613,294	33,092,264
	67,735,783	70,029,661	56,132,917	58,002,024

9 IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	1,402,168	1,333,041	1,056,476	957,941
Impaired during the year	1,662,021	1,391,456	1,212,245	1,012,998
Reclassified as non-credit impaired	(226,458)	(574,881)	(196,966)	(432,701)
Amount recovered	(705,360)	(556,154)	(595,907)	(386,305)
Amount written off	(202,979)	(191,643)	(161,547)	(95,523)
Effect of foreign exchange difference	(277)	349	(277)	66
At 31 December	1,929,115	1,402,168	1,314,024	1,056,476
Stage 3 ECL allowance	(464,752)	(378,350)	(315,437)	(269,142)
Net impaired loans, advances and financing	1,464,363	1,023,818	998,587	787,334

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(i) Movements in impaired loans, advances and financing (continued)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(a) By sector				
Agriculture, hunting, forestry and fishing	201,509	9,343	6,305	5,708
Mining and quarrying	14,450	14,895	14,450	14,895
Manufacturing	429,898	152,905	400,624	116,677
Construction	137,833	80,081	38,978	38,165
Real estate	199,323	206,934	193,147	206,268
Wholesale & retail trade and restaurants & hotels	197,758	205,976	104,810	101,470
Transport, storage and communication	80,068	106,118	31,589	44,123
Finance, insurance and business services	19,930	15,927	8,713	8,315
Community, social and personal services	6,894	4,214	6,288	3,481
Household				
- Purchase of residential properties	503,872	488,748	396,269	423,115
- Purchase of non-residential properties	28,273	22,216	28,273	21,455
- Others	109,307	90,409	84,578	68,402
Others	-	4,402	-	4,402
	<u>1,929,115</u>	<u>1,402,168</u>	<u>1,314,024</u>	<u>1,056,476</u>
(b) By geography based on where the credit risk resides				
Malaysia	1,888,705	1,359,309	1,278,254	1,017,534
Singapore	28,312	20,578	23,720	16,679
Rest of the world	12,098	22,281	12,050	22,263
	<u>1,929,115</u>	<u>1,402,168</u>	<u>1,314,024</u>	<u>1,056,476</u>
(c) By period overdue				
Up to 3 months	963,948	375,071	630,879	311,198
Over 3 months to 6 months	115,268	157,791	94,156	127,299
Over 6 months to 9 months	36,327	208,698	31,264	98,892
Over 9 months	813,572	660,608	557,725	519,087
	<u>1,929,115</u>	<u>1,402,168</u>	<u>1,314,024</u>	<u>1,056,476</u>
(d) By collateral type				
Property	1,042,819	875,899	917,803	782,413
Fixed deposits	1,935	7,080	1,935	5,800
Stock and shares	46,977	5,859	6,229	79
Machinery	-	4,019	-	-
Secured - others	63,687	71,033	24,382	25,484
Unsecured - corporate and other guarantees	357,775	128,659	61,419	69,216
Unsecured - clean	415,922	309,619	302,256	173,484
	<u>1,929,115</u>	<u>1,402,168</u>	<u>1,314,024</u>	<u>1,056,476</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing

<u>Group</u>	<i>Non credit-impaired</i>		<i>Credit-impaired</i>	2020	<i>Non credit-impaired</i>		<i>Credit-impaired</i>	2019
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	ECL	ECL	ECL	ECL	ECL	ECL	ECL	ECL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	258,799	334,183	378,350	971,332	241,198	288,505	368,702	898,405
Transferred to Stage 1	254,387	(226,146)	(28,241)	-	301,333	(273,828)	(27,505)	-
Transferred to Stage 2	(181,422)	191,406	(9,984)	-	(79,351)	112,225	(32,874)	-
Transferred to Stage 3	(3,673)	(256,356)	260,029	-	(4,299)	(191,863)	196,162	-
New financial assets originated or purchased	186,958	172,686	-	359,644	199,067	65,193	-	264,260
Financial assets derecognised	(149,965)	(197,917)	(27,724)	(375,606)	(150,741)	(89,491)	(34,139)	(274,371)
Net remeasurement during the year	(48,594)	664,720	120,736	736,862	(247,872)	423,730	115,461	291,319
Written off	-	-	(202,979)	(202,979)	-	-	(191,643)	(191,643)
Other movements	(99)	(1,499)	(25,435)	(27,033)	(536)	(288)	(15,814)	(16,638)
At 31 December	316,391	681,077	464,752	1,462,220	258,799	334,183	378,350	971,332
At 1 January								
- Loans, advances and financing	245,984	308,572	378,350	932,906	228,310	274,791	368,702	871,803
- Credit commitments and financial guarantees	12,814	25,612	-	38,426	12,888	13,714	-	26,602
	258,798	334,184	378,350	971,332	241,198	288,505	368,702	898,405
At 31 December								
- Loans, advances and financing	300,181	639,830	464,752	1,404,763	245,984	308,572	378,350	932,906
- Credit commitments and financial guarantees	16,210	41,247	-	57,457	12,814	25,612	-	38,426
	316,391	681,077	464,752	1,462,220	258,798	334,184	378,350	971,332

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

	<i>Non credit-impaired</i>		<i>Credit-impaired</i>	2020	<i>Non credit-impaired</i>		<i>Credit-impaired</i>	2019
	Stage 1	Stage 2	Stage 3		Stage 1	Stage 2	Stage 3	
	ECL	ECL	ECL	ECL	ECL	ECL	ECL	ECL
Bank	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January	197,808	254,134	269,142	721,084	178,849	231,340	248,504	658,693
Transferred to Stage 1	166,981	(149,153)	(17,828)	-	236,510	(217,700)	(18,810)	-
Transferred to Stage 2	(134,337)	142,039	(7,702)	-	(55,639)	80,428	(24,789)	-
Transferred to Stage 3	(698)	(156,360)	157,058	-	(2,346)	(133,554)	135,900	-
New financial assets originated or purchased	163,054	135,031	-	298,085	167,070	57,121	-	224,191
Financial assets derecognised	(130,606)	(158,591)	(22,072)	(311,269)	(126,543)	(75,121)	(22,968)	(224,632)
Net remeasurement during the year	(14,295)	472,503	115,118	573,326	(199,713)	311,913	56,246	168,446
Written off	-	-	(161,547)	(161,547)	-	-	(95,523)	(95,523)
Other movements	275	(651)	(16,732)	(17,108)	(380)	(293)	(9,418)	(10,091)
At 31 December	248,182	538,952	315,437	1,102,571	197,808	254,134	269,142	721,084
At 1 January								
- Loans, advances and financing	188,645	235,221	269,142	693,008	169,102	217,864	248,504	635,470
- Credit commitments and financial guarantees	9,163	18,913	-	28,076	9,747	13,476	-	23,223
	197,808	254,134	269,142	721,084	178,849	231,340	248,504	658,693
At 31 December								
- Loans, advances and financing	233,730	513,328	315,437	1,062,495	188,645	235,221	269,142	693,008
- Credit commitments and financial guarantees	14,452	25,624	-	40,076	9,163	18,913	-	28,076
	248,182	538,952	315,437	1,102,571	197,808	254,134	269,142	721,084

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

(a) By sector

	Group				Bank			
	<i>Non credit-impaired</i>	<i>Credit-impaired</i>	Stage 3 ECL		<i>Non credit-impaired</i>	<i>Credit-impaired</i>	Stage 3 ECL	
	Stage 1 and 2 ECL	Stage 3 ECL	Made during the year (Note 30)	Written off	Stage 1 and 2 ECL	Stage 3 ECL	Made during the year (Note 30)	Written off
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2020								
Agriculture, hunting, forestry and fishing	45,073	1,159	617	172	36,943	1,055	547	39
Mining and quarrying	6,930	8,446	9,799	-	2,858	8,446	9,799	-
Manufacturing	133,290	60,945	84,552	37,114	94,259	54,259	73,993	31,673
Electricity, gas and water	6,244	-	-	-	5,109	-	-	-
Construction	59,298	26,635	9,274	8,350	26,401	17,732	4,573	2,344
Real estate	106,732	67,338	39,626	8,840	99,239	67,266	39,523	8,840
Wholesale & retail trade and restaurants & hotels	139,445	80,369	87,667	46,704	89,632	37,531	48,567	40,783
Transport, storage and communication	13,991	51,198	1,984	1,685	10,380	17,666	1,389	1,418
Finance, insurance and business services	28,068	3,459	3,814	2,659	25,530	1,297	2,354	2,389
Community, social and personal services	48,966	628	461	451	38,747	478	395	339
Household								
- Purchase of residential properties	325,807	107,426	156,279	66,805	312,689	74,745	95,542	56,361
- Purchase of non-residential properties	12,526	4,141	4,378	2,734	11,292	4,141	3,880	1,969
- Others	55,128	53,008	57,472	27,465	33,388	30,821	35,546	15,392
Others	15,971	-	-	-	668	-	-	-
	997,468	464,752	455,922	202,979	787,134	315,437	316,107	161,547

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

(a) By sector (continued)

	Group				Bank			
	<i>Non credit- impaired</i>	<i>Credit- impaired</i>	Stage 3 ECL		<i>Non credit- impaired</i>	<i>Credit- impaired</i>	Stage 3 ECL	
	Stage 1 and 2 ECL RM'000	Stage 3 ECL RM'000	Made during the year (Note 30) RM'000	Written off RM'000	Stage 1 and 2 ECL RM'000	Stage 3 ECL RM'000	Made during the year (Note 30) RM'000	Written off RM'000
31 December 2019								
Agriculture, hunting, forestry and fishing	82,054	1,049	1,298	104	47,237	751	881	104
Mining and quarrying	6,292	91	203	-	4,639	91	203	-
Manufacturing	107,238	32,662	39,536	56,176	89,950	23,939	22,565	48,019
Electricity, gas and water	13,131	-	-	-	13,038	-	-	-
Construction	74,908	32,706	34,584	881	55,725	18,039	19,262	356
Real estate	36,375	42,896	44,136	184	28,464	42,896	43,844	-
Wholesale & retail trade and restaurants & hotels	74,811	60,504	33,134	12,113	61,817	43,551	21,226	7,398
Transport, storage and communication	8,611	60,278	2,804	2,094	7,247	27,001	1,696	781
Finance, insurance and business services	14,726	4,295	3,464	1,359	13,904	2,699	2,090	861
Community, social and personal services	4,577	987	1,486	721	-	757	917	522
Household								
- Purchase of residential properties	44,305	93,569	89,828	21,459	38,989	79,485	75,998	18,063
- Purchase of non-residential properties	3,526	3,140	3,338	2,459	3,201	2,873	3,076	2,459
- Others	98,144	46,173	87,520	39,950	78,946	27,060	46,530	16,960
Others	24,284	-	29,795	54,143	8,785	-	-	-
	<u>592,982</u>	<u>378,350</u>	<u>371,126</u>	<u>191,643</u>	<u>451,942</u>	<u>269,142</u>	<u>238,288</u>	<u>95,523</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

9 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

(ii) Movements in ECL allowance on loans, advances and financing (continued)

(b) By geographical distribution

	Group			Bank		
	<i>Non credit-impaired</i>	<i>Credit-impaired</i>		<i>Non credit-impaired</i>	<i>Credit-impaired</i>	
	Stage 1 and 2 ECL	Stage 3 ECL	Total ECL	Stage 1 and 2 ECL	Stage 3 ECL	Total ECL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020						
Malaysia	945,608	451,658	1,397,266	751,539	303,768	1,055,307
Singapore	18,295	10,111	28,406	17,933	8,734	26,667
Other ASEAN countries	4,829	48	4,877	4,565	-	4,565
Rest of the world	28,736	2,935	31,671	13,097	2,935	16,032
	<u>997,468</u>	<u>464,752</u>	<u>1,462,220</u>	<u>787,134</u>	<u>315,437</u>	<u>1,102,571</u>
2019						
Malaysia	551,304	371,292	922,596	425,618	263,332	688,950
Singapore	6,001	4,299	10,300	5,002	3,069	8,071
Other ASEAN countries	17,762	18	17,780	17,754	-	17,754
Rest of the world	17,915	2,741	20,656	3,568	2,741	6,309
	<u>592,982</u>	<u>378,350</u>	<u>971,332</u>	<u>451,942</u>	<u>269,142</u>	<u>721,084</u>

(c) Impact of movements in gross carrying amount on ECL allowance

Stage 1 ECL allowance increased by RM58 million and RM50 million respectively for the Group and the Bank compared to the previous financial year mainly due to newly originated loans, advances and financing and transfers from Stage 2 to Stage 1 ECL as a result of improved credit quality.

Stage 2 ECL allowance increased by RM347 million and RM285 million respectively for the Group and the Bank mainly due to higher remeasurement and migration of loans, advances and financing to Stage 2 arising from increased credit risk, especially on certain exposures under the targeted repayment assistance segment which are deemed higher risk and forward looking adjustments after incorporating the worsened macroeconomic outlook.

Stage 3 ECL allowance increased by RM86 million and RM46 million respectively for the Group and the Bank mainly due to increase in credit-impaired loans, advances and financing migrated from Stage 2 to Stage 3, partially offset by exposures written off during the financial year.

In assessing the sensitivity of the allowances to changes in forward-looking assumptions, scenario analyses using alternative macroeconomic scenarios were performed. The results show that the allowances for non credit-impaired loans to customers are within a reasonable range of potential loss outcomes.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

10 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Financial derivatives are instruments which values change in response to the change in one or more "underlying" such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet the specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The tables below analyse the principal amounts and the positive (assets) and negative (liabilities) fair values of the Group's and the Bank's financial derivatives. The notional amounts of these instruments indicate the volume of transactions outstanding at the reporting date for both trading and hedging instruments. They do not necessarily indicate the amount of future cash flows or the fair value of the derivatives and therefore, do not represent total amount of risk. The positive (assets) and negative (liabilities) fair values represent the favourable and unfavourable fair value respectively of hedging and trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

	2020			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
Group						
Trading						
Foreign exchange derivatives						
- Forwards	6,288,275	26,177	132,937	4,368,293	11,504	42,376
- Swaps	14,707,771	492,925	368,271	15,361,383	454,265	334,840
- Options	1,008,722	7,917	3,824	704,214	6,907	294
Interest rate derivatives						
- Forwards	1,600,000	6,421	6,421	-	-	-
- Swaps	43,722,009	554,280	653,473	56,748,918	236,667	284,147
- Futures	40,121	-	69	286,545	63	-
Equity and other derivatives						
- Swaps	790,144	23,637	23,637	803,309	16,660	16,660
- Commodity related contracts	79,436	6,947	6,735	74,620	2,574	41
- Credit linked notes	923,051	33,129	33,129	953,135	21,092	21,092
	69,159,529	1,151,433	1,228,496	79,300,417	749,732	699,450
Hedging						
Interest rate derivatives						
- Swaps	420,060	321	1,294	20,467	-	573
	69,579,589	1,151,754	1,229,790	79,320,884	749,732	700,023

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

10 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

Bank	2020			2019		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	6,293,279	26,005	132,973	4,360,330	11,209	42,321
- Swaps	14,708,278	492,933	368,271	15,361,208	454,269	334,840
- Options	1,008,722	7,917	3,824	704,214	6,907	294
Interest rate derivatives						
- Forwards	1,600,000	6,421	6,421	-	-	-
- Swaps	43,722,009	555,785	653,473	56,748,918	237,056	284,147
- Futures	40,121	-	69	286,545	63	-
Equity and other derivatives						
- Swaps	790,144	23,637	23,637	803,309	16,660	16,660
- Commodity related contracts	79,436	6,947	6,735	74,620	2,574	41
- Credit linked notes	923,051	33,129	33,129	953,135	21,092	21,092
	69,165,040	1,152,774	1,228,532	79,292,279	749,830	699,395
Hedging						
Interest rate derivatives						
- Swaps	420,060	321	1,294	20,467	-	573
	69,585,100	1,153,095	1,229,826	79,312,746	749,830	699,968
Of which related to wholly-owned subsidiary	268,926	27,234	55	250,365	12,381	6

Oversea-Chinese Banking Corporation Limited, the holding company of the Bank (the "OCBC Bank") has established an Interbank Lending Rate ("IBOR") Transition Programme that is overseen by the OCBC Bank's Chief Operating Officer, and updated a number of committees including the OCBC Bank's Board Risk Committee and Risk Committee regularly. The Group and the Bank established an IBOR Transition Working Group which lead by the Country Head of Global Treasury is working closely with OCBC Bank's Overseas Jurisdiction Lead to implement the programme consistently. The programme comprises a series of business and functional workstreams, with oversight and coordination of the specific areas and risks provided by a central project team. The key objectives of these workstreams include identifying all contracts in scope of benchmark reform, upgrading internal systems to support business in the alternative RFR product suite, identifying and communicating to customers with whom repricing and/or re-papering IBOR-referenced contracts are required and executing the necessary change in contracts.

Workstreams actively participate in industry-wide working groups to ensure they are kept informed of the latest developments and are consistent with the approaches of other market participants.

The Group and the Bank use interest rate swaps to hedge its exposure to changes in fair value of fixed rate debt instruments in a fair value hedge. With respect to hedge accounting, the Group's and the Bank's primary exposure is to USD LIBOR due to the extent of fixed rate debt instruments that are designated in fair value hedge relationships.

The group has applied the following relief from hedge accounting requirements that were introduced by the amendments made to MFRS 9:

- When considering the 'highly probable' requirement, the Group assumed that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of IBOR reform.
- In assessing the economic relationship between the hedged item and the hedging instrument, the Group assume that the interest rate benchmark on which the hedged item and hedging instruments are based is not altered as a result of the IBOR reform.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

10 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES (continued)

- For fair value hedges of interest rate risk on fixed rate debt, the Group only assesses whether the designated benchmark is separately identifiable at hedge inception and not revisited on reporting date.

In applying the amendments, the Group and the Bank assume that the uncertainty arising from interest rate benchmark reform is no longer present when contracts are modified to reflect the new benchmark rates or are discontinued. The Group and the Bank also assume that when modifying contracts to reflect the new benchmark rates, no other changes to the terms of the contracts will be made.

As at 31 December 2020, the notional amount of hedging instruments referencing USD LIBOR is USD5 million, equivalent to RM20 million for the Group and the Bank.

11 OTHER ASSETS

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amount due from subsidiaries	(a)	-	-	17,142	12,223
Interest/Profit receivable		161,442	138,747	136,500	112,404
Unquoted redeemable Islamic subordinated Sukuk of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		216,867	236,810	212,591	229,227
ECL/Impairment allowance on an other receivable		(3,388)	-	(3,388)	-
		<u>374,921</u>	<u>375,557</u>	<u>562,845</u>	<u>553,854</u>

(a) The amount due from subsidiaries are unsecured, interest/profit free and repayable on demand.

(b) On 24 November 2016, the Bank subscribed for RM200 million redeemable 10 years non-callable 5 years subordinated Sukuk issued by OCBC Al-Amin 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 bond, whichever is earlier.

12 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined as set percentages of total eligible liabilities. Effective at 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Investment Issues and Malaysian Government Securities as part of their Statutory Reserve Requirement ("SRR") compliance and this flexibility to banking institutions has been further extended from 31 May 2021 to 31 December 2022 by BNM on 20 January 2021.

13 INVESTMENTS IN SUBSIDIARIES

Bank	2020 RM'000	2019 RM'000
Unquoted shares in Malaysia, at cost	<u>557,051</u>	<u>557,051</u>

Details of the subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows:

Subsidiaries	Principal activities	Effective ownership and voting interest	
		2020	2019
OCBC Al-Amin Bank Berhad	Islamic banking	100%	100%
Malaysia Nominees (Tempatan) Sdn Bhd	Nominee services	100%	100%
Malaysia Nominees (Asing) Sdn Bhd	Nominee services	100%	100%
OCBC Advisers (Malaysia) Sdn Bhd	Corporate finance and related advisory services	100%	100%

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

14 PROPERTY AND EQUIPMENT

Group	Freehold land and buildings* RM'000	Leasehold	Buildings on		Office equipment and furniture RM'000	Computer equipment/ software RM'000	Motor vehicles RM'000	Renovation RM'000	Work in progress RM'000	Total RM'000
		land	Less than	50 years						
		50 years or more RM'000	50 years or more RM'000	50 years or more RM'000						
2020										
Cost										
At 1 January	124,076	3,745	3,607	7,018	147,157	292,094	910	96,060	1,445	676,112
Additions	7,000	-	-	-	1,943	14,404	-	2,994	-	26,341
Transferred to ROU	-	(3,745)	-	-	-	-	-	-	-	(3,745)
Disposals/Written off	-	-	-	-	(722)	(109)	-	(831)	-	(1,662)
Transfer from related parties	-	-	-	-	(2)	-	-	-	-	(2)
At 31 December	131,076	-	3,607	7,018	148,376	306,389	910	98,223	1,445	697,044
Accumulated depreciation										
At 1 January	(40,719)	(622)	(1,634)	(2,644)	(120,914)	(260,564)	(559)	(89,305)	-	(516,961)
Depreciation for the year	(2,055)	(36)	(53)	(89)	(6,092)	(14,720)	(80)	(2,523)	-	(25,648)
Disposals/Written off	-	-	-	-	587	109	-	832	-	1,528
Transfer from related parties	-	-	-	-	2	(1)	-	-	-	1
Transferred to ROU	-	658	-	-	-	-	-	-	-	658
At 31 December	(42,774)	-	(1,687)	(2,733)	(126,417)	(275,176)	(639)	(90,996)	-	(540,422)
Impairment allowance										
At 1 January	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Transferred to ROU	-	50	-	-	-	-	-	-	-	50
At 31 December	(1,623)	-	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount										
At 1 January	81,734	3,073	888	2,474	26,243	31,530	351	6,755	1,445	154,493
At 31 December	86,679	-	835	2,385	21,959	31,213	271	7,227	1,445	152,014

* Included in freehold land and buildings are buildings on freehold land amounting to RM105 million (2019: RM105 million) and accumulated depreciation of RM43 million (2019: RM41 million).

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

14 PROPERTY AND EQUIPMENT (continued)

Group (continued)	Freehold	Leasehold	Buildings on		Office	Computer	Motor	Renovation	Work in	Total
	land and	land	leasehold land							
	buildings*	50 years	Less than	50 years	and furniture	software				
	RM'000	or more	50 years	or more	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019										
Cost										
At 1 January	124,076	3,745	3,607	7,018	142,642	284,882	518	92,132	2,101	660,721
Additions	-	-	-	-	5,265	6,185	397	3,969	4,051	19,867
Disposals/Written off	-	-	-	-	(802)	(3,683)	(5)	(41)	-	(4,531)
Transfer from related parties	-	-	-	-	52	3	-	-	-	55
Reclassification	-	-	-	-	-	4,707	-	-	(4,707)	-
At 31 December	124,076	3,745	3,607	7,018	147,157	292,094	910	96,060	1,445	676,112
Accumulated depreciation										
At 1 January	(38,663)	(586)	(1,581)	(2,556)	(115,339)	(245,773)	(466)	(86,731)	-	(491,695)
Depreciation for the year	(2,056)	(36)	(53)	(88)	(6,254)	(18,466)	(98)	(2,574)	-	(29,625)
Disposals/Written off	-	-	-	-	708	3,677	5	-	-	4,390
Transfer from related parties	-	-	-	-	(29)	(2)	-	-	-	(31)
At 31 December	(40,719)	(622)	(1,634)	(2,644)	(120,914)	(260,564)	(559)	(89,305)	-	(516,961)
Impairment allowance										
At 1 January and 31 December	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Carrying amount										
At 1 January	83,790	3,109	941	2,562	27,303	39,109	52	5,401	2,101	164,368
At 31 December	81,734	3,073	888	2,474	26,243	31,530	351	6,755	1,445	154,493

* Included in freehold land and buildings are buildings on freehold land amounting to RM105 million (2018: RM105 million) and accumulated depreciation of RM41 million (2018: RM39 million).

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

14 PROPERTY AND EQUIPMENT (continued)

Bank	Freehold	Leasehold	Building on		Office	Computer	Motor	Renovation	Work in	Total
	land and	land	leasehold land							
	buildings*	50 years	Less than	50 years	and furniture	software				
	RM'000	or more	50 years	or more	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020										
Cost										
At 1 January	123,944	3,745	3,607	7,018	136,225	274,539	821	83,192	1,445	634,536
Additions	7,000	-	-	-	1,827	14,222	-	2,987	-	26,036
Transferred to ROU	-	(3,745)	-	-	-	-	-	-	-	(3,745)
Disposals/Written off	-	-	-	-	(467)	(62)	-	(560)	-	(1,089)
At 31 December	130,944	-	3,607	7,018	137,585	288,699	821	85,619	1,445	655,738
Accumulated depreciation										
At 1 January	(40,682)	(622)	(1,634)	(2,644)	(114,839)	(244,375)	(470)	(77,540)	-	(482,806)
Depreciation for the year	(2,055)	(36)	(53)	(89)	(5,276)	(13,684)	(80)	(2,150)	-	(23,423)
Disposals/Written off	-	-	-	-	394	61	-	561	-	1,016
Transferred to ROU	-	658	-	-	-	-	-	-	-	658
At 31 December	(42,737)	-	(1,687)	(2,733)	(119,721)	(257,998)	(550)	(79,129)	-	(504,555)
Impairment allowance										
At 1 January	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Transferred to ROU	-	50	-	-	-	-	-	-	-	50
At 31 December	(1,623)	-	(1,085)	(1,900)	-	-	-	-	-	(4,608)
Carrying amount										
At 1 January	81,639	3,073	888	2,474	21,386	30,164	351	5,652	1,445	147,072
At 31 December	86,584	-	835	2,385	17,864	30,701	271	6,490	1,445	146,575

* Included in freehold land and buildings are buildings on freehold land amounting to RM105 million (2019: RM105 million) and accumulated depreciation of RM43 million (2019: RM41 million).

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

14 PROPERTY AND EQUIPMENT (continued)

Bank (continued)	Freehold	Leasehold	Building on		Office	Computer	Motor	Renovation	Work in	Total
	land and	land	Less than	50 years						
	buildings*	50 years	50 years	or more	and furniture	software	RM'000	RM'000	RM'000	RM'000
	RM'000	or more	or more	or more	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2019										
Cost										
At 1 January	123,944	3,745	3,607	7,018	131,670	267,110	429	79,228	2,101	618,852
Additions	-	-	-	-	5,113	6,003	397	3,964	4,051	19,528
Disposals/Written off	-	-	-	-	(664)	(3,281)	(5)	-	-	(3,950)
Transfer from related parties	-	-	-	-	106	-	-	-	-	106
Reclassification	-	-	-	-	-	4,707	-	-	(4,707)	-
At 31 December	123,944	3,745	3,607	7,018	136,225	274,539	821	83,192	1,445	634,536
Accumulated depreciation										
At 1 January	(38,626)	(586)	(1,581)	(2,556)	(110,091)	(230,506)	(377)	(75,387)	-	(459,710)
Depreciation for the year	(2,056)	(36)	(53)	(88)	(5,275)	(17,143)	(98)	(2,153)	-	(26,902)
Disposals/Written off	-	-	-	-	610	3,274	5	-	-	3,889
Transfer from related parties	-	-	-	-	(83)	-	-	-	-	(83)
At 31 December	(40,682)	(622)	(1,634)	(2,644)	(114,839)	(244,375)	(470)	(77,540)	-	(482,806)
Impairment allowance										
At 1 January and 31 December	(1,623)	(50)	(1,085)	(1,900)	-	-	-	-	-	(4,658)
Carrying amount										
At 1 January	83,695	3,109	941	2,562	21,579	36,604	52	3,841	2,101	154,484
At 31 December	81,639	3,073	888	2,474	21,386	30,164	351	5,652	1,445	147,072

* Included in freehold land and buildings are buildings on freehold land amounting to RM105 million (2018: RM105 million) and accumulated depreciation of RM41 million (2018: RM39 million).

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

14 PROPERTY AND EQUIPMENT (continued)

The Bank rents out space, primarily to its Islamic subsidiary and a related company for the purpose of providing services to the Group and the Bank. The rental income is disclosed in Note 27 and the operating lease payments to be received are as follows:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Less than one year	3,164	3,126	3,209	3,170
Between one to five years	10	70	10	70
Total undiscounted lease payments	3,174	3,196	3,219	3,240

15 RIGHT-OF-USE ("ROU") ASSETS

Group	2020			2019		
	Leasehold land RM'000	Properties RM'000	Total RM'000	Leasehold land RM'000	Properties RM'000	Total RM'000
Cost						
At 1 January	3,047	43,611	46,658	3,047	29,336	32,383
Additions	-	23,234	23,234	-	14,275	14,275
Transferred from property and equipment ("PE")	3,745	-	3,745	-	-	-
Derecognition during the year	-	(3,791)	(3,791)	-	-	-
At 31 December	6,792	63,054	69,846	3,047	43,611	46,658
Accumulated depreciation						
At 1 January	(817)	(18,482)	(19,299)	(781)	-	(781)
Depreciation for the year	(36)	(18,180)	(18,216)	(36)	(18,482)	(18,518)
Transferred from PE	(658)	-	(658)	-	-	-
Derecognition during the year	-	688	688	-	-	-
At 31 December	(1,511)	(35,974)	(37,485)	(817)	(18,482)	(19,299)
Impairment allowance						
At 1 January	(1,554)	-	(1,554)	(1,554)	-	(1,554)
Transferred from PE	(50)	-	(50)	-	-	-
At 31 December	(1,604)	-	(1,604)	(1,554)	-	(1,554)
Carrying amount						
At 1 January	676	25,129	25,805	712	29,336	30,048
At 31 December	3,677	27,080	30,757	676	25,129	25,805
Bank						
Cost						
At 1 January	3,047	38,234	41,281	3,047	25,097	28,144
Additions	-	19,703	19,703	-	13,137	13,137
Transferred from PE	3,745	-	3,745	-	-	-
Derecognition during the year	-	(3,103)	(3,103)	-	-	-
At 31 December	6,792	54,834	61,626	3,047	38,234	41,281
Accumulated depreciation						
At 1 January	(817)	(16,079)	(16,896)	(781)	-	(781)
Depreciation for the year	(36)	(16,123)	(16,159)	(36)	(16,079)	(16,115)
Transferred from PE	(658)	-	(658)	-	-	-
Derecognition during the year	-	-	-	-	-	-
At 31 December	(1,511)	(32,202)	(33,713)	(817)	(16,079)	(16,896)

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

15 RIGHT-OF-USE ("ROU") ASSETS (continued)

Bank (continued)	2020			2019		
	Leasehold land RM'000	Properties RM'000	Total RM'000	Leasehold land RM'000	Properties RM'000	Total RM'000
Impairment allowance						
At 1 January	(1,554)	-	(1,554)	(1,554)	-	(1,554)
Transferred from PE	(50)	-	(50)	-	-	-
At 31 December	(1,604)	-	(1,604)	(1,554)	-	(1,554)
Carrying amount						
At 1 January	676	22,155	22,831	712	25,097	25,809
At 31 December	3,677	22,632	26,309	676	22,155	22,831

16 DEFERRED TAX ASSETS

Group	Assets		Liabilities		Net	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Change in fair value of financial instruments	-	-	(74,117)	(34,299)	(74,117)	(34,299)
Excess of capital allowance over depreciation	-	-	1,450	(1,611)	1,450	(1,611)
Stage 1 and 2 ECL allowance	82,754	31,913	-	-	82,754	31,913
Provision for expenses	46,900	38,858	-	-	46,900	38,858
Other temporary differences	11,810	11,576	-	-	11,810	11,576
Tax assets/(liabilities)	141,464	82,347	(72,667)	(35,910)	68,797	46,437
Set off of tax	(72,667)	(35,910)	72,667	35,910	-	-
Net tax assets	68,797	46,437	-	-	68,797	46,437
Bank						
Change in fair value of financial instruments	-	-	(58,977)	(26,896)	(58,977)	(26,896)
Excess of capital allowance over depreciation	-	-	1,905	(1,014)	1,905	(1,014)
Stage 1 and 2 ECL allowance	63,941	26,199	-	-	63,941	26,199
Provision for expenses	44,442	36,627	-	-	44,442	36,627
Other temporary differences	9,422	8,821	-	-	9,422	8,821
Tax assets/(liabilities)	117,805	71,647	(57,072)	(27,910)	60,733	43,737
Set off of tax	(57,072)	(27,910)	57,072	27,910	-	-
Net tax assets	60,733	43,737	-	-	60,733	43,737

(i) Movement in deferred tax

Group	At 1 January RM'000	Recognised in profit or loss (Note 31) RM'000	Recognised in other comprehensive income RM'000	At 31 December RM'000
2020				
Change in fair value of financial instruments	(34,299)	-	(39,818)	(74,117)
Excess of capital allowance over depreciation	(1,611)	3,061	-	1,450
Stage 1 and 2 ECL allowance	31,913	50,841	-	82,754
Provision for expenses	38,858	8,042	-	46,900
Other temporary differences	11,576	234	-	11,810
	46,437	62,178	(39,818)	68,797

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

16 DEFERRED TAX ASSETS (continued)

(i) Movement in deferred tax (continued)

<u>Group</u>	At 1 January RM'000	Recognised in profit or loss (Note 31) RM'000	Recognised in other comprehensive income RM'000	At 31 December RM'000
2019				
Change in fair value of financial instruments	703	-	(35,002)	(34,299)
Excess of capital allowance over depreciation	(3,855)	2,244	-	(1,611)
Stage 1 and 2 ECL allowance	15,599	16,314	-	31,913
Provision for expenses	34,915	3,943	-	38,858
Other temporary differences	12,773	(1,197)	-	11,576
	<u>60,135</u>	<u>21,304</u>	<u>(35,002)</u>	<u>46,437</u>
Bank				
2020				
Change in fair value of financial instruments	(26,896)	-	(32,081)	(58,977)
Excess of capital allowance over depreciation	(1,014)	2,919	-	1,905
Stage 1 and 2 ECL allowance	26,199	37,742	-	63,941
Provision for expenses	36,627	7,815	-	44,442
Other temporary differences	8,822	600	-	9,422
	<u>43,738</u>	<u>49,076</u>	<u>(32,081)</u>	<u>60,733</u>
2019				
Change in fair value of financial instruments	1,399	-	(28,295)	(26,896)
Excess of capital allowance over depreciation	(2,991)	1,977	-	(1,014)
Stage 1 and 2 ECL allowance	10,510	15,689	-	26,199
Provision for expenses	33,029	3,598	-	36,627
Other temporary differences	9,978	(1,157)	-	8,821
	<u>51,925</u>	<u>20,107</u>	<u>(28,295)</u>	<u>43,737</u>

17 DEPOSITS FROM CUSTOMERS

	<u>Group</u>		<u>Bank</u>	
	<u>2020</u> <u>RM'000</u>	<u>2019</u> <u>RM'000</u>	<u>2020</u> <u>RM'000</u>	<u>2019</u> <u>RM'000</u>
(a) By type of deposit				
Demand deposits	20,124,779	17,238,374	15,421,232	13,028,179
Saving deposits	15,938,290	12,520,313	15,112,670	11,825,379
Fixed/General investment deposits	34,197,811	38,693,976	29,008,624	32,063,682
Negotiable instruments of deposit	-	4,284,146	-	3,684,146
Short-term money market deposits	3,114,652	2,358,996	2,339,787	1,982,570
	<u>73,375,532</u>	<u>75,095,805</u>	<u>61,882,313</u>	<u>62,583,956</u>
(b) By type of customer				
Government and statutory bodies	357,011	957,967	32,180	189,645
Non-bank financial institutions	2,872,064	3,854,813	1,574,260	2,086,313
Business enterprises	26,401,843	26,446,757	20,923,473	20,632,967
Individuals	39,440,098	36,002,821	35,361,947	32,129,591
Foreign entities	3,453,965	6,947,700	3,270,799	6,800,530
Others	850,551	885,747	719,654	744,910
	<u>73,375,532</u>	<u>75,095,805</u>	<u>61,882,313</u>	<u>62,583,956</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

17 DEPOSITS FROM CUSTOMERS (continued)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
(c) By maturity structure for fixed/term/general investment deposits, negotiable instruments of deposit and short-term money market deposits				
Up to six months	32,676,693	38,711,401	27,259,593	32,605,459
Over six months to one year	4,557,115	6,371,164	4,013,882	4,883,328
Over one year to three years	66,874	247,121	63,468	234,179
Over three years to five years	11,781	7,432	11,468	7,432
	<u>37,312,463</u>	<u>45,337,118</u>	<u>31,348,411</u>	<u>37,730,398</u>

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Licensed banks and other financial institutions	5,195,681	3,991,634	5,157,288	3,948,940
Bank Negara Malaysia	-	204,675	-	204,675
	<u>5,195,681</u>	<u>4,196,309</u>	<u>5,157,288</u>	<u>4,153,615</u>

19 OTHER LIABILITIES

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Amount due to subsidiaries	(a)	-	-	69,065	31,954
Equity compensation benefits	(b)	18,813	14,284	18,042	13,592
Interest/Profit payable		303,202	531,528	254,472	456,909
Structured investments		1,087,406	2,068,458	1,087,406	2,068,458
Lease liabilities		27,739	25,387	23,259	22,382
Other payables and accruals		517,899	433,655	438,464	360,514
Provision for commitments and contingencies	(c)	2,034	2,202	-	168
		<u>1,957,093</u>	<u>3,075,514</u>	<u>1,890,708</u>	<u>2,953,977</u>

(a) The amount due to subsidiaries is unsecured, interest/profit free and repayable on demand.

(b) Equity compensation benefits

Equity compensation benefits which are granted by the immediate and ultimate holding company refer to the fair value for all goods and services received in respect of equity-settled share-based payment transactions recognised under MFRS 2, *Share-based Payment*. A liability is recognised based on the recharge by the immediate and ultimate holding company of the Bank over the vesting period. Included in equity compensation benefits are:

(i) **OCBC Deferred Share Plan**

Under the OCBC Deferred Share Plan ("the Plan"), shares of the immediate and ultimate holding company of the Bank are awarded to eligible executives where share awards form 20% to 40% of their total variable performance bonus for the year. A trust is set up to administer the shares purchased under the Plan. 50% of the share awards will vest after two years with the remaining 50% vesting at the end of the third year in accordance with the guidelines established under the Plan. Prior to the vesting date, the executives will not be accorded voting rights on the shares.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(i) **OCBC Deferred Share Plan (continued)**

The awards will lapse immediately on the termination of employment, except in the event of retirement, redundancy, death, or where approved by the relevant approving authorities at OCBC Ltd whom may allow the awards to be retained and vested within the relevant vesting periods or such periods as may be determined.

(ii) **OCBC Share Option Scheme 2001**

Under the OCBC Share Option Scheme 2001, shares of the immediate and ultimate holding company of the Bank are offered to eligible executives who are of Manager rank and above, including Directors. Options granted are exercisable for a period commencing after the 1st anniversary and expiring on the 10th anniversary of the respective dates of grant except for options granted to Non-executive Directors which are exercisable up to 5 years. One-third of the share options granted will vest each financial year after the 1st anniversary of the respective dates of grant and options granted fully vested after the 3rd anniversary. OCBC Ltd has ceased granting share options under the OCBC Share Option Scheme 2001 effective from financial year 2018 remuneration. Share options granted in prior years continue to be outstanding until the options lapse or are exercised by recipients.

The options will lapse immediately on the termination of employment, except in the event of retirement, redundancy, death, or where approved by the relevant approving authorities at OCBC Ltd, in which case the relevant approving authorities may allow the options to be retained and exercisable within the relevant option periods or such option periods as may be determined.

For the financial years ended 31 December 2020 and 31 December 2019, there was no options granted under the OCBC Share Option Scheme 2001.

Movements in the number of options and weighted average exercise prices are as follows:

Group	2020		2019	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
At 1 January	450,546	10.576	570,224	10.080
Exercised	(23,798)	8.521	(119,678)	8.212
At 31 December	426,748	10.691	450,546	10.576
Exercisable at 31 December	384,227	10.397	308,142	10.011
Weighted average share price underlying the options exercised (S\$)		9.936		11.344

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S\$)	2020	
				Outstanding	Exercisable
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	22,608	22,608
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	10,079	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	40,479	40,479
2014	14/03/2014	15/03/2015 to 13/03/2024	9.169	2,853	2,853
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	61,628	61,628
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	55,467	55,467
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	108,611	108,611
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	125,023	82,502
				426,748	384,227

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) OCBC Share Option Scheme 2001 (continued)

Group (continued)

Grant year	Grant date	Exercise period	Acquisition price (S\$)	2019	
				Outstanding	Exercisable
2010	15/03/2010	16/03/2011 to 14/03/2020	8.521	23,798	23,798
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	22,608	22,608
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	10,079	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	40,479	40,479
2014	14/03/2014	15/03/2015 to 13/03/2024	9.169	2,853	2,853
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	61,628	61,628
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	55,467	55,467
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	108,611	49,979
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	125,023	41,251
				<u>450,546</u>	<u>308,142</u>

	2020		2019	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
Bank				
At 1 January	415,652	10.527	508,308	10.055
Exercised	(23,798)	8.521	(92,656)	7.936
At 31 December	<u>391,854</u>	<u>10.649</u>	<u>415,652</u>	<u>10.527</u>
Exercisable at 31 December	<u>353,022</u>	<u>10.353</u>	<u>286,611</u>	<u>9.946</u>
Weighted average share price underlying the options exercised (S\$)		<u>9.936</u>		<u>11.344</u>

Details of the options outstanding are as follows:

Grant year	Grant date	Exercise period	Acquisition price (S\$)	2020	
				Outstanding	Exercisable
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	22,608	22,608
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	10,079	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	40,479	40,479
2014	14/03/2014	15/03/2015 to 13/03/2024	9.169	2,853	2,853
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	43,676	43,676
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	55,467	55,467
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	102,516	102,516
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	114,176	75,344
				<u>391,854</u>	<u>353,022</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(ii) **OCBC Share Option Scheme 2001 (continued)**

Bank (continued)

Grant year	Grant date	Exercise period	Acquisition price (S\$)	2019	
				Outstanding	Exercisable
2010	15/03/2010	16/03/2011 to 14/03/2020	8.521	23,798	23,798
2011	14/03/2011	15/03/2012 to 13/03/2021	9.093	22,608	22,608
2012	14/03/2012	15/03/2013 to 13/03/2022	8.556	10,079	10,079
2013	14/03/2013	15/03/2014 to 13/03/2023	10.018	40,479	40,479
2014	14/03/2014	15/03/2015 to 13/03/2024	9.169	2,853	2,853
2015	16/03/2015	16/03/2016 to 15/03/2025	10.378	43,676	43,676
2016	16/03/2016	16/03/2017 to 15/03/2026	8.814	55,467	55,467
2017	23/03/2017	23/03/2018 to 22/03/2027	9.598	102,516	49,979
2018	22/03/2018	22/03/2019 to 21/03/2028	13.340	114,176	37,672
				<u>415,652</u>	<u>286,611</u>

(iii) **OCBC Employee Share Purchase Plan**

The OCBC Employee Share Purchase Plan is a savings-based share ownership plan to help employees of the Group and the Bank own ordinary shares in the immediate and ultimate holding company through their monthly contributions via deductions from payroll. The employees have the option to convert the contributions to ordinary shares after one year or withdraw the contributions. As a further incentive to employees to enrol in the ESP Plan, interest is given on the amounts saved at a preferential interest rate.

The duration of offering period is 24 months and the share acquisition price is fixed before the offering period based on average of the last traded prices over five consecutive trading days immediately preceding the price fixing date.

In June 2020, OCBC Ltd launched its 15th offering of ESP Plan for its employees, which commenced on 1 July 2020 and expires on 30 June 2022. Under the offering, OCBC Ltd granted 1,183,549 (2019: 859,077) and 1,166,775 (2019: 848,118) rights to acquire ordinary shares in OCBC Ltd. The fair value of rights for the OCBC Ltd, determined using the binomial valuation model were S\$1,274,090 (2019: S\$715,611) and S\$1,256,033 (2019: S\$706,482) respectively. Significant inputs to the valuation model are set out below:

	<u>2020</u>	<u>2019</u>
Acquisition price (S\$)	8.98	11.32
Closing share price at valuation date (S\$)	9.24	10.78
Expected volatility based on last 250 days historical volatility as of acceptance date (%)	24.62	17.57
Risk-free rate based on 2-year swap rate (%)	0.31	1.72
Expected dividend yield (%)	<u>5.19</u>	<u>3.62</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

19 OTHER LIABILITIES (continued)

(b) Equity compensation benefits (continued)

(iii) OCBC Employee Share Purchase Plan (continued)

Movements in the number of acquisition rights of the ESP Plan are as follows:

<u>Group</u>	2020		2019	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
At 1 January	1,421,815	11.440	1,295,174	11.251
Acquired	1,183,549	8.980	859,077	11.320
Forfeited/Lapsed	(808,487)	11.395	(220,967)	11.425
Exercised and converted upon expiry	(3,138)	11.554	(511,469)	10.776
At 31 December	1,793,739	9.837	1,421,815	11.440
Weighted average share price underlying acquisition rights exercised/converted (S\$)		9.571		11.539

Movements in the number of acquisition rights of the ESP Plan are as follows (continued):

<u>Bank</u>	2020		2019	
	Number of share options	Weighted average acquisition price (S\$)	Number of share options	Weighted average acquisition price (S\$)
At 1 January	1,407,898	11.438	1,285,118	11.253
Acquired	1,166,775	8.980	848,118	11.320
Forfeited/Lapsed	(801,802)	11.395	(217,443)	11.428
Exercised and converted upon expiry	(3,138)	11.554	(507,895)	10.780
At 31 December	1,769,733	9.837	1,407,898	11.438
Weighted average share price underlying acquisition rights exercised/converted (S\$)		9.571		11.539

(c) Provision for commitments and contingencies

	<u>Group</u>		<u>Bank</u>	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
At 1 January	2,202	83	168	83
Made/(reversed) during the year	(168)	2,119	(168)	85
At 31 December	2,034	2,202	-	168

The provision made during the year was for the Group's and the Bank's commitments and contingencies incurred in the normal course of business.

20 SUBORDINATED BONDS

<u>Group and Bank</u>	<u>Note</u>	2020 RM'000	2019 RM'000
USD110 million Additional Tier 1 Capital Securities	(a)	441,327	450,285
USD130 million Redeemable Subordinated Bonds 2015/2025	(b)	-	532,154
RM390 million Redeemable Subordinated Bonds 2017/2027	(c)	390,000	390,000
RM110 million Redeemable Subordinated Bonds 2017/2027	(c)	110,000	110,000
RM550 million Redeemable Subordinated Bond 2020/2030	(d)	550,000	-
		1,491,327	1,482,439

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

20 SUBORDINATED BONDS (continued)

- (a) On 18 September 2015, the Bank issued USD110 million Basel III-compliant Additional Tier 1 ("AT1") Capital Securities with perpetual non-callable five year tenure at a fixed coupon rate of 5.00% per annum payable semi-annually from and including 18 September 2015 (the Issue Date). The Bank may, subject to prior approval of BNM, at its option redeem in whole or in part, on 18 March 2021 and every coupon payment date thereafter. In addition to the first call in 2021, AT1 Capital Securities may also be redeemed if a qualifying tax event or a change of qualification event occurs. AT1 Capital Securities can be written off in whole or in part if the Bank is determined by BNM and/or Malaysia Deposit Insurance Corporation ("PIDM") to be non-viable.

The AT1 Capital Securities are subscribed by OCBC Ltd and qualify as Additional Tier 1 capital for the purpose of determining the capital adequacy ratio of the Bank.

- (b) On 4 November 2020, the Bank redeemed USD130 million Tier 2 ("T2") Subordinated Bond at nominal amount, 5 years after the initial issue date of 4 November 2015. The T2 Subordinated Bond bore an initial coupon rate of 3.65% per annum, payable semi-annually from and including 4 November 2015 (the Issue Date) up to (but excluding) the maturity date or the date of early redemption of the subordinated bond.

- (c) On 15 August 2017 and 30 September 2017 (the Issue Dates), the Bank issued RM390 million and RM110 million Basel III-compliant redeemable 10 years non-callable 5 years subordinated bonds respectively, at a coupon rate of 4.65% per annum payable semi-annually from and including the Issue Date up to (but excluding) the maturity date or the date of early redemption of the subordinated bonds, 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, the subordinated bonds on 15 August 2022 and 30 September 2022 respectively, and any coupon payment dates thereafter. In addition to the first call in 2022, the subordinated bonds may also be redeemed if a qualifying tax event or a change of qualification event occurs. The subordinated bonds can be written off in whole or in part if the Bank is determined by BNM and/or PIDM to be non-viable.

The subordinated bonds are subscribed by OCBC Ltd and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

- (d) On 4 November 2020 (the Issue Date), the Bank issued RM550 million Basel III-compliant redeemable 10 years non-callable 5 years subordinated bond, at a coupon rate of 2.90% per annum payable semi-annually from and including the Issue Date up to (but excluding) the maturity date or the date of early redemption of the subordinated bond, 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, the subordinated bond on 4 November 2025 and any coupon payment dates thereafter. In addition to the first call in 2025, the subordinated bond may also be redeemed if a qualifying tax event or a change of qualification event occurs. The subordinated bond can be written off in whole or in part if the Bank is determined by BNM and/or PIDM to be non-viable.

The subordinated bond is subscribed by OCBC Ltd and qualify as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank.

21 SHARE CAPITAL

<u>Group and Bank</u>	2020		2019	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid				
Ordinary shares				
At 1 January/31 December	287,500	754,000	287,500	754,000

Pursuant to Companies Act 2016 which came into force on 31 January 2017 the share capital cease to have par or nominal value and share premium becomes part of the share capital

The ordinary shareholder is entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Bank.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

22 RESERVES

The detailed breakdown of the reserves are shown in the Consolidated Statement of Changes in Equity and Statement of Changes in Equity for the Group and the Bank respectively.

Regulatory reserve is maintained in compliance with the requirements under BNM's policy document on Financial Reporting for Islamic Banking Institutions to maintain, in aggregate, loss allowance for non credit-impaired exposures (Stage 1 and Stage 2 ECL) and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures (Stage 3 ECL).

Pursuant to BNM's Letter dated 24 March 2020 on "Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak", the drawdown of prudential buffers is allowed; temporarily reducing the regulatory reserves held against expected loss to 0% and to gradually reinstate the buffer by 30 September 2021. Presently, the Group and the Bank are still maintaining their regulatory reserves buffer.

ECL reserve comprises ECL allowance for financial investments at FVOCI. The ECL allowance will be reversed to profit or loss upon disposal or derecognition of the financial instruments.

Fair value reserve comprises fair value of both debt and equity financial investments at FVOCI. The cumulative fair value adjustments for debt instruments at FVOCI will be reversed to profit or loss upon disposal or derecognition of the financial instruments. The cumulative fair value adjustments for equity instruments at FVOCI will be reversed from this reserve to retained earnings upon disposal or derecognition of the financial instruments.

23 NET INTEREST INCOME

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	2,271,495	2,890,761	2,271,496	2,890,761
- Recoveries from credit-impaired loans, advances and financing	56,345	51,395	56,345	51,395
- Discount unwind from credit-impaired loans, advances and financing	16,514	9,418	16,514	9,418
Money at call and deposit placements with banks and other financial institutions	66,950	93,745	114,887	170,869
Financial investments at FVOCI	398,087	463,558	400,555	466,821
Unquoted Islamic subordinated Sukuk of subsidiary	-	-	9,626	9,600
Others	3,425	23,817	3,425	23,817
	<u>2,812,816</u>	<u>3,532,694</u>	<u>2,872,848</u>	<u>3,622,681</u>
Financial assets at FVTPL	67,457	80,927	67,457	80,927
	<u>2,880,273</u>	<u>3,613,621</u>	<u>2,940,305</u>	<u>3,703,608</u>
Interest expense				
Deposits from customers	(1,242,078)	(1,874,514)	(1,242,089)	(1,874,514)
Deposits and placements of banks and other financial institutions	(19,228)	(54,237)	(41,798)	(88,021)
Recourse obligation on loans sold to Cagamas Berhad	(30,940)	(30,906)	(30,940)	(30,906)
Subordinated bonds	(66,560)	(74,105)	(66,560)	(74,105)
Lease liabilities	(903)	(690)	(904)	(690)
Others	(31,981)	(72,445)	(47,028)	(94,967)
	<u>(1,391,690)</u>	<u>(2,106,897)</u>	<u>(1,429,319)</u>	<u>(2,163,203)</u>
Net interest income	<u>1,488,583</u>	<u>1,506,724</u>	<u>1,510,986</u>	<u>1,540,405</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)**23 NET INTEREST INCOME (continued)**

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(a) By category of financial instruments				
Interest income				
- Financial assets at FVTPL	67,457	80,927	67,457	80,927
- Loans/Financing and receivables at amortised cost	2,414,638	3,069,045	2,472,202	3,155,769
- Loans/Financing at FVTPL	91	91	91	91
- Financial investments at FVOCI	398,087	463,558	400,555	466,821
	<u>2,880,273</u>	<u>3,613,621</u>	<u>2,940,305</u>	<u>3,703,608</u>
Interest expense				
- Liabilities at amortised cost	(1,391,690)	(2,106,897)	(1,429,319)	(2,163,203)
	<u>1,488,583</u>	<u>1,506,724</u>	<u>1,510,986</u>	<u>1,540,405</u>

24 INCOME FROM ISLAMIC BANKING OPERATIONS

Group	2020	2019
	RM'000	RM'000
Income derived from investment of depositors' funds and others	554,283	631,740
Income derived from investment of specific investment account funds	53,021	78,315
Income derived from investment of shareholder's funds	130,021	136,521
Income attributable to depositors	(253,417)	(342,342)
Income attributable to investment account holder	(37,617)	(56,307)
	<u>446,291</u>	<u>447,927</u>

25 NET FEE AND COMMISSION INCOME

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Commission	256,322	202,729	255,384	200,972
Service charges and fees	144,116	199,671	142,706	199,351
Guarantee fees	1,943	4,116	1,943	4,116
Other fee income	6,869	9,816	6,869	9,816
	<u>409,250</u>	<u>416,332</u>	<u>406,902</u>	<u>414,255</u>

Included in the Group's and the Bank's commission income is net fee income on loans, advances and financing from holding company and related companies amounting to RM52 million (2019: fee expense of RM32 million).

26 NET TRADING INCOME

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain	141,166	34,689	141,166	34,689
Foreign exchange (loss)/gain on subordinated bonds	(9,568)	10,730	(9,568)	10,730
Realised gain on financial assets at FVTPL	58,930	54,833	58,930	54,833
Realised gain on trading derivatives	174,481	41,558	174,481	41,558
Unrealised gain on financial assets at FVTPL	918	232	918	232
Unrealised (loss)/gain on trading derivatives	(154,973)	18,166	(154,973)	18,166
	<u>210,954</u>	<u>160,208</u>	<u>210,954</u>	<u>160,208</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)**27 OTHER OPERATING INCOME**

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Gain on disposal:				
- Financial investments at FVOCI	75,876	120,982	75,876	120,982
Gross dividends from financial investments at FVOCI, in Malaysia	859	2,822	859	2,822
Rental of premises	4,186	4,175	4,226	4,235
Rental of safe deposit boxes	6,366	6,408	6,366	6,408
Shared services fee income received from subsidiaries (Note 36)	-	-	109,026	112,550
Shared services fee income received from holding company and related companies (Note 36)	15,303	14,578	15,303	14,578
Net unrealised gain on hedging derivatives	5	31	5	31
Others	559	637	560	637
	103,154	149,633	212,221	262,243

28 OPERATING EXPENSES

	Note	Group		Bank	
		2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Personnel expenses					
Wages, salaries and bonus		490,512	497,801	465,898	470,872
Employees Provident Fund contributions		74,916	76,238	71,142	72,118
Equity settled share-based payment transactions		10,978	9,490	10,600	9,045
Others		48,455	51,139	45,353	47,908
		624,861	634,668	592,993	599,943
Establishment expenses					
Depreciation of property and equipment		25,648	29,625	23,423	26,902
Depreciation of ROU assets		18,216	18,518	16,159	16,115
Rental of premises	(a)	-	26	-	32
Repair and maintenance		14,648	12,934	13,698	11,861
Information technology costs		46,103	43,009	45,431	42,196
Hire of equipment	(a)	998	1,189	874	1,059
Others		19,194	19,286	16,519	16,407
		124,807	124,587	116,104	114,572
Marketing expenses					
Advertisement and business promotion		13,561	19,765	13,385	19,214
Transport and travelling		2,288	4,926	2,177	4,597
Others		2,113	3,037	2,082	2,959
		17,962	27,728	17,644	26,770
General administrative expenses					
Auditors' remuneration					
- Statutory audit fees		709	747	553	587
- Audit related fees		209	386	157	287
- Non-audit related		200	-	138	-
IT and transaction processing fees (Note 36)		329,065	335,704	301,997	307,842
Others		136,469	109,356	133,303	104,615
		466,652	446,193	436,148	413,331
Total operating expenses		1,234,282	1,233,176	1,162,889	1,154,616

(a) These expenses are in respect of short-term and/or leases of low-value items which the Group and the Bank elected not to recognise as ROU assets and lease liabilities under MFRS16.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION

(a) The remuneration of the CEO and the Directors during the year are as follows:

<u>Group</u>	<i>Unrestricted</i>			<i>Deferred</i>	2020		<i>Unrestricted</i>			<i>Deferred</i>	2019	
	Salaries and fees	Variable bonuses	Benefits in-kind	Employees Provident Fund	Shares and share options*	Total	Salaries and fees	Variable bonuses	Benefits-in-kind	Employees Provident Fund	Shares and share options*	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
CEO of the Bank												
Dato' Ong Eng Bin	1,478	720	45	352	480	3,075	1,238	900	41	342	600	3,121
CEO of OCBC Al-Amin												
Syed Abdull Aziz Jailani bin Syed Kechik	920	330	10	200	220	1,680	914	393	15	209	262	1,793
Non Executive Directors												
Tan Ngiap Joo	544	-	-	-	-	544	524	-	-	-	-	524
Lai Teck Poh	-	-	-	-	-	-	194	-	-	-	-	194
Ng Hon Soon	193	-	-	-	-	193	190	-	-	-	-	190
Tong Hon Keong	178	-	-	-	-	178	168	-	-	-	-	168
Datuk Azizan bin Haji Abd Rahman	286	-	-	-	-	286	282	-	-	-	-	282
Yap Seong Yong, Janet	163	-	-	-	-	163	112	-	-	-	-	112
Lee Kok Keng, Andrew	165	-	-	-	-	165	153	-	-	-	-	153
Ismail bin Alowi	172	-	-	-	-	172	168	-	-	-	-	168
	4,099	1,050	55	552	700	6,456	3,943	1,293	56	551	862	6,705

* Deferred shares and share options are awarded/granted under the OCBC Deferred Share Plan, OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan as disclosed in Note 19(b) to the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)**29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)**

(a) The remuneration of the CEO and the Directors during the year are as follows: (continued)

	<i>Unrestricted</i>			<i>Deferred</i>	2020	<i>Unrestricted</i>			<i>Deferred</i>	2019		
	Salaries and fees	Variable bonuses	Benefits in-kind	Employees Provident Fund		Shares and share options*	Salaries and fees	Variable bonuses	Benefits-in-kind		Employees Provident Fund	Shares and share options*
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Bank												
CEO												
Dato' Ong Eng Bin	1,478	720	45	352	480	3,075	1,238	900	41	342	600	3,121
Non Executive Directors												
Tan Ngiap Joo	378	-	-	-	-	378	363	-	-	-	-	363
Lai Teck Poh	-	-	-	-	-	-	194	-	-	-	-	194
Tong Hon Keong	178	-	-	-	-	178	168	-	-	-	-	168
Datuk Azizan bin Haji Abd Rahman	188	-	-	-	-	188	186	-	-	-	-	186
Yap Seong Yong, Janet	163	-	-	-	-	163	112	-	-	-	-	112
	2,385	720	45	352	480	3,982	2,261	900	41	342	600	4,144

* Deferred shares and share options are awarded/granted under the OCBC Deferred Share Plan, OCBC Share Option Scheme 2001 and OCBC Employee Share Purchase Plan as disclosed in Note 19(b) to the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(b) The remuneration of senior management (including the CEO of the Bank and the CEO of the Islamic Banking subsidiary) and other material risk takers are as follows:

<u>Group</u>	2020			Number of officers	2019			Number of officers
	Unrestricted RM'000	Deferred RM'000	Total RM'000		Unrestricted RM'000	Deferred RM'000	Total RM'000	
Senior Management								
<i>Fixed remuneration</i>								
Cash-based	18,625	-	18,625		17,268	-	17,268	
Other	395	-	395		483	-	483	
	<u>19,020</u>	<u>-</u>	<u>19,020</u>		<u>17,751</u>	<u>-</u>	<u>17,751</u>	
<i>Variable remuneration</i>								
Cash-based	6,543	-	6,543	25	8,063	-	8,063	25
Shares and share options	-	2,926	2,926	12	-	3,876	3,876	14
	<u>6,543</u>	<u>2,926</u>	<u>9,469</u>		<u>8,063</u>	<u>3,876</u>	<u>11,939</u>	
Other material risk takers								
<i>Fixed remuneration</i>								
Cash-based								
Sign-on awards	158	-	158	1	-	-	-	
Other	21,355	-	21,355		8,400	-	8,400	
Other	217	-	217		136	-	136	
	<u>21,730</u>	<u>-</u>	<u>21,730</u>		<u>8,536</u>	<u>-</u>	<u>8,536</u>	
<i>Variable remuneration</i>								
Cash-based	7,482	-	7,482	45	3,686	-	3,686	17
Shares and share options	-	1,605	1,605	5	-	1,250	1,250	6
	<u>7,482</u>	<u>1,605</u>	<u>9,087</u>		<u>3,686</u>	<u>1,250</u>	<u>4,936</u>	

Other than the above, no senior management nor other material risk takers received any guaranteed bonuses, sign-on awards and severance payments.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(b) The remuneration of senior management (including the CEO of the Bank and the CEO of the Islamic Banking subsidiary) and other material risk takers are as follows: (continued)

<u>Bank</u>	2020				2019			
	Unrestricted RM'000	Deferred RM'000	Total RM'000	Number of officers	Unrestricted RM'000	Deferred RM'000	Total RM'000	Number of officers
Senior Management								
<i>Fixed remuneration</i>								
Cash-based	15,811	-	15,811		14,572	-	14,572	
Other	374	-	374		464	-	464	
	<u>16,185</u>	<u>-</u>	<u>16,185</u>		<u>15,036</u>	<u>-</u>	<u>15,036</u>	
<i>Variable remuneration</i>								
Cash-based	5,813	-	5,813	19	7,134	-	7,134	19
Shares and share options	-	2,706	2,706	11	-	3,614	3,614	13
	<u>5,813</u>	<u>2,706</u>	<u>8,519</u>		<u>7,134</u>	<u>3,614</u>	<u>10,748</u>	
Other material risk takers								
<i>Fixed remuneration</i>								
Cash-based								
Sign-on awards	158	-	158	1	-	-	-	
Other	21,355	-	21,355		8,400	-	8,400	
Other	217	-	217		136	-	136	
	<u>21,730</u>	<u>-</u>	<u>21,730</u>		<u>8,536</u>	<u>-</u>	<u>8,536</u>	
<i>Variable remuneration</i>								
Cash-based	7,482	-	7,482	45	3,686	-	3,686	17
Shares and share options	-	1,605	1,605	5	-	1,250	1,250	6
	<u>7,482</u>	<u>1,605</u>	<u>9,087</u>		<u>3,686</u>	<u>1,250</u>	<u>4,936</u>	

Other than the above, no senior management nor other material risk takers received any guaranteed bonuses, sign-on awards and severance payments.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

29 KEY MANAGEMENT AND OTHER MATERIAL RISK TAKERS REMUNERATION (continued)

(c) Outstanding deferred remuneration

<u>Group</u>	2020			2019		
	Senior management RM'000	Other material risk takers RM'000	Total RM'000	Senior management RM'000	Other material risk takers RM'000	Total RM'000
Share and share options						
Exposed to ex-post explicit and implicit adjustments	12,459	5,785	18,244	11,041	3,072	14,113
Deferred remuneration paid out during the year	1,137	571	1,708	2,533	530	3,063
Reduction during the year due to:						
(i) Ex-post explicit adjustments (such as malus, clawbacks or similar reversals of downward revaluations of awards)	-	-	-	-	-	-
(ii) Ex-post implicit adjustments (such as fluctuations in the value of shares or performance units)	-	-	-	366	260	626
<u>Bank</u>						
Share and share options						
Exposed to ex-post explicit and implicit adjustments	11,567	5,785	17,352	10,156	3,072	13,228
Deferred remuneration paid out during the year	1,002	571	1,573	2,131	530	2,661
Reduction during the year due to:						
(i) Ex-post explicit adjustments (such as malus, clawbacks or similar reversals of downward revaluations of awards)	-	-	-	-	-	-
(ii) Ex-post implicit adjustments (such as fluctuations in the value of shares or performance units)	-	-	-	-	260	260

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)**30 IMPAIRMENT ALLOWANCE AND PROVISIONS**

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
Stage 1 and 2 ECL net charge during the year	404,486	63,279	335,192	41,753
Stage 3 ECL				
- Made during the year	455,922	371,126	316,107	238,288
- Write back	(141,106)	(154,020)	(91,533)	(112,709)
Impaired loans, advances and financing				
- Recovered during the year	(47,936)	(63,495)	(25,235)	(25,940)
Investment account placements				
Stage 1 and 2 ECL net (write back)/ charge during the year	-	-	(26,124)	24,508
Stage 3 ECL net charge during the year	-	-	-	29,794
Financial investments at FVOCI				
Stage 1 and 2 ECL net charge/(write back) during the year	1,275	(764)	1,338	(668)
Other financial assets				
Stage 1 and 2 ECL write back during the year	(363)	(1,007)	(363)	(1,007)
Stage 3 ECL net charge during the year	3,499	103	3,499	103
Commitments and contingencies				
Net charge during the year	-	2,119	-	85
	675,777	217,341	512,881	194,207

31 INCOME TAX EXPENSE

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current year	242,813	311,043	219,126	273,479
- Prior years	2,997	(13,009)	2,577	(13,995)
	245,810	298,034	221,703	259,484
Deferred tax (Note 16)				
- Origination and reversal of temporary differences	(61,780)	(17,931)	(49,786)	(17,185)
- Prior years	(398)	(3,373)	710	(2,922)
	(62,178)	(21,304)	(49,076)	(20,107)
	183,632	276,730	172,627	239,377

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

31 INCOME TAX EXPENSE (continued)

The reconciliation between the average effective tax rate and the applicable statutory tax rate is as follows:

	Group		Bank	
	2020 %	2019 %	2020 %	2019 %
Malaysian tax rate of 24%	24.00	24.00	24.00	24.00
Tax effect of:				
Expenses not deductible for tax purposes	1.36	0.86	1.48	0.99
Income not subject to tax	(1.17)	(1.04)	(0.03)	(0.07)
Under/(Over) provision in prior years:				
- Income tax	0.40	(1.06)	0.39	(1.36)
- Deferred tax	(0.05)	(0.27)	0.11	(0.28)
Average effective tax rate	24.54	22.49	25.95	23.28

32 BASIC EARNINGS PER ORDINARY SHARE

The basic earnings per ordinary share of the Group and the Bank were calculated by dividing profit attributable to ordinary equity holders of the Group and the Bank by the weighted average number of ordinary shares in issue during the financial year. The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

	Group		Bank	
	2020	2019	2020	2019
Profit attributable to ordinary equity holders of the Group and the Bank (RM'000)	564,491	953,527	492,666	788,911
Number of ordinary shares in issue ('000)	287,500	287,500	287,500	287,500
Basic earnings per share (sen)	196.3	331.7	171.4	274.4

33 DIVIDENDS

	Sen per share	Total amount RM'000	Date of payment
2020			
Final 2019 ordinary	63.00	181,125	15/05/2020
2019			
Final 2018 ordinary	48.00	138,000	26/04/2019
Interim 2019 ordinary	48.00	138,000	26/09/2019
		276,000	

The Directors recommend a final dividend of 72 sen per ordinary share in respect of the current financial year amounting to RM207,000,000. This dividend will be accounted for in shareholders' equity as an appropriation of retained earnings in the subsequent financial period upon approval by the shareholder of the Bank.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

34 COMMITMENTS AND CONTINGENCIES

(a) In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined in BNM's Capital Adequacy Framework (Basel II) - Internal Ratings Approach.

<u>Group</u>	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
2020			
Direct credit substitutes	366,062	363,062	341,206
Transaction-related contingent items	2,873,351	1,475,356	972,445
Short-term self-liquidating trade-related contingencies	276,256	61,442	37,263
Foreign exchange related contracts			
- Up to one year	16,931,014	102,916	55,549
- One year to less than five years	4,316,190	606,583	130,157
- Five years and above	757,564	76,134	80,839
Interest rate related contracts			
- Less than one year	16,341,840	8,955	2,612
- One year to less than five years	22,649,037	369,306	81,494
- Five years and above	6,791,313	348,019	242,776
Equity and commodity related contracts	869,580	10,251	2,448
Credit derivative contracts	923,051	23,091	3,927
Formal standby facilities and credit lines			
- Maturity not exceeding one year	92,000	69,000	33,898
- Original maturity exceeding one year	5,104,439	4,284,532	2,132,001
Other unconditionally cancellable commitments	19,318,729	2,329,691	384,702
Total	97,610,426	10,128,338	4,501,317
2019			
Direct credit substitutes	556,783	556,783	382,333
Transaction-related contingent items	2,894,812	1,481,544	964,121
Short-term self-liquidating trade-related contingencies	317,254	70,341	38,329
Foreign exchange related contracts			
- Up to one year	16,056,853	102,797	42,975
- One year to less than five years	2,039,038	830,982	168,652
- Five years and above	2,337,999	61,013	70,317
Interest rate related contracts			
- Less than one year	19,615,753	7,217	3,924
- One year to less than five years	25,424,297	435,591	95,183
- Five years and above	12,015,880	268,183	167,717
Equity and commodity related contracts	877,929	27,053	12,084
Credit derivative contracts	953,135	34,227	7,724
Formal standby facilities and credit lines			
- Original maturity exceeding one year	4,751,921	4,015,159	2,118,291
Other unconditionally cancellable commitments	23,470,860	2,293,492	373,892
Total	111,312,514	10,184,382	4,445,542

Note: The fair value of derivatives have been recognised as derivative financial assets and liabilities in Note 10.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

34 COMMITMENTS AND CONTINGENCIES (continued)

<u>Bank</u>	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
2020			
Direct credit substitutes	286,833	286,833	256,043
Transaction-related contingent items	2,489,838	1,279,054	849,799
Short-term self-liquidating trade-related contingencies	244,854	54,728	33,528
Foreign exchange related contracts			
- Up to one year	16,936,018	102,584	55,289
- One year to less than five years	4,316,697	606,583	127,500
- Five years and above	757,564	76,134	80,839
Interest rate related contracts			
- Less than one year	16,341,840	8,955	2,612
- One year to less than five years	22,649,037	369,306	81,494
- Five years and above	6,791,313	348,019	206,120
Equity and commodity related contracts	869,580	10,251	2,448
Credit derivative contracts	923,051	23,091	3,927
Formal standby facilities and credit lines			
- Maturity not exceeding one year	52,000	39,000	20,696
- Original maturity exceeding one year	4,610,303	3,892,414	1,805,140
Other unconditionally cancellable commitments	17,224,759	2,156,300	353,293
Total	<u>94,493,687</u>	<u>9,253,252</u>	<u>3,878,729</u>
2019			
Direct credit substitutes	459,747	459,747	288,691
Transaction-related contingent items	2,520,793	1,291,025	833,504
Short-term self-liquidating trade-related contingencies	299,674	63,864	34,528
Foreign exchange related contracts			
- Up to one year	16,048,890	102,203	42,359
- One year to less than five years	2,038,863	830,982	167,062
- Five years and above	2,337,999	61,014	70,316
Interest rate related contracts			
- Less than one year	19,615,753	7,217	3,924
- One year to less than five years	25,424,297	435,592	95,183
- Five years and above	12,015,880	268,184	147,831
Equity and commodity related contracts	877,929	27,054	12,084
Credit derivative contracts	953,135	34,228	7,724
Formal standby facilities and credit lines			
- Original maturity exceeding one year	4,329,396	3,680,439	1,850,839
Other unconditionally cancellable commitments	20,750,390	2,166,807	353,465
Total	<u>107,672,746</u>	<u>9,428,354</u>	<u>3,907,511</u>

Note: The fair value of derivatives have been recognised as derivative financial assets and liabilities in Note 10.

(b) Litigation

On 25 January 2019, a Borrower of the Bank, with outstanding credit facilities comprising loans of RM6.7 million and banker's acceptance of RM11.6 million including accrued interest at the time, filed a suit against the Bank alleging, inter alia, that the Bank had breached its contract and its duty of care towards the Borrower. On 22 January 2021, the Borrower was awarded RM289 million as damages together with statutory interest of 5% per annum from 25 January 2019, the date of the writ of summons, until the date of realisation as well as aggravated and exemplary damages which amounts are to be assessed. The Bank has filed an appeal against the said decision on 26 January 2021.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

35 CAPITAL COMMITMENTS

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Capital expenditure commitments in respect of property and equipment contracted but not provided for	10,896	6,000	10,851	5,953

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank if:

- the Group or the Bank has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions or vice versa; or
- where the Group or the Bank and the party are subject to common control or common significant influence.

Related parties may be individuals or other entities. Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly and entities that provide key management personnel services to the Group or the Bank. The key management personnel include all Directors and senior management of the Group and the Bank.

The Group has related party relationship with the following:

- Holding company, Oversea-Chinese Banking Corporation Limited;
- Subsidiaries of the Bank as disclosed in Note 13 to the financial statements;
- Other related companies within the Oversea-Chinese Banking Corporation Limited Group; and
- Key management personnel, including close family members of key management personnel and entities that are controlled or jointly controlled by them.

(a) Credit exposure arising from credit transactions with connected parties

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Aggregate value of outstanding credit exposure with connected parties[^]:				
Credit facility and leasing (except guarantee)	710,437	743,791	701,273	734,845
Commitments and contingencies [*]	739,227	576,135	738,924	575,759
	1,449,664	1,319,926	1,440,197	1,310,604
Credit-impaired or in default	-	-	-	-
Outstanding credit exposures to connected parties				
As a proportion of total credit exposures	1.80%	1.59%	2.12%	1.88%

[^] Comprises total outstanding balances and unutilised limits

^{*} Commitment and contingencies transactions that give rise to credit and/or counterparty risk.

(b) Key management personnel remuneration of the Group and the Bank are disclosed in Note 29 to the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties

Group	2020			2019		
	Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Income						
Interest on deposits and placements with banks and other financial institutions	721	-	-	2,235	-	-
Interest on loans, advances and financing	-	5,008	15	-	8,429	28
Shared services fee income	3,834	11,587	-	3,000	11,690	-
Fee and commission income	43,958	8,021	-	21,950	10,451	-
Rental income	-	3,998	-	1	4,017	-
Other income	-	367	-	-	322	-
	48,513	28,981	15	27,186	34,909	28
Expenditure						
Interest on deposits from customers	38,233	12,553	117	98,712	19,894	139
Interest on deposits and placements of banks and other financial institutions	34,621	-	-	74,901	-	-
Interest/Profit on subordinated bonds	66,560	-	-	66,264	-	-
IT and transaction processing fees	-	329,065	-	-	335,704	-
Rental expenses	-	937	-	-	816	-
Other expenses	7,781	15,230	-	7,894	13,081	-
	147,195	357,785	117	247,771	369,495	139
Property and equipment						
Acquisition of freehold land (Note 14)	7,000	-	-	-	-	-

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

Group (continued)	2020			2019		
	Malaysia RM'000	Singapore RM'000	Total RM'000	Malaysia RM'000	Singapore RM'000	Total RM'000
Intercompany charges paid/payable to related parties						
IT and transaction processing fees	238,836	90,229	329,065	246,657	89,047	335,704
Rental expenses	937	-	937	816	-	816
Insurance expenses	14,622	-	14,622	13,081	-	13,081
Other expenses	-	8,389	8,389	-	7,894	7,894
	254,395	98,618	353,013	260,554	96,941	357,495

	2020			2019		
	Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Amount due from						
Cash and cash equivalents	89,635	277	-	65,888	465	-
Deposits and placements with banks and other financial institutions	172,760	194	-	103,524	-	-
Interest receivables	69	315	-	324	404	-
Loans, advances and financing	-	220,000	150	-	225,000	278
Derivative financial assets	86,051	3	-	28,553	1	-
Other assets	10	15,114	-	2,403	5,840	-
Shared service fee receivable	88	363	-	134	704	-
	348,613	236,266	150	200,826	232,414	278

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

	2020			2019		
	Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	Holding Company RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Group (continued)						
Amount due to						
Deposits from customers	-	987,476	6,677	3,684,146	597,119	6,205
Deposits and placements of banks and other financial institutions	4,680,085	-	-	3,346,455	-	-
Other liabilities	18,885	4,667	-	10,613	2,327	-
Interest payables	19,483	256	-	40,174	163	4
Derivative financial liabilities	267,650	9,594	-	122,361	17,425	-
Subordinated bonds	1,491,328	-	-	1,482,438	-	-
	6,477,431	1,001,993	6,677	8,686,187	617,034	6,209
Commitments						
Foreign exchange derivatives	3,310,399	1,052	-	2,022,585	745	-
Interest rate derivatives	4,170,996	950,000	-	5,999,083	1,050,000	-
Transaction related contingent items	20,162	84,253	-	33,010	118,711	-
	7,501,557	1,035,305	-	8,054,678	1,169,456	-

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

	2020				2019			
	Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Bank								
Income								
Interest on investment account placements	-	37,617	-	-	-	56,307	-	-
Interest on deposits and placements with banks and other financial institutions	721	10,321	-	-	2,235	20,817	-	-
Interest on financial investments at FVOCI	-	2,468	-	-	-	3,263	-	-
Interest on loans, advances and financing	-	-	5,008	15	-	-	8,429	26
Interest/Profit on unquoted Islamic subordinated Sukuk	-	9,626	-	-	-	9,600	-	-
Shared services fee income	3,716	109,026	11,587	-	2,888	112,550	11,690	-
Fee and commission income	33,242	-	6,725	-	14,248	-	8,127	-
Rental income	-	51	3,998	-	1	52	4,017	-
Other income	-	922	367	-	-	8	322	-
	37,679	170,031	27,685	15	19,372	202,597	32,585	26
Impairment allowance and provisions								
Investment account placements (Note 30)	-	-	-	-	-	29,794	-	-
Property and equipment								
Acquisition of freehold land (Note 14)	7,000	-	-	-	-	-	-	-

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

	2020				2019			
	Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Bank (continued)								
Expenditure								
Interest on deposits from customers	38,233	16	7,928	111	98,712	-	9,218	132
Interest on deposits and placements of banks and other financial institutions	34,621	-	-	-	74,900	-	-	-
Interest/Profit on subordinated bonds	66,560	-	-	-	66,264	-	-	-
Fee and commission expense	-	2,325	-	-	-	2,103	-	-
Shared service fees	-	6,718	-	-	-	7,068	-	-
IT and transaction processing fees	-	-	301,997	-	-	-	307,842	-
Rental expenses	-	-	937	-	-	-	816	-
Other expenses	7,781	-	14,333	-	7,894	-	12,385	-
	147,195	9,059	325,195	111	247,770	9,171	330,261	132

	2020			2019		
	Malaysia RM'000	Singapore RM'000	Total RM'000	Malaysia RM'000	Singapore RM'000	Total RM'000
Intercompany charges paid/payable to related parties						
Shared service fees	6,718	-	6,718	7,068	-	7,068
IT and transaction processing fees	214,863	87,134	301,997	222,251	85,591	307,842
Rental expenses	937	-	937	816	-	816
Insurance expenses	13,725	-	13,725	12,385	-	12,385
Other expenses	608	7,781	8,389	-	7,894	7,894
	236,851	94,915	331,766	242,520	93,485	336,005

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

36 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(c) Significant transactions and outstanding balances with related parties (continued)

	2020				2019			
	Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000	Holding Company RM'000	Subsidiary Companies RM'000	Other Related Companies RM'000	Key Management Personnel RM'000
Bank (continued)								
Amount due from								
Cash and cash equivalents	59,237	416,215	277	-	48,019	286,119	273	-
Deposits and placements with banks and other financial institutions	172,760	320,965	-	-	103,524	434,376	-	-
Investment account placements	-	1,480,245	-	-	-	1,986,054	-	-
Financial investments at FVOCI	-	-	-	-	-	78,006	-	-
Interest receivables	69	3,077	315	-	324	4,704	404	-
Subordinated Sukuk	-	200,000	-	-	-	200,000	-	-
Loans, advances and financing	-	-	220,000	150	-	-	225,000	275
Derivative financial assets	86,051	27,234	-	-	28,553	12,381	-	-
Other assets	-	-	15,113	-	2,094	795	5,837	-
Shared services fee receivable	88	17,142	363	-	134	11,428	704	-
	318,205	2,464,878	236,068	150	182,648	3,013,863	232,218	275
Amount due to								
Deposits from customers	-	2,695	447,841	6,278	3,684,146	2,216	320,545	5,725
Deposits and placements of banks and other financial institutions	4,680,085	-	-	-	3,346,455	-	-	-
Other liabilities	18,368	69,065	4,500	-	10,364	31,954	2,082	-
Interest payables	19,483	4	200	-	40,174	-	135	-
Derivative financial liabilities	267,650	55	9,594	-	122,361	6	17,425	-
Subordinated bonds	1,491,328	-	-	-	1,482,438	-	-	-
	6,476,914	71,819	462,135	6,278	8,685,938	34,176	340,187	5,725
Commitments								
Foreign exchange derivatives	3,310,399	55,705	55	-	2,022,585	70,365	6	-
Interest rate derivatives	4,170,996	212,700	950,000	-	5,999,083	180,000	1,050,000	-
Transaction related contingent items	20,162	-	84,253	-	33,010	-	118,711	-
	7,501,557	268,405	1,034,308	-	8,054,678	250,365	1,168,717	-

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

37 FINANCIAL INSTRUMENTS

The table below provides an analysis of financial instruments categorised as follows:

- (a) Financial assets at fair value through profit or loss ("FVTPL");
(b) Amortised cost ("AC");
(c) Financial investments at fair value through other comprehensive income ("FVOCI"); and
(d) Derivatives used for hedging.

<u>Group</u>	FVTPL RM'000	AC RM'000	FVOCI RM'000	Derivatives used for hedging RM'000	Carrying amount RM'000
2020					
Financial assets					
Cash and cash equivalents	-	2,926,206	-	-	2,926,206
Deposits and placements with banks and other financial institutions	-	344,182	-	-	344,182
Financial assets at FVTPL	1,313,475	-	-	-	1,313,475
Financial investments at FVOCI	-	-	20,112,853	-	20,112,853
- <i>Debt instruments</i>	-	-	20,000,823	-	20,000,823
- <i>Equity instruments</i>	-	-	112,030	-	112,030
Loans, advances and financing	11,381	66,262,182	-	-	66,273,563
Derivative financial assets	1,151,433	-	-	321	1,151,754
Other assets	-	374,921	-	-	374,921
Statutory deposits with Bank Negara Malaysia	-	97,601	-	-	97,601
	2,476,289	70,005,092	20,112,853	321	92,594,555
Financial liabilities					
Deposits from customers	-	73,375,532	-	-	73,375,532
Deposits and placements of banks and other financial institutions	-	5,195,681	-	-	5,195,681
Bills and acceptances payable	-	88,737	-	-	88,737
Recourse obligation on loans sold to Cagamas Berhad	-	700,000	-	-	700,000
Derivative financial liabilities	1,228,496	-	-	1,294	1,229,790
Other liabilities*	-	1,929,354	-	-	1,929,354
Subordinated bonds	-	1,491,327	-	-	1,491,327
	1,228,496	82,780,631	-	1,294	84,010,421
* Excludes lease liabilities					
2019					
Financial assets					
Cash and cash equivalents	-	4,620,314	-	-	4,620,314
Deposits and placements with banks and other financial institutions	-	184,537	-	-	184,537
Financial assets at FVTPL	1,176,469	-	-	-	1,176,469
Financial investments at FVOCI	-	-	15,555,244	-	15,555,244
- <i>Debt instruments</i>	-	-	15,449,967	-	15,449,967
- <i>Equity instruments</i>	-	-	105,277	-	105,277
Loans, advances and financing	10,560	69,047,769	-	-	69,058,329
Derivative financial assets	749,732	-	-	-	749,732
Other assets	-	375,557	-	-	375,557
Statutory deposits with Bank Negara Malaysia	-	1,686,883	-	-	1,686,883
	1,936,761	75,915,060	15,555,244	-	93,407,065

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

37 FINANCIAL INSTRUMENTS (continued)

<u>Group (continued)</u>	FVTPL RM'000	AC RM'000	FVOCI RM'000	Derivatives used for hedging RM'000	Carrying amount RM'000
2019					
Financial liabilities					
Deposits from customers	-	75,095,805	-	-	75,095,805
Deposits and placements of banks and other financial institutions	-	4,196,309	-	-	4,196,309
Bills and acceptances payable	-	89,047	-	-	89,047
Recourse obligation on loans sold to Cagamas Berhad	-	700,000	-	-	700,000
Derivative financial liabilities	699,450	-	-	573	700,023
Other liabilities	-	3,050,127	-	-	3,050,127
Subordinated bonds	-	1,482,439	-	-	1,482,439
	<u>699,450</u>	<u>84,613,727</u>	<u>-</u>	<u>573</u>	<u>85,313,750</u>
Bank					
2020					
Financial assets					
Cash and cash equivalents	-	3,056,698	-	-	3,056,698
Deposits and placements with banks and other financial institutions	-	665,147	-	-	665,147
Investment account placements	-	1,478,468	-	-	1,478,468
Financial assets at FVTPL	1,303,320	-	-	-	1,303,320
Financial investments at FVOCI	-	-	15,908,302	-	15,908,302
- Debt instruments	-	-	15,796,272	-	15,796,272
- Equity instruments	-	-	112,030	-	112,030
Loans, advances and financing	11,381	55,018,965	-	-	55,030,346
Derivative financial assets	1,152,774	-	-	321	1,153,095
Other assets	-	562,845	-	-	562,845
Statutory deposits with Bank Negara Malaysia	-	97,601	-	-	97,601
	<u>2,467,475</u>	<u>60,879,724</u>	<u>15,908,302</u>	<u>321</u>	<u>79,255,822</u>
Financial liabilities					
Deposits from customers	-	61,882,313	-	-	61,882,313
Deposits and placements of banks and other financial institutions	-	5,157,288	-	-	5,157,288
Bills and acceptances payable	-	73,673	-	-	73,673
Recourse obligation on loans sold to Cagamas Berhad	-	700,000	-	-	700,000
Derivative financial liabilities	1,228,532	-	-	1,294	1,229,826
Other liabilities*	-	1,867,449	-	-	1,867,449
Subordinated bonds	-	1,491,327	-	-	1,491,327
	<u>1,228,532</u>	<u>71,172,050</u>	<u>-</u>	<u>1,294</u>	<u>72,401,876</u>

* Excludes lease liabilities

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

37 FINANCIAL INSTRUMENTS (continued)

Bank (continued)	FVTPL RM'000	AC RM'000	FVOCI RM'000	Derivatives used for hedging RM'000	Carrying amount RM'000
2019					
Financial assets					
Cash and cash equivalents	-	3,948,293	-	-	3,948,293
Deposits and placements with banks and other financial institutions	-	618,913	-	-	618,913
Investment account placements	-	1,958,154	-	-	1,958,154
Financial assets at FVTPL	1,160,139	-	-	-	1,160,139
Financial investments at FVOCI	-	-	11,426,798	-	11,426,798
- <i>Debt instruments</i>	-	-	11,321,521	-	11,321,521
- <i>Equity instruments</i>	-	-	105,277	-	105,277
Loans, advances and financing	10,560	57,270,380	-	-	57,280,940
Derivative financial assets	749,830	-	-	-	749,830
Other assets	-	553,854	-	-	553,854
Statutory deposits with Bank Negara Malaysia	-	1,377,583	-	-	1,377,583
	1,920,529	65,727,177	11,426,798	-	79,074,504
Financial liabilities					
Deposits from customers	-	62,583,956	-	-	62,583,956
Deposits and placements of banks and other financial institutions	-	4,153,615	-	-	4,153,615
Bills and acceptances payable	-	71,512	-	-	71,512
Recourse obligation on loans sold to Cagamas Berhad	-	700,000	-	-	700,000
Derivative financial liabilities	699,395	-	-	573	699,968
Other liabilities	-	2,931,595	-	-	2,931,595
Subordinated bonds	-	1,482,439	-	-	1,482,439
	699,395	71,923,117	-	573	72,623,085

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The tables below set out carrying amounts of recognised financial assets and financial liabilities that are subject to International Swaps and Derivatives Association ("ISDA") and/or similar master netting arrangements but do not meet the criteria for offsetting in the statements of financial position. This is because the parties to the ISDA agreement provide the right of set-off of recognised amounts that is only enforceable in event of default, insolvency or bankruptcy of the Group or the counterparties or following other predetermined events. Malaysia was not a clear netting jurisdiction previously and hence the Group was not able to enforce set-off in the event of default. The Netting of Financial Agreement Act ("the Act") which came into force in 2015 provides assurance that the close-out netting mechanism for financial transactions is enforceable under the law.

The related financial instruments not offset pertain to financial assets and financial liabilities that are not presented net in the Group's and the Bank's statements of financial position but are subject to enforceable master netting agreement or similar arrangement that covers similar financial instruments. The disclosures enable the evaluation on the potential effect of netting arrangements as well as provide additional information on how such credit risk is mitigated.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

37 FINANCIAL INSTRUMENTS (continued)

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Types of financial assets/liabilities	Carrying amount in the statement of financial position RM'000	Financial instruments not in scope for offsetting disclosures RM'000	Gross recognised financial instruments in scope RM'000	Related amount not offset in the statements of financial position		Net amount in scope RM'000
				Financial instruments RM'000	Cash collateral received/pledged RM'000	
Group						
2020						
Derivative financial assets	1,151,754	(87,059)	1,064,695	(478,203)	(134,561)	451,931
Derivative financial liabilities	1,229,790	(61,416)	1,168,374	(478,203)	(344,182)	345,989
2019						
Derivative financial assets	749,732	(36,415)	713,317	(211,345)	(229,117)	272,855
Derivative financial liabilities	700,023	(42,751)	657,272	(211,345)	(184,537)	261,390
Bank						
2020						
Derivative financial assets	1,153,095	(86,887)	1,066,208	(478,203)	(134,561)	453,444
Derivative financial liabilities	1,229,826	(61,452)	1,168,374	(478,203)	(344,182)	345,989
2019						
Derivative financial assets	749,830	(36,121)	713,709	(211,345)	(229,117)	273,247
Derivative financial liabilities	699,968	(42,697)	657,271	(211,345)	(184,537)	261,389

38 FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-statement of financial position financial instruments. The fair value of a financial instrument is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

Quoted and observable market prices, where available, are used as the measure of fair values. However, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, such market prices do not exist as there is currently no ready market wherein exchanges between willing parties occur.

The Group and the Bank use various methodologies to estimate the fair values of such instruments. These methodologies involve uncertainties and are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimated future cash flows, future expected loss experience and other factors. Changes in the uncertainties and assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Group's and the Bank's financial instruments, including loans, advances and financing to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Group and the Bank could realise in a sales transaction at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Group and the Bank as going concerns.

In addition, fair value information is not provided for non-financial instruments and financial instruments that are excluded from the scope of MFRS 9 which requires fair value information to be disclosed. These include property and equipment, prepaid lease payments, investments in subsidiaries, tax recoverable and deferred tax assets.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

For financial assets and liabilities not carried at fair value on the statements of financial position, the Group and the Bank have determined that their fair values were not materially different from the carrying amount at the reporting date. The carrying amounts and fair values of financial instruments of the Group are described below.

(A) Financial assets and financial liabilities

(a) Short term financial instruments

The carrying amounts approximate the fair values of cash and cash equivalents, deposits and placements with/of banks and other financial institutions with maturity less than one year, interest/profit and other short-term receivables due to their short tenor or frequent re-pricing.

(b) Deposits and placements with/of banks and other financial institutions and investment account placements

For deposits and placements with maturity of one year or more, the fair value is estimated based on discounted cash flows using prevailing money market interest/profit rates for deposits and placements with similar remaining period to maturity.

(c) Financial assets at FVTPL and financial investments at FVOCI

The fair value of financial assets that are actively traded is determined by quoted bid prices. For non-actively traded financial investments, independent broker quotations are obtained or valuation techniques are used to fair value the financial investments. The fair value of unquoted equity instruments classified under FVOCI portfolio is estimated using internal valuation techniques.

(d) Loans, advances and financing

The fair values of variable rate loans, advances and financing are carried approximately to their carrying amounts. For fixed rate loan, advances and financing, the fair values are valued based on the expected future discounted cash flows using market rates of loan, advances and financing of similar credit risks and maturity. For impaired loans, advances and financing, the fair values are carried at amortised cost net of ECL.

(e) Derivative financial assets and liabilities

Observable market data are used to determine the fair values of derivatives at FVTPL. Valuations are either based on quoted price or valuation technique. Where mid prices are used, a bid-offer spread adjustment will be made to ensure that all long positions are marked to bid prices and short positions to offer prices.

(f) Deposits from customers

For deposits with maturity of less than one year, the carrying amount is a reasonable estimate of the fair value. For deposits with maturity of one year or more, the fair value is estimated using discounted cash flows based on market rates for similar products and maturity.

(g) Bills and acceptances payable

Bills and acceptances payable are substantially with maturity of less than one year. The carrying amount of bills and acceptances payable is a reasonable estimate of the fair value.

(h) Subordinated bonds/Sukuk

Fair value for the subordinated bonds/Sukuk is determined using quoted market prices where available, or by reference to quoted market prices of similar instruments.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)**38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(A) Financial assets and financial liabilities (continued)**

(i) Recourse obligation on loans sold to Cagamas Berhad

For floating rate contracts, the carrying amount is generally a reasonable estimate of the fair value. The fair value of fixed rate contracts is estimated based on discounted cash flows using prevailing rates offered by Cagamas Berhad for similar products and remaining period to maturity.

Off-statement of financial position financial instruments

The fair value of off-statement of financial position financial instruments is the estimated amount the Group or the Bank would receive or pay to terminate the contracts at the reporting date. The fair value of the off-statements of financial position financial instruments are disclosed in Note 34 to the financial statements.

(B) Fair value hierarchy of financial instruments

The Group and the Bank measure 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	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 Over-the counter ("OTC") derivatives	Corporate and other government bonds/Sukuk and loans OTC derivatives Cash and cash equivalents Deposits and placements with banks and other financial institutions Investment account placements Other assets	Private debt equity investments Corporate bonds/Sukuk with illiquid markets Loans, advances and financing Unquoted shares OTC derivatives
Type of financial liabilities	OTC derivatives	OTC derivatives Deposits from customers Deposits and placements of banks and other financial institutions Subordinated bonds/Sukuk Other liabilities	OTC derivatives

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value

<u>Group</u>	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2020				
Financial assets at fair value				
Financial assets at FVTPL	1,313,457	18	-	1,313,475
Financial investments at FVOCI	16,656,235	3,344,588	112,030	20,112,853
Loans, advances and financing	-	-	11,381	11,381
Derivative financial assets	1,388	1,143,378	6,988	1,151,754
	<u>17,971,080</u>	<u>4,487,984</u>	<u>130,399</u>	<u>22,589,463</u>
Financial liabilities at fair value				
Derivative financial liabilities	652	1,190,989	38,149	1,229,790
2019				
Financial assets at fair value				
Financial assets at FVTPL	880,475	295,994	-	1,176,469
Financial investments at FVOCI	9,807,395	5,642,572	105,277	15,555,244
Loans, advances and financing	-	-	10,560	10,560
Derivative financial assets	1,507	726,577	21,648	749,732
	<u>10,689,377</u>	<u>6,665,143</u>	<u>137,485</u>	<u>17,492,005</u>
Financial liabilities at fair value				
Derivative financial liabilities	888	667,470	31,665	700,023
Bank				
2020				
Financial assets at fair value				
Financial assets at FVTPL	1,303,302	18	-	1,303,320
Financial investments at FVOCI	13,450,909	2,345,363	112,030	15,908,302
Loans, advances and financing	-	-	11,381	11,381
Derivative financial assets	1,403	1,144,705	6,987	1,153,095
	<u>14,755,614</u>	<u>3,490,086</u>	<u>130,398</u>	<u>18,376,098</u>
Financial liabilities at fair value				
Derivative financial liabilities	707	1,190,974	38,145	1,229,826
2019				
Financial assets at fair value				
Financial assets at FVTPL	864,145	295,994	-	1,160,139
Financial investments at FVOCI	6,975,820	4,345,701	105,277	11,426,798
Loans, advances and financing	-	-	10,560	10,560
Derivative financial assets	1,590	726,592	21,648	749,830
	<u>7,841,555</u>	<u>5,368,287</u>	<u>137,485</u>	<u>13,347,327</u>
Financial liabilities at fair value				
Derivative financial liabilities	894	667,409	31,665	699,968

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value (continued)

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

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Financial assets at fair value				
At 1 January	137,485	197,081	137,485	197,081
Purchased	6,422	10,000	6,422	10,000
Settled/Disposed	(38)	(24,661)	(38)	(24,655)
Transferred (from)/to Level 3	(21,092)	3,576	(21,092)	3,570
Realised loss				
- Recognised in net trading income	(556)	(71,182)	(556)	(71,182)
Unrealised gain				
- Recognised in net trading income	1,426	16,612	1,425	16,612
- Recognised in other comprehensive income	6,752	6,059	6,752	6,059
At 31 December	<u>130,399</u>	<u>137,485</u>	<u>130,398</u>	<u>137,485</u>
Financial liabilities at fair value				
At 1 January	31,665	73,283	31,665	73,283
Settled/Disposed	6,422	(5)	6,422	-
Transferred (from)/to Level 3	(21,092)	4,166	(21,092)	4,161
Realised gain				
- Recognised in net trading income	(10,573)	(72,030)	(10,573)	(72,030)
Unrealised loss				
- Recognised in net trading income	31,727	26,251	31,723	26,251
At 31 December	<u>38,149</u>	<u>31,665</u>	<u>38,145</u>	<u>31,665</u>

Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

Transfer between Level 1 and 2 fair values

During the financial year, financial investments at FVOCI of the Group and the Bank with a carrying amount of RM1,570 million were transferred from Level 2 to Level 1 as quoted prices can be determined from an active market.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(i) Fair value hierarchy of financial instruments carried at fair value (continued)

Level 3 fair value

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:

Group	2020 Fair value RM'000	2019 Fair value RM'000	Classification	Valuation technique	Unobservable input
Assets					
Financial investments at FVOCI	112,030	105,277	FVOCI	Net asset value approach	Net asset value
Loans, advances and financing	11,381	10,560	FVTPL	Discounted cash flow analysis	Discount factor
Derivative financial assets	6,988	21,648	Hedge for trading	Option pricing model	Standard deviation
	<u>130,399</u>	<u>137,485</u>			
Liabilities					
Derivative financial liabilities	<u>38,149</u>	<u>31,665</u>	Hedge for trading	Option pricing model	Standard deviation
Bank					
Assets					
Financial investments at FVOCI	112,030	105,277	FVOCI	Net asset value approach	Net asset value
Loans, advances and financing	11,381	10,560	FVTPL	Discounted cash flow analysis	Discount factor
Derivative financial assets	6,987	21,648	Hedge for trading	Option pricing model	Standard deviation
	<u>130,398</u>	<u>137,485</u>			
Liabilities					
Derivative financial liabilities	<u>38,145</u>	<u>31,665</u>	Hedge for trading	Option pricing model	Standard deviation

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

Valuation control framework

The Group has an established control framework with respect to the measurement of fair values, which includes formalised processes for the review and validation of fair values independent of the businesses entering into the transactions.

The Market Risk Management ("MRM") functions within the Risk Management Division and with support from Group Risk Management Division, is responsible for market data validation, assessment of model validation and ongoing performance monitoring.

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)**38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)****(B) Fair value hierarchy of financial instruments (continued)****(i) Fair value hierarchy of financial instruments carried at fair value (continued)****Valuation control framework (continued)**

The Treasury Financial Control & Advisory - Valuation Control function within the Finance Division is responsible for the establishment of the overall valuation control framework. This includes, but is not limited to, reviewing and recommending appropriate valuation reserves, methodologies and adjustments, independent price testing, and identifying valuation gaps.

Valuation related policies are reviewed annually by Finance division. Any material change to the framework is recommended by ALCO for the approval of the Group Risk Management Committee. Group Internal Audit provide independent assurance on the respective divisions' compliance with the policies.

(ii) Fair value hierarchy of financial instruments not carried at fair value

The table below is a comparison of the carrying amounts and fair values of those financial instruments of the Group and the Bank which are not measured at fair value. It does not include those short term financial assets and financial liabilities where their fair values were not materially different from the carrying amounts.

Group	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2020				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	344,182	-	344,182	344,182
Loans, advances and financing	-	66,277,937	66,277,937	66,262,182
	<u>344,182</u>	<u>66,277,937</u>	<u>66,622,119</u>	<u>66,606,364</u>
Financial liabilities not carried at fair value				
Deposits from customers	73,382,691	-	73,382,691	73,375,532
Deposits and placements of banks and other financial institutions	5,195,681	-	5,195,681	5,195,681
Recourse obligation on loans sold to Cagamas Berhad	670,410	-	670,410	700,000
Subordinated bonds	1,510,333	-	1,510,333	1,491,327
	<u>80,759,115</u>	<u>-</u>	<u>80,759,115</u>	<u>80,762,540</u>
2019				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	184,537	-	184,537	184,537
Loans, advances and financing	-	69,033,583	69,033,583	69,047,769
	<u>184,537</u>	<u>69,033,583</u>	<u>69,218,120</u>	<u>69,232,306</u>
Financial liabilities not carried at fair value				
Deposits from customers	75,103,933	-	75,103,933	75,095,805
Deposits and placements of banks and other financial institutions	4,196,309	-	4,196,309	4,196,309
Recourse obligation on loans sold to Cagamas Berhad	670,410	-	670,410	700,000
Subordinated bonds	1,496,276	-	1,496,276	1,482,439
	<u>81,466,928</u>	<u>-</u>	<u>81,466,928</u>	<u>81,474,553</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

38 FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(B) Fair value hierarchy of financial instruments (continued)

(ii) Fair value hierarchy of financial instruments not carried at fair value (continued)

<u>Bank</u>	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
2020				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	320,965	-	320,965	665,147
Investment account placements	1,478,468	-	1,478,468	1,478,468
Loans, advances and financing	-	55,019,416	55,019,416	55,018,965
Other assets - unquoted redeemable Islamic subordinated Sukuk of a subsidiary	207,166	-	207,166	200,000
	<u>2,006,599</u>	<u>55,019,416</u>	<u>57,026,015</u>	<u>57,362,580</u>
Financial liabilities not carried at fair value				
Deposits from customers	61,883,535	-	61,883,535	61,882,313
Deposits and placements of banks and other financial institutions	5,157,288	-	5,157,288	5,157,288
Recourse obligation on loans sold to Cagamas Berhad	670,410	-	670,410	700,000
Subordinated bonds	1,510,333	-	1,510,333	1,491,327
	<u>69,221,566</u>	<u>-</u>	<u>69,221,566</u>	<u>69,230,928</u>
2019				
Financial assets not carried at fair value				
Deposits and placements with banks and other financial institutions	618,910	-	618,910	618,913
Investment account placements	1,958,154	-	1,958,154	1,958,154
Loans, advances and financing	-	57,289,950	57,289,950	57,270,380
Other assets - unquoted redeemable Islamic subordinated Sukuk of a subsidiary	211,854	-	211,854	200,000
	<u>2,788,918</u>	<u>57,289,950</u>	<u>60,078,868</u>	<u>60,047,447</u>
Financial liabilities not carried at fair value				
Deposits from customers	62,424,760	-	62,424,760	62,583,956
Deposits and placements of banks and other financial institutions	4,153,615	-	4,153,615	4,153,615
Recourse obligation on loans sold to Cagamas Berhad	670,411	-	670,411	700,000
Subordinated bonds	1,496,276	-	1,496,276	1,482,439
	<u>68,745,062</u>	<u>-</u>	<u>68,745,062</u>	<u>68,920,010</u>

39 HEDGING ACTIVITIES

Fair value hedge

The Group and the Bank use fair value hedges to protect the Group and the Bank against the changes in fair value of fixed-rate long-term financial instruments due to movements in the market interest rates. The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

39 HEDGING ACTIVITIES (continued)

Fair value hedge (continued)

The net gains and losses arising from fair value hedges during the year are as follows:

<u>Group and Bank</u>	2020 RM'000	2019 RM'000
Gains on hedging instruments	405	1,456
Losses on the hedged items attributable to the hedged risk	(400)	(1,425)
	<u>5</u>	<u>31</u>

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Bank have established a risk management framework that encompasses good governance, sound policies, robust lines of defence, right expertise as well as significant investments in technology, underpinned by a corporate culture that demands accountability and ownership as well as high ethical standards. This then ensures that the risks taken are:

- Consistent with our corporate strategy and within established risk appetite;
- Well-understood, evaluated and supported by robust quantitative analyses and stress testing;
- Adequately compensated with expected returns;
- Managed holistically by evaluating risk interactions across the different risk types;
- Efficiently and comprehensively captured, aggregated and reported;
- Reviewed by an independent risk function with adequate resources authority and expertise; and
- Accompanied by contingency plans to ensure resilience against potential crises or unexpected events.

Risk ownership is a shared responsibility between the business, risk and compliance functions as elaborated in the Risk Governance and Organisation section.

While the categorisation of risks can be complex and interrelated, we generally categorise the principal risks we take into the following types:

- (i) Credit risk is the risk of loss of principal and/or income arising from the failure of an obligor or counterparty to meet its financial or contractual obligations.
- (ii) Market risk is the risk of loss of income and/or market value due to fluctuations in risk factors such as interest rates, foreign exchange rates, credit spreads, equity and commodity prices or changes in volatility or correlations between risk factors.
- (iii) Liquidity risk is the risk arising from the inability to meet financial obligations as they fall due without incurring unacceptable costs or losses from funding capital and asset liquidation.
- (iv) Interest Rate Risk in the Banking Book is the risk to the Bank's earnings arising from adverse changes in interest rates that affect Banking Book positions.
- (v) Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management or from external events. This includes compliance risk, legal risk and reputational risk.

Our risk management approach is a disciplined process to identify, assess, measure, control, monitor and report our risk positions at the granular and aggregate levels. Assessments of potential shifts in risk drivers and the impact on risk types are regularly made and risk mitigation strategies are taken where necessary. There are multiple drivers of risks. They emanate from factors such as the economic, business and physical environment, business decisions, market positions, geopolitical shifts, regulatory changes, fraud and human error. These drivers impinge on one or more of the risk types mentioned above with consequential impact to earnings and asset quality as well as to reputation, customer franchise, and ability to do business.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Governance and Organisation

The Board of Directors has the ultimate responsibility for the effective management of risk and establishes the Group's and the Bank's corporate strategy and approves its risk appetite within which senior management should execute the strategy. The Group's Risk Management Committee ("RMC") is the designated board committee that oversees the Bank's overall risk management philosophy are aligned with the corporate strategy and within the approved risk appetite. It also ensures that the overall risk management organisation is implemented and effective. Based on the approved risk appetite, RMC approves various quantitative guidance and qualitative expectations and these are cascaded to major business units and risk functions to guide risk-taking. Risk drivers, risk profiles across major lines of business and risk types, as well as major risk policies and compliance matters are regularly reviewed by the senior management, Country Chief Executive Officer (Country CEO) and RMC. These matters are reviewed and discussed in greater detail at the dedicated risk committees for major risk types.

Group Risk Management (GRM) is an independent risk and control oversight function that principally executes the risk management framework and principles. It provides risk committees, the RMC and the Board regular risk reports and updates on material information with regard to risks. Functions in GRM are primarily organised by major risk types. Risk management staff work closely with the business and other support units to ensure that risks are well managed. In addition, it oversees the New Product Approval Process (NPAP) to ensure that all inherent risks associated with new products and services are comprehensively identified, managed and mitigated, including compliance with regulatory requirements.

Senior management actively manages risks through the Group's various risk management committees such as the Credit Risk Management Committee, the Operational Risk Management Committee as well as the Bank's Asset Liability Management Committee.

Three Lines of Defence

All employees are responsible for identifying and managing risk – an accountability that is embedded in our corporate culture and robust internal control environment. This is operationalised through a three-line defence structure.

(i) **First Line - Day-to-day Risk Management**

Business and Support Units own and manage risks generated from their business activities on a day-to-day basis. It executes business activities which are consistent with our Group's strategy and risk appetite and operates within the approved boundaries of our policies, limits and ensure compliance with applicable laws and regulations.

(ii) **Second Line - Risk and Control Oversight**

The Risk and Control Function independently assesses the risk-taking activities undertaken by the first line of defence. It establishes relevant risk management frameworks, policies, processes and risk systems, and provides independent identification, assessment, monitoring and reporting of the Group's risk profiles, portfolio concentrations and material risk issues.

(iii) **Third Line - Independent Assurance**

Internal Audit independently provide assurance to the Country CEO, Audit Committee and the Board of the adequacy and effectiveness of our risk management and internal control systems by evaluating the overall risk awareness and control consciousness of the management in discharging its supervisory and oversight responsibilities.

Risk Appetite

The Board sets the Group's risk appetite, which defines the level and nature of risks that we are willing to take on behalf of shareholders in the conduct of our business, while maintaining our commitments to customers, debt holders, employees, regulators, and other stakeholders. Our intention is to manage risks prudently for the long-term viability of the Group while balancing the interests of all stakeholders.

Our risk appetite takes into account the forward-looking operating environment and any downside risks. Business plans are guided by our risk appetite through policies, limits and processes to ensure that we operate within our available risk capacity.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Risk Appetite (continued)

Senior business and risk managers participate in regular forums to discuss the operating environment and potential “dark clouds” that may have a significant impact on our earnings or solvency. These are quantified via stress tests as well as segment-specific and ad hoc event-specific portfolio reviews to assess the potential impact of alternative scenarios on the Group’s earnings and capital.

An annual Internal Capital Adequacy Assessment Process (ICAAP) incorporating stress test is conducted to evaluate if our business plans allow us to maintain sound capital levels under both the forward-looking operating environment and severe stress scenarios. Appropriate risk-mitigating actions are taken to manage downside risks.

Credit Risk Management

Credit risk arises from the Group and the Bank lending activities to retail, corporate and institutional customers. It also includes counterparty and issuer credit risks arising from the Group and the Bank trading and investment banking activities.

Credit Risk Management Approach

The Group and the Bank’s credit risk management framework captures the complete credit risk management cycle. It is operationalized through policies and procedures covering the identification, assessment, measurement, monitoring and control of credit risk at the enterprise level.

We also have responsible financing framework and supporting policies that integrate Environmental, Social and Governance (“ESG”) considerations into our credit risk evaluation and approval process. Through the framework, sustainability is integrated across our corporate lending activities from strategic and portfolio to transaction level. Please refer to the OCBC Group’s Sustainability Report for more information on responsible financing.

The Group and the Bank’s credit risk management approach varies depending on the characteristics or nature of the portfolios or customer segments. There are specific policies and procedures for major customer segments.

Credit Risk Management Approach for Major Customer Segments:	
Consumer and Small Businesses	<ul style="list-style-type: none"> • Credit risks are managed on portfolio basis. • Credits are extended through credit programmes with predefined portfolio and transaction limits, acquisition strategy, product structure, as well as customer selection, lending and collateral criteria. • Application models in the credit decision process enable efficient, objective and consistent risk evaluation and decision. • Bankruptcy, credit bureau checks, systems and processes such as source identification of credit origination and independent verification of documentation are used to detect fraud. • Comprehensive risk management information systems (MIS) are used to track and monitor the performance of the portfolios. • Behavioural models are used for the early identification of problem loans.
Corporate and Institutional Customers	<ul style="list-style-type: none"> • Credits extended are individually assessed, risk rated and further evaluated by experienced credit officers. • Credit extensions are guided by predefined target market and risk acceptance criteria. • Credit decisions are made after comprehensive qualitative and quantitative risk assessment, including a thorough understanding of the customer and customer group’s interdependencies. • Credits are jointly approved by business and credit risk units to ensure objectivity and shared risk ownership.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Managing Counterparty Credit Risk

Counterparty Credit Risk ("CCR") is the risk that the counterparty may default on its obligations in a financial contract. CCR management covers credit exposures to counterparties in both the banking and trading books which typically arise from our trading, derivatives and debt securities activities. Counterparty risk exposures are measured under the Current Exposure Method, with regulatory prescribed add-ons that represent the potential future exposure, in addition to the net replacement cost of the Over-the-Counter ("OTC") derivatives.

Credit limits are established for each counterparty based on our assessment of the counterparty's creditworthiness, the suitability and appropriateness of the product offered and alignment with approved trading mandates and investment strategies. Credit risk mitigation tools are also used to manage CCR where appropriate. Please refer to Credit Risk Mitigation Section for details.

Credit exposures are independently managed through daily limit monitoring, excesses escalation and approval, and timely risk reporting.

Credit Portfolio Management

Credit portfolio management focuses on managing the 'collective or aggregate risk' of our credit portfolio, rather than the credit risk to an individual borrower. We have developed and implemented a range of capabilities to better understand, measure and monitor credit risk at a portfolio level. These capabilities include:

- (i) **Portfolio Segmentation:** This is the process of grouping credit exposures that are similar in nature. It involves the use of attributes that represent common business drivers such as country, industry and product type, as well as common risk drivers such as exposure to material downside risks like a property bubble.
- (ii) **Portfolio Modelling:** This includes the use of internal rating models to quantify the exposure risk, default risk and potential losses of our borrowers. Refer to table below for information on the Group and the Bank's internal rating models. We also use stress testing models to simulate the potential increase in our credit losses and credit risk-weighted assets under stressed scenarios.

<i>Internal Rating Models</i>
Internal credit rating models and their parameters – probability of default ("PD"), loss given default ("LGD") and exposure at default (EAD) – are used in limit setting, credit approval, portfolio monitoring and reporting, remedial management, stress testing, internal assessment of the capital adequacy and impairment allowances.
The Group and the Bank's Model Risk Management Framework and Credit Rating Model Framework are used to govern the development, validation, application and performance monitoring of rating models. Approval for the adoption and continued use of material models rests with the RMC. The models are developed with the active participation of credit experts from risk-taking and risk-control units and subject to independent validation before implementation to ensure that all aspects of the model development process have met internal standards. In addition, Internal Audit conducts an annual independent review of the ratings assignment process, the effectiveness of the independent validation and the accuracy of the rating system operation. All rating models are assessed against internal and regulatory requirements and approved by regulators for use in capital assessment.
While our internal risk grades are not explicitly mapped to external credit ratings they may correlate to external credit ratings in terms of the PD ranges as factors used to rate obligors would be similar - an obligor rated poorly by an external rating agency is likely to have a weak internal risk rating.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Portfolio Management (continued)

The table below describes the approach used to estimate the key parameters for Advanced Internal Ratings Based ("A-IRB") and Foundation Internal Ratings Based ("F-IRB") credit risk models used to calculate Credit RWA.

Key Components of Internal Ratings Based ("IRB") Models		
IRB Models and	PD	LGD and EAD
A-IRB approach includes major retail portfolios such as residential mortgages, credit cards and small businesses lending	<ul style="list-style-type: none"> Estimated based on the application and behaviour scores of obligors. The PD models are calibrated to the expected long-term average one-year default rate over an economic cycle. 	<ul style="list-style-type: none"> Product, collateral and geographical characteristics are major factors. LGD models are calibrated to reflect the economic loss under downturn conditions. EAD models are also calibrated to reflect the long-run average or economic downturn conditions, if relevant.
F-IRB (Non-Supervisory Slotting) approach includes major wholesale portfolios such as Bank, Non-Bank Financial Institutions, Corporate Real Estate (including Income Producing Real Estate) and General Corporate	<ul style="list-style-type: none"> PD models are statistical based or expert judgement models that use both quantitative and qualitative factors to assess an obligor's repayment capacity and are calibrated to the expected long-term average one-year default rate over an economic cycle. Expert judgement models based on inputs from internal credit experts are typically used for portfolios with low defaults. 	<ul style="list-style-type: none"> Estimated based on rules prescribed in Bank Negara Malaysia (BNM) Risk-Weighted Capital Adequacy Framework (RWCAF).
F-IRB (Supervisory Slotting) approach includes other specialised lending portfolios such as Project Finance, Object Finance and Commodities Finance	<ul style="list-style-type: none"> For portfolios on supervisory slotting, risk grades derived from internal models are mapped to the five supervisory slotting categories prescribed in BNM RWCAF. 	<ul style="list-style-type: none"> Estimated based on rules prescribed in BNM RWCAF.

- (iii) **Portfolio Reporting:** This includes internal and external reporting of portfolio risk information to respective stakeholders. These reports provide a better understanding of how the quality of our credit portfolio is evolving in response to the changing operating environment and downside risks. Regular risk reports covering detailed credit exposures, credit migration, expected losses and risk concentrations by business segment are provided to the CRMC, CEO, RMC and the Board for review and make timely, better-informed decisions.

With the insights provided by portfolio modelling and reporting, we shape our portfolio via appropriate allocation of risk and financial resources (such as funding and capital) to support growth opportunities. We also use these insights to set credit concentration limits that manage the downside risk from adverse changes in the operating environment. The design of such credit concentration limits takes into consideration direct risk drivers (such as economic sector, industry, geographic location) and indirect risk drivers (such as collateral type or credit protection by a single counterparty) arising from credit risk mitigation.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Credit Risk Control

Credit Risk Mitigation

Credit risk mitigation techniques are used to reduce credit risk. Where possible, the Group and the Bank take collateral from the borrower as a secondary recourse to mitigate credit risk. However, risk mitigation is not a substitute to the proper assessment of the obligor's ability to repay which remains the primary repayment source. The key considerations for eligible credit risk mitigants are set out in the Group and the Bank's credit policies. These criteria include legal certainty and enforceability, correlation, marketability, liquidity, counterparty risk of the protection provider, as well as collateral-specific minimum operational requirements. Eligible physical and financial collateral types include cash, real estate, marketable securities, standby letters of credit and credit insurances.

Appropriate haircuts are applied to the market value of collaterals to reflect the underlying nature, quality, liquidity and volatility of the collateral. Collateral is independently valued on regular basis with frequency determined by its type, liquidity and volatility. Collateral holdings are regularly monitored to avoid concentration risk as the Group seeks to diversify across asset classes and markets. Guarantees from individuals, corporates, and institutions mainly as a form of support. Where guarantees are recognised as credit risk mitigants via the PD substitution approach, eligibility criteria and guidelines are in place.

Netting, collateral arrangements, early termination options and central clearing mechanisms are common risk mitigation tools for managing counterparty credit risk. The credit risk associated with contractual obligations is reduced by netting agreements in legally approved jurisdictions where all amounts with the counterparty are settled on a net basis if a default occurs. Collateral arrangements, typically covered under market standard documentation such as International Swaps and Derivatives Association ("ISDA") and Credit Support Annexes ("CSA"), include a minimum threshold amount where additional collateral is to be posted by either party if the mark-to-market exposures exceed an agreed threshold. The eligible collateral is subject to a haircut to cover potential adverse market volatility and the minimum threshold amount may be subject to regulatory margin requirements where applicable. Agreements may also contain rating triggers to allow for termination of the transactions or require posting of additional collateral in the event of a rating downgrade.

Remedial Management

The Group and the Bank safeguard their position through proactive and regular monitoring of our portfolios. We have a robust process to detect vulnerable borrowers with signs of potential credit deterioration at an early stage. Such borrowers are reviewed regularly via various internal credit forums or committees.

Credit exposures are categorised into "Pass", "Special Mention" or "Impaired Loans" ("ILs"). ILs are further categorised into "Substandard", "Doubtful" or "Loss". The categorisation of credit exposures is based on our assessment of the borrowers' ability to repay their financial obligations. ILs may be upgraded to non-impaired status when there is an established trend of credit improvement, supported by an assessment of the borrower's repayment capability, cash flows and financial position.

Credit exposures are classified as restructured assets when the Group and the Bank grant non-commercial concessions to borrowers who are unable to meet their original repayment obligations. A restructured credit exposure is classified into the appropriate impaired loans grades based on the assessment of the borrower's financial condition and ability to repay under the restructured terms. Such credit exposure must comply fully with the restructured terms before it can be restored to non credit-impaired status.

Dedicated remedial management units manage the restructuring, work-out and recovery of ILs for wholesale portfolios. The objective is to rehabilitate ILs where possible or maximise recoveries for ILs that are on exit strategy. For the retail portfolios, the Group and the Bank develop appropriate risk-based and time-based collection strategies to maximise recoveries. The Group and the Bank use data such as delinquency buckets and adverse status tags for delinquent retail loans to constantly analyse, fine-tune and prioritise our collection efforts.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Credit Risk Management (continued)

Remedial Management (continued)

Impairment allowances for Loans, Advances and Financing

Sufficient impairment allowances are maintained to absorb credit losses inherent in our loan portfolio. Allowance for Expected Credit Losses ("ECL") is recognised for credit impaired and non-credit impaired exposures in accordance with Malaysian Financial Reporting Standard (MFRS) 9 - *Financial Instruments* through a forward looking ECL model. ECL allowances are assessed and measured based on the stages of asset quality.

Stages of Asset Quality and Expected Credit Losses		
Non Credit-Impaired		Credit-Impaired
<u>Stage 1</u> 12-month ECL	<u>Stage 2</u> Lifetime ECL	<u>Stage 3</u> Lifetime ECL
Non-impaired exposures without significant increase in credit risk since initial recognition	Non-impaired exposures with significant increase in credit risk since initial recognition	Impaired exposures

Market Risk Management

Market risk is the risk of loss of income or market value due to fluctuations in factors such as interest/profit rates, foreign exchange rates, equity and commodity prices, or changes in volatility or correlations of such factors. The Group and the Bank are exposed to market risks from its trading and balance sheet management activities.

The Group's and the Bank's market risk management strategy and market risk limits are established within the Group's and the Bank's risk appetite and business strategies, taking into account macroeconomic and market conditions. Market risk limits are subject to regular review.

Market Risk Management Oversight and Organisation

The Asset Liability Management Committee ("ALCO") is the senior management group that supports the RMC and the CEO in managing market risk. The ALCO establishes the market risk management objectives, framework, and policies governing prudent market risk taking, which are backed by risk methodologies, measurement systems, and internal controls.

The ALCO is supported at the working level by Market Risk Management ("MRM") within Group Risk Management ("GRM") division, and Corporate Treasury ("CT") within Group Finance Division. MRM is the independent risk control unit responsible for operationalising the market risk management framework to support business growth while ensuring adequate risk control and oversight.

Market Risk Management Approach

Market risk management is a shared responsibility. Business units are responsible for proactive managing within their approved trading strategies and investment mandates, whilst MRM acts as the independent monitoring unit to ensure sound governance. The key risk management activities of identification, measurement, monitoring, control, and reporting are regularly reviewed to ensure effective risk management.

Market Risk Identification

Risk identification is addressed via the Group's and the Bank's new product approval process at product inception. Market risks are also identified by our risk managers from their on-going interactions with the business units.

Several market risk measurements are also utilised regularly to quantify and assess potential losses. These include Value-at-Risk ("VAR"), Present Value of Basis Point ("PV01"), Credit Sensitivity of a Basis Point ("CS01"), FX Basis Sensitivity of a Basis Point ("FXBasis01"), FX Net Open Position ("FX NOP") and derivative greeks.

The Group and the Bank also perform stress testing and scenario analysis to better quantify and assess potential losses arising from low probability but plausible extreme market conditions. The stress scenarios are regularly reviewed and fine-tuned to ensure that they remain relevant to the Group's and the Bank's trading activities, risk profile, and prevailing and forecast economic conditions. These analyses determine if potential losses from such extreme market conditions are within the Group's and the Bank's risk tolerance.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market Risk Management (continued)

Risk Monitoring and Control

Only authorised trading activities for approved products may be undertaken by the various trading units. All trading risk positions are monitored on a daily basis against approved and allocated limits by independent support units. Limits are approved to reflect available and anticipated trading opportunities, with clearly defined exception escalation procedures. Exceptions, including any temporary breaches, are promptly reported and escalated to senior management for resolution. Multiple risk limits (VAR and risk sensitivities), profit/loss, and other measures allow for more holistic analysis and management of market risk exposures.

Model validation is also an integral part of the Group's and the Bank's risk control process. Models are used to price financial instruments and to measure risk. The models used are verified and assessed to ensure that they are fit for their intended purpose. Market data used for risk measurements and valuation are sourced independently.

To ensure the continued integrity of the VAR computation, back-testing is conducted to confirm the consistency of actual daily trading profit or loss ("P&L") and theoretical P&L against VAR's statistical assumptions.

Asset Liability Management

Asset liability management is the strategic management of the statement of financial position structure and liquidity needs, covering liquidity sourcing and diversification, and interest/profit rate management.

Asset Liability Management Oversight and Organisation

The ALCO is the senior management group that is responsible for the management of the Group's and the Bank's statements of financial position and liquidity risks. The ALCO is chaired by the CEO and includes senior management from the business, risk and support units.

The ALCO is supported by the CT within Group Finance Division and MRM within GRM.

Asset Liability Management Approach

The asset liability management framework comprises liquidity risk management and interest/profit rate risk management.

Liquidity Risk

The objective of liquidity risk management is to ensure that there are sufficient funds to meet contractual and regulatory financial obligations and to undertake new transactions.

The Group's and the Bank's liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and refining contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Liquidity monitoring is performed daily within a framework for projecting cash flows on a contractual and behavioural basis. Simulations of liquidity exposures under stressed market scenarios are performed and the results are taken into account in the risk management processes. Indicators such as liquidity and deposit concentration ratios are employed to maintain an optimal funding mix and asset composition. Funding strategies are in place to provide effective diversification and stability in funding sources across tenors and products. In addition, liquid assets in excess of regulatory requirements are maintained for contingent use in the event of a liquidity crisis. These liquid assets comprise statutory reserve, eligible securities as well as marketable shares and debt securities.

Interest/Profit Rate Risk

The primary goal of interest/profit rate risk management is to ensure that interest/profit rate risk exposures are maintained within defined risk tolerances.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Asset Liability Management (continued)

Interest/Profit Rate Risk

Interest/Profit rate risk is the risk to earnings and capital arising from exposure to adverse movements in interest/profit rates. The material sources of interest/profit rate risk are repricing risk, basis risk and optionality risk. A range of techniques are employed to measure these risks from an earnings and economic value perspective. One method involves the simulation of the impact of a variety of interest/profit rate scenarios on the net interest/profit income and the economic value of the Group's and the Bank's equity. Other measures include interest/profit rate sensitivity measures such as PV01 as well as repricing gap profile analysis.

Limits and policies to manage interest/profit rate exposures are established in line with the Group's and the Bank's strategy and risk appetite. Thresholds and policies are appropriately approved, and reviewed regularly to ensure they remain relevant against the external environment. Control systems are in place to monitor the risk profile against the approved risk thresholds.

Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and management, or from external events. Operational risk management also covers fiduciary, legal and reputational risks and Shariah compliance risks.

The Group's and the Bank's operational risk management aims to manage both expected and unexpected losses, including those caused by catastrophic events. The twin goals enable new business opportunities to be pursued in a risk-conscious and controlled manner.

Operational Risk Management Oversight and Organisation

The Operational Risk Management Committee ("ORC") is the senior management group that oversees the execution of the Group's and the Bank's operational risk management, information security and technology risk practices. The ORC ensures that various risk management programmes that are in place are appropriate, effective, and support the Group's and the Bank's business strategy.

The Operational Risk Management ("ORM") department within GRM establishes the ORM framework, including supporting policies and techniques. The ORM department also provides independent oversight of operational risk monitoring and controls that reside within business, products and process owners. The ORM programmes are actively implemented through the respective Operational Risk Partners or managers in the business units. Operational Risk Partners or managers are put through an accreditation programme to raise competency levels in managing operational risk.

Operational Risk Management Approach

The Group and the Bank adopt a framework that ensures operational risks are properly identified, managed, monitored, mitigated and reported in a structured and consistent manner. The framework is underpinned by an internal control system that reinforces the Group's and the Bank's control culture.

Each business unit undertakes self-assessment on a regular basis by assessing the robustness of its own risk and control environment, including meeting all legal and regulatory requirements. Self-assessment declarations are subject to risk-based independent reviews. Performance metrics are also used to detect early warning signals and to drive appropriate management actions before risks become material losses. To enhance controls over trading activities and data loss prevention, the Group and the Bank have specific risk units in place to perform surveillance over these areas.

Senior management attests annually to the CEO and the RMC regarding the adequacy and effectiveness of the internal control and risk management systems and also reports on key control deficiencies and accompanying remedial plans. Operational risk data (e.g. operational risk events, self-assessments) are collected and stored in operational risk management systems, analysed and reported regularly.

To mitigate operational losses, insurance programmes are in place to protect the Group and the Bank and its employees against adverse events. These programmes cover losses relating to crime, cyber risks, professional indemnity, Directors' and officers' liability, property damage and public liability.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Operational Risk Scenario Analysis

The Group and the Bank perform impact analysis on severe operational risk scenarios for the purpose of assessing the adequacy of operational risk capital requirements. The analysis forms part of the annual Group ICAAP.

Outsourcing Risk Management

The Group and the Bank recognise the risks associated with outsourcing arrangements. The Group and the Bank have in place an outsourcing programme to manage subcontractor risks in a structured, systematic and consistent manner. A Third-Party Risk Management Committee ("TPRC"), comprising members from different risk and internal control functions, has been set up to support the ORC in managing the Group's and the Bank's outsourcing risk.

Physical and People Security Risk Management

The Group and the Bank recognise that their personnel and assets may be exposed to external threats. To address this ever changing threat landscape, the Group and the Bank have a programme to ensure that physical and security risk to people and assets are adequately addressed.

Business Continuity Risk Management

The Group and the Bank have a comprehensive and robust business continuity management programme that aims to minimise the interruption to essential business activities and services during times of crisis. This is achieved through the implementation of robust recovery strategies and business recovery plans which are reviewed and tested annually. Senior management also provides an annual attestation to the RMC which includes a measurement of the programme's maturity across the entity, the extent of alignment to regulatory guidelines, and a declaration of acceptable residual risk.

Fraud Risk Management

The Group's and the Bank's fraud risk management and whistle-blowing programmes help prevent and detect fraud or misconduct. Fraud incident reports, including root cause analysis, extent of damage, supporting remedial actions and recovery steps of major incidents, are regularly reported to the ORC and the RMC. Internal Audit independently reviews all fraud and whistle-blowing cases, and reports their finding to the Board Audit Committee.

Reputational Risk Management

Reputational risk is the current or prospective risk to earnings and capital arising from adverse perception of the Group's and the Bank's image by customers, counterparties, shareholders, investors and regulators. The Group and the Bank have a reputational risk management programme which focuses on understanding and managing the Group's responsibilities towards its different stakeholders, and protecting the Group's and the Bank's reputation. A key emphasis of the programme is effective information sharing and engagement with stakeholders.

Fiduciary Risk Management

The Group and the Bank have a fiduciary risk management programme to manage risks associated with fiduciary relationships from managing funds or providing other agency services. The programme provides guidelines on regular identification, assessment, monitoring and mitigation of fiduciary risk exposures, to ensure the Group's and the Bank's compliance with applicable corporate standards.

Legal and Regulatory Risk Management

The Group and the Bank hold to high standards when conducting business and at all times observe and comply with applicable laws, rules and standards. The Group and the Bank have in place a compliance risk programme which defines the required environment and organisational components for managing the risk in a structured systematic and consistent manner. Each business unit is responsible for having adequate and effective controls to manage both legal and regulatory risks. Senior management provides the CEO and the RMC with an annual Regulatory Compliance Certification regarding the state of regulatory compliance.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Operational Risk Management (continued)

Technology, Information and Cyber Risk Management

Technology, Information and Cyber Risk ("TICR") management is an integral part of the ORM framework. The Group and the Bank adopt a holistic approach to ensure that these risks are properly monitored, assessed, mitigated and reported. Appropriate controls are in place to ensure confidentiality, integrity, and availability of the Group and the Bank information assets.

The Group and the Bank raise staff vigilance on cyber and information risk through regular awareness advisories, trainings and campaigns that include the use of simulated phishing emails. The Group and the Bank collaborate with industry participants and government agencies to share intelligence and counter measures against new forms of cyber attacks.

Shariah Governance

Shariah principles are the foundation of the practice of Islamic Finance through the observance of the tenets, conditions and principles espoused by Shariah to ensure all the operations and activities of OCBC Al-Amin Bank Berhad ("OCBC Al-Amin") complies with Shariah rules and principles at all times. OCBC Al-Amin is governed by the Shariah Governance Framework ("SGF") of OCBC Al-Amin which, in essence, sets out the following:

- (i) Defines Shariah governance structures, policies and processes to ensure that all its operations and business activities are in accordance with Shariah principles;
- (ii) Provides comprehensive guidance to the Board, the Management and the Shariah Committee of OCBC Al-Amin in discharging their respective duties in matters relating to Shariah; and
- (iii) Outlines the functions relating to Shariah Review, Shariah Audit, Shariah Research and Secretariat, and Shariah Non-Compliance Risk Management processes.

The SGF is applicable to all employees of OCBC Al-Amin and also extends to all employees of the Group who are involved in the business and operations of OCBC Al-Amin under shared services and other service providers under outsourcing arrangements.

Shariah Non-Compliance Risk

Shariah Non-Compliance Risk Management is a unique feature of the Group's risk management framework. Shariah Non-Compliance Risk arises from Islamic banks' failure to comply with the Shariah rules and principles as determined by BNM's Shariah Advisory Council ("SAC"), Securities Commission's SAC and OCBC Al-Amin's Shariah Committee.

The responsibility for complying with Shariah rules and principles, does not only lie/reside with the Board and the Management. As compliance with all relevant regulations is a key part of our organisational culture, every business division and their staff are also responsible and accountable for any breaches of applicable laws, guidelines, rules and regulations related to Islamic banking and finance.

During the life cycle of the products and services, the Shariah requirements that were embedded in the said products and services must also be strictly adhered to and failing which, the income generated from the Islamic Banking business potentially cannot be recognised and will be donated to charities.

The key components of the Group's Shariah Non-Compliance Risk Management process are namely:

- (i) *Risk Identification* – Identification of the potential Shariah Non-Compliance events.
- (ii) *Risk Assessment/M Measurement* – Assessment and measurement of the impact of the potential Shariah Non-Compliance Event. The process takes into account the existing controls that have been put in place and their effectiveness in mitigating the Shariah Non-Compliance Risk.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

40 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Shariah Governance (continued)

- (iii) *Mitigation/Control/Awareness* – Shariah Non-Compliance Risk are mitigated by implementing and putting in place appropriate control measures, such as policies, guidelines and procedures on Shariah requirements. OCBC Al-Amin's Shariah Review team will periodically review the operations and processes of the Bank's activities and will escalate any potential non-compliance events to the Shariah Committee for decision. Training programmes are also being offered to all personnel that are involved in the Shariah Banking activities and operations.
- (iv) *Monitoring & Reporting* – Establishing early warning, monitoring and reporting mechanism on Shariah Non-Compliance Risk exposures.

All potential Shariah Non-Compliant events are initially assessed by the Qualified Shariah Officer and escalated to OCBC Al-Amin's Shariah Committee for confirmation and decision to determine the status of the events and potential Shariah Non-Compliant income. All potential and actual Shariah Non-Compliance Events ("SNCEs") upon confirmation by Shariah Committee are to be reported to BNM within the required timeframe set by BNM.

Shariah Non-Compliant income are channelled to charitable organisations as determined by the Shariah Committee. Details of the income and uses of charity funds are as follows:

	Group	
	2020	2019
Sources and Uses of charity funds	RM'000	RM'000
At 1 January	-	-
<u>Uses of charity funds</u>		
Contribution to non-profit organisations	-	-
At 31 December	-	-

41 CREDIT RISK

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

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents*	2,768,014	4,215,658	2,925,506	3,594,467
Deposits and placements with banks and other financial institutions	344,182	184,537	665,147	618,913
Investment account placements	-	-	1,478,468	1,958,154
Financial assets at FVTPL	1,313,475	1,176,469	1,303,320	1,160,139
Financial investments at FVOCI	20,112,853	15,555,244	15,908,302	11,426,798
Loans, advances and financing	66,273,563	69,058,329	55,030,346	57,280,940
Derivative financial assets	1,151,754	749,732	1,153,095	749,830
Other assets	374,921	375,557	562,845	553,854
Contingent liabilities and commitments	28,030,837	31,991,630	24,908,587	28,360,000
	120,369,599	123,307,156	103,935,616	105,703,095

* Excluding cash in hand

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis

Group	2020					2019				
	Financial assets at FVTPL RM'000	Financial investment at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
i) By issuer/counterparty										
Government and Central Bank	1,144,159	13,946,431	-	-	-	1,159,877	9,899,444	-	-	-
Foreign government	-	203,274	-	-	-	-	204,109	-	-	-
Public sector	29,880	564,137	-	-	-	-	518,518	-	-	-
Banks	2	2,431,648	-	767,539	144,054	7	2,183,967	-	515,105	211,436
Non-bank financial institutions	89,672	1,916,073	-	17,386	71,847	-	1,751,772	-	6,978	56,538
Business enterprise	49,762	1,051,290	25,413	321,182	18,301,471	16,585	997,434	26,220	200,034	21,088,100
Small and medium enterprises	-	-	100,309	-	4,514,527	-	-	136,172	-	5,763,279
Individuals	-	-	267,205	45,647	4,998,938	-	-	380,807	27,615	4,872,277
	<u>1,313,475</u>	<u>20,112,853</u>	<u>392,927</u>	<u>1,151,754</u>	<u>28,030,837</u>	<u>1,176,469</u>	<u>15,555,244</u>	<u>543,199</u>	<u>749,732</u>	<u>31,991,630</u>
ii) By geographical distribution										
Malaysia	1,313,458	19,184,837	378,554	950,783	27,064,851	1,170,080	14,655,259	510,351	630,723	29,067,644
Singapore	-	60,297	8,664	86,064	85,819	114	102,704	19,960	28,932	86,204
Other ASEAN countries	-	304,043	2,468	986	543,780	6,127	328,320	3,122	25	2,484,754
Rest of the world	17	563,676	3,241	113,921	336,387	148	468,961	9,766	90,052	353,028
	<u>1,313,475</u>	<u>20,112,853</u>	<u>392,927</u>	<u>1,151,754</u>	<u>28,030,837</u>	<u>1,176,469</u>	<u>15,555,244</u>	<u>543,199</u>	<u>749,732</u>	<u>31,991,630</u>

* Past due but not credit-impaired. The analysis of loans, advances and financing is detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

Group (continued)	2020					2019				
	Financial assets at FVTPL RM'000	Financial investment at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
iii) By sector										
Agriculture, hunting, forestry and fishing	-	132,261	3,320	6,274	899,201	-	31,046	2,852	4,290	2,284,641
Mining and quarrying	-	-	563	176,109	359,071	-	186,492	248	121,442	493,707
Manufacturing	-	28,742	15,949	40,461	6,571,845	25	23,484	27,280	11,722	6,719,515
Electricity, gas and water	-	88,470	-	-	355,103	-	187,114	-	-	232,884
Construction	-	-	15,007	10,042	4,290,497	-	5,074	13,755	4,120	5,156,681
Real estate	17	-	20,783	12,910	2,212,926	230	-	23,401	1,166	2,598,410
Wholesale & retail trade and restaurants & hotels	-	55,913	51,241	5,323	4,271,017	-	237,578	66,645	4,934	4,393,968
Transport, storage and communication	9,648	144,949	1,823	65,067	641,231	-	185,516	5,951	31,353	1,438,810
Finance, insurance and business services	119,616	4,438,837	11,351	789,921	2,461,478	7	4,433,593	11,403	543,089	2,746,495
Community, social and personal services	-	-	5,033	-	924,872	-	-	10,857	1	1,033,291
Household										
- Purchase of residential properties	-	-	234,474	-	98,424	-	-	334,718	-	98,424
- Purchase of non-residential properties	-	-	8,550	-	-	-	-	9,307	-	-
- Others	-	-	24,180	45,647	4,940,412	-	-	36,782	27,615	4,781,999
Others	1,184,194	15,223,681	653	-	4,760	1,176,207	10,265,347	-	-	12,805
	1,313,475	20,112,853	392,927	1,151,754	28,030,837	1,176,469	15,555,244	543,199	749,732	31,991,630

* Past due but not credit-impaired. The analysis of loans, advances and financing is detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

Group (continued)	2020					2019				
	Financial assets at FVTPL RM'000	Financial investment at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
iv) By residual maturity										
Within one year	598,296	7,265,426	52,824	345,640	15,601,851	311,916	5,448,654	42,691	214,272	21,358,222
One to five years	216,460	9,792,503	11,997	560,549	3,072,609	487,391	9,311,465	30,765	356,287	3,180,653
Over five years	498,719	3,054,924	328,106	245,565	9,356,377	377,162	795,125	469,743	179,173	7,452,755
	<u>1,313,475</u>	<u>20,112,853</u>	<u>392,927</u>	<u>1,151,754</u>	<u>28,030,837</u>	<u>1,176,469</u>	<u>15,555,244</u>	<u>543,199</u>	<u>749,732</u>	<u>31,991,630</u>
Bank										
i) By issuer/counterparty										
Government and Central Bank	1,144,159	11,177,523	-	-	-	1,159,877	7,543,538	-	-	-
Foreign government	-	179,034	-	-	-	-	179,222	-	-	-
Public sector	29,880	229,965	-	-	-	-	201,219	-	-	-
Banks	2	1,432,423	-	773,249	144,054	7	887,096	-	516,142	72,257
Non-bank financial institutions	89,672	1,880,054	-	17,352	66,200	-	1,690,931	-	6,975	54,955
Business enterprise	39,607	1,009,303	222	316,847	15,306,110	255	924,792	3,069	199,098	17,699,914
Small and medium enterprises	-	-	100,309	-	4,514,527	-	-	136,172	-	5,763,279
Individuals	-	-	228,279	45,647	4,877,696	-	-	328,170	27,615	4,769,595
Others	-	-	-	-	-	-	-	-	-	-
	<u>1,303,320</u>	<u>15,908,302</u>	<u>328,810</u>	<u>1,153,095</u>	<u>24,908,587</u>	<u>1,160,139</u>	<u>11,426,798</u>	<u>467,411</u>	<u>749,830</u>	<u>28,360,000</u>
ii) By geographical distribution										
Malaysia	1,303,303	15,004,526	316,905	952,127	23,957,463	1,159,877	10,551,700	437,700	630,822	25,493,948
Singapore	-	60,297	8,664	86,064	85,819	114	102,704	19,960	28,932	86,204
Other ASEAN countries	-	279,803	-	983	535,494	-	303,433	-	24	2,455,032
Rest of the world	17	563,676	3,241	113,921	329,811	148	468,961	9,751	90,052	324,816
	<u>1,303,320</u>	<u>15,908,302</u>	<u>328,810</u>	<u>1,153,095</u>	<u>24,908,587</u>	<u>1,160,139</u>	<u>11,426,798</u>	<u>467,411</u>	<u>749,830</u>	<u>28,360,000</u>

* Past due but not credit-impaired. The analysis of loans, advances and financing is detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

	2020					2019				
	Financial assets at FVTPL RM'000	Financial investment at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
Bank (continued)										
iii) By sector										
Agriculture, hunting, forestry and fishing	-	132,261	3,223	6,274	883,029	-	-	2,703	4,290	2,193,341
Mining and quarrying	-	-	-	176,109	262,493	-	186,492	-	121,442	367,190
Manufacturing	-	28,742	8,762	38,747	5,885,401	25	23,484	21,598	11,167	5,883,237
Electricity, gas and water	-	-	-	-	352,090	-	89,617	-	-	228,029
Construction	-	-	11,965	10,042	3,418,904	-	5,074	12,481	4,120	4,206,465
Real estate	17	-	20,407	10,455	1,913,257	230	-	20,060	1,166	2,228,736
Wholesale & retail trade and restaurants & hotels	-	55,913	45,083	5,157	3,902,645	-	237,578	59,025	4,556	4,028,971
Transport, storage and communication	9,648	114,102	1,056	65,067	454,864	-	139,980	4,079	31,351	1,286,394
Finance, insurance and business services	119,616	3,403,593	4,749	795,597	2,000,793	7	3,075,881	9,141	544,123	2,130,685
Community, social and personal services	-	-	4,633	-	917,517	-	-	10,154	-	1,018,668
Household										
- Purchase of residential properties	-	-	205,844	-	-	-	-	295,057	-	-
- Purchase of non-residential properties	-	-	8,550	-	-	-	-	9,307	-	-
- Others	-	-	13,885	45,647	4,917,594	-	-	23,806	27,615	4,777,740
Others	1,174,039	12,173,691	653	-	-	1,159,877	7,668,692	-	-	10,544
	1,303,320	15,908,302	328,810	1,153,095	24,908,587	1,160,139	11,426,798	467,411	749,830	28,360,000

* Past due but not credit-impaired. The analysis of loans, advances and financing is detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

	2020					2019				
	Financial assets at FVTPL RM'000	Financial investment at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Loans, advances and financing* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments RM'000
Bank (continued)										
iv) By residual maturity										
Within one year	598,296	5,449,529	44,122	345,468	14,963,112	305,789	3,378,976	36,031	213,977	18,648,445
One to five years	206,305	7,817,244	1,516	560,557	2,634,180	477,188	7,449,047	18,129	356,291	2,748,780
Over five years	498,719	2,641,529	283,172	247,070	7,311,295	377,162	598,775	413,251	179,562	6,962,775
	1,303,320	15,908,302	328,810	1,153,095	24,908,587	1,160,139	11,426,798	467,411	749,830	28,360,000

* Past due but not credit-impaired. The analysis of loans, advances and financing are detailed in Note 8(c) and Note 8(e) to the financial statements for sector and residual contractual maturity respectively.

v) By credit rating/internal grading and ECL stage

Group	2020				2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and cash equivalents	2,768,014	-	-	2,768,014	4,215,658	-	-	4,215,658
Deposits and placements with banks and other financial institutions	344,182	-	-	344,182	184,537	-	-	184,537

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

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

<u>Group</u> (continued)	2020				2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVTPL*								
Government and central bank (unrated)	-	-	-	1,018,388	-	-	-	943,154
Government (AAA to BBB)	-	-	-	125,770	-	-	-	216,723
Investment grade (AAA to BBB)	-	-	-	159,670	-	-	-	10,328
Unrated	-	-	-	9,647	-	-	-	6,264
	-	-	-	1,313,475	-	-	-	1,176,469
Financial investments at FVOCI								
Government (A to AAA)	9,077,922	-	-	9,077,922	5,636,503	-	-	5,636,503
Government and central bank (unrated)	4,868,509	-	-	4,868,509	4,262,942	-	-	4,262,942
Foreign government (unrated)	203,272	-	-	203,272	204,108	-	-	204,108
Investment grade (AAA to BBB)	1,925,813	-	-	1,925,813	1,975,941	-	-	1,975,941
Unrated	4,037,337	-	-	4,037,337	3,475,750	-	-	3,475,750
	20,112,853	-	-	20,112,853	15,555,244	-	-	15,555,244

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

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(a) Credit quality analysis (continued)

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

Group (continued)	2020				2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Contingent liabilities and commitments (excluding derivative assets)								
Pass	25,593,689	1,951,047	-	27,544,736	30,797,026	802,345	-	31,599,371
Special Mention	-	379,858	-	379,858	-	330,834	-	330,834
Credit-impaired	-	-	106,243	106,243	-	-	61,425	61,425
	25,593,689	2,330,905	106,243	28,030,837	30,797,026	1,133,179	61,425	31,991,630
Bank	2020				2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and cash equivalents	2,925,506	-	-	2,925,506	3,594,467	-	-	3,594,467
Deposits and placements with banks and other financial institutions	665,147	-	-	665,147	618,913	-	-	618,913
Investment account placements	1,319,233	-	159,235	1,478,468	1,749,012	183,385	25,757	1,958,154
Financial assets at FVTPL*								
Government and central bank (unrated)	-	-	-	1,018,388	-	-	-	943,154
Government (AAA to BBB)	-	-	-	125,770	-	-	-	216,723
Investment grade (AAA to BBB)	-	-	-	149,515	-	-	-	125
Unrated	-	-	-	9,647	-	-	-	137
	-	-	-	1,303,320	-	-	-	1,160,139

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

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)**41 CREDIT RISK (continued)****(a) Credit quality analysis (continued)**

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

Bank (continued)	2020				2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at FVOCI								
Government (A to AAA)	6,690,971	-	-	6,690,971	3,700,406	-	-	3,700,406
Government and central bank (unrated)	4,486,553	-	-	4,486,553	3,843,133	-	-	3,843,133
Foreign government (unrated)	179,032	-	-	179,032	179,221	-	-	179,221
Investment grade (AAA to BBB)	1,822,865	-	-	1,822,865	1,842,457	-	-	1,842,457
Unrated	2,728,881	-	-	2,728,881	1,861,581	-	-	1,861,581
	15,908,302	-	-	15,908,302	11,426,798	-	-	11,426,798
Contingent liabilities and commitments (excluding derivative assets)								
Pass	23,425,334	1,239,883	-	24,665,217	27,664,251	457,316	-	28,121,567
Special Mention	-	207,358	-	207,358	-	212,057	-	212,057
Credit-impaired	-	-	36,012	36,012	-	-	26,376	26,376
	23,425,334	1,447,241	36,012	24,908,587	27,664,251	669,373	26,376	28,360,000

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing

Credit quality

Loans, advances and financing are categorised according to the Group's and the Bank's customer classification grades as Pass, Special Mention, Substandard, Doubtful and Loss.

Loans, advances and financing classified as Pass and Special Mention are not credit-impaired whereas Substandard, Doubtful and Loss are credit-impaired.

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

Credit quality and ECL stage

<u>Group</u>	2020				2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Neither past due nor credit-impaired								
(i) By internal grading								
Pass	51,873,222	8,155,675	-	60,028,897	62,014,108	4,829,500	-	66,843,608
Special Mention	-	4,427,920	-	4,427,920	-	696,702	-	696,702
	<u>51,873,222</u>	<u>12,583,595</u>	<u>-</u>	<u>64,456,817</u>	<u>62,014,108</u>	<u>5,526,202</u>	<u>-</u>	<u>67,540,310</u>
Past due but not credit-impaired								
(i) By period overdue								
Less than 2 months	-	238,887	-	238,887	-	401,733	-	401,733
2 months to less than 3 months	-	113,496	-	113,496	-	92,468	-	92,468
	<u>-</u>	<u>352,383</u>	<u>-</u>	<u>352,383</u>	<u>-</u>	<u>494,201</u>	<u>-</u>	<u>494,201</u>
Credit-impaired								
Past due	-	-	771,616	771,616	-	-	744,707	744,707
Not past due	-	-	692,747	692,747	-	-	279,111	279,111
	<u>-</u>	<u>-</u>	<u>1,464,363</u>	<u>1,464,363</u>	<u>-</u>	<u>-</u>	<u>1,023,818</u>	<u>1,023,818</u>
Total	<u>51,873,222</u>	<u>12,935,978</u>	<u>1,464,363</u>	<u>66,273,563</u>	<u>62,014,108</u>	<u>6,020,403</u>	<u>1,023,818</u>	<u>69,058,329</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Credit quality and ECL stage (continued)

<u>Bank</u>	2020				2019			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Neither past due nor credit-impaired								
(i) By internal grading								
Pass	43,052,900	7,076,238	-	50,129,138	51,422,936	4,154,986	-	55,577,922
Special Mention	-	3,604,421	-	3,604,421	-	485,535	-	485,535
	<u>43,052,900</u>	<u>10,680,659</u>	<u>-</u>	<u>53,733,559</u>	<u>51,422,936</u>	<u>4,640,521</u>	<u>-</u>	<u>56,063,457</u>
Past due but not credit-impaired								
(i) By period overdue								
Less than 2 months	-	198,052	-	198,052	-	347,947	-	347,947
2 months to less than 3 months	-	100,148	-	100,148	-	82,202	-	82,202
	<u>-</u>	<u>298,200</u>	<u>-</u>	<u>298,200</u>	<u>-</u>	<u>430,149</u>	<u>-</u>	<u>430,149</u>
Credit-impaired								
Past due	-	-	547,179	547,179	-	-	543,209	543,209
Not past due	-	-	451,408	451,408	-	-	244,125	244,125
	<u>-</u>	<u>-</u>	<u>998,587</u>	<u>998,587</u>	<u>-</u>	<u>-</u>	<u>787,334</u>	<u>787,334</u>
Total	<u>43,052,900</u>	<u>10,978,859</u>	<u>998,587</u>	<u>55,030,346</u>	<u>51,422,936</u>	<u>5,070,670</u>	<u>787,334</u>	<u>57,280,940</u>

The past due but not credit-impaired loans, advances and financing are classified as part of Special Mention.

The analysis of credit-impaired loans, advances and financing are disclosed in Note 9(a) to the financial statements.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

41 CREDIT RISK (continued)

(b) Credit quality of loans, advances and financing (continued)

Collateral

(i) The main types of collateral obtained by the Group and the Bank are as follows:

- For personal housing loans/financing, mortgages over residential properties;
- For commercial property loans/financing, charges over the properties being financed;
- For vehicle loans/financing, charges over the vehicles being financed;
- For other loans/financing, charges over business assets such as premises, inventories, trade receivables, shares, equipment or deposits.

(ii) The quantification of the extent to which collateral and other credit enhancements mitigate credit risk and that best represents the maximum exposure to credit risk for credit-impaired loans, advances and financing is as follows:

	Group		Bank	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Fair value of collateral held against the covered portion of credit-impaired loans, advances and financing	1,762,817	1,366,171	1,496,509	1,139,537
Covered portion of credit-impaired loans, advances and financing	1,155,419	963,890	950,350	813,776
Uncovered portion of credit-impaired loans, advances and financing	773,696	438,278	363,674	242,700
	1,929,115	1,402,168	1,314,024	1,056,476

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK

The tables below show the Group's and the Bank's maturity analysis of assets and liabilities based on remaining contractual maturities and/or their behavioral profile.

<u>Group</u>	Gross Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2020								
Cash and cash equivalents*	2,926,224	2,926,224	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions*	344,182	344,182	-	-	-	-	-	-
Financial assets at FVTPL	1,313,475	125,590	347,751	124,954	211,329	5,131	498,720	-
Financial investments at FVOCI	20,112,853	3,968,693	1,948,830	1,347,904	6,776,750	3,015,752	2,942,894	112,030
Loans, advances and financing*	67,735,783	17,094,094	2,306,465	2,331,037	8,628,838	5,960,659	31,414,690	-
Derivative financial assets	1,151,754	113,539	92,648	139,453	262,959	297,590	245,565	-
Statutory deposits with Bank Negara Malaysia	97,601	-	-	-	-	-	-	97,601
Other balances**	640,945	201,806	4,728	26,253	74,543	28,656	42,202	262,757
Total assets	94,322,817	24,774,128	4,700,422	3,969,601	15,954,419	9,307,788	35,144,071	472,388
Deposits from customers	73,375,532	57,375,614	11,364,148	4,557,115	66,874	11,781	-	-
Deposits and placements of banks and other financial institutions	5,195,681	4,301,577	602,193	1,156	15,267	275,488	-	-
Bills and acceptances payable	88,737	88,737	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	700,000	-	-	-	-	-
Derivative financial liabilities	1,229,790	231,282	129,085	60,568	251,021	237,443	320,391	-
Other balances***	1,973,799	741,950	221,297	211,544	321,147	233,958	152,841	91,062
Lease liabilities	27,739	3,509	3,154	5,594	14,499	858	125	-
Subordinated bonds	1,491,327	441,327	-	-	500,000	-	550,000	-
Total liabilities	84,082,605	63,183,996	13,019,877	4,835,977	1,168,808	759,528	1,023,357	91,062

* Stated at gross before ECL allowance.

** Other balances consist of other assets, property and equipment, ROU assets, tax recoverable, deferred tax assets and excludes ECL/impairment allowances on an other receivable.

*** Other balances consist of other liabilities, tax payable and zakat excludes lease liabilities.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK (continued)

<u>Group</u> (continued)	Gross Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2019								
Cash and cash equivalents*	4,620,696	4,620,696	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions*	184,537	184,537	-	-	-	-	-	-
Financial assets at FVTPL	1,176,469	4	197,375	114,537	76,394	410,997	377,162	-
Financial investments at FVOCI	15,555,244	2,996,712	1,344,006	1,107,936	5,454,788	3,856,677	689,848	105,277
Loans, advances and financing*	70,029,661	22,042,558	2,979,768	2,948,271	8,029,462	4,735,886	29,293,716	-
Derivative financial assets	749,732	77,510	30,747	106,015	147,595	208,692	179,173	-
Statutory deposits with Bank Negara Malaysia	1,686,883	-	-	-	-	-	-	1,686,883
Other balances**	608,749	222,750	9,134	25,855	70,980	45,368	18,629	216,033
Total assets	94,611,971	30,144,767	4,561,030	4,302,614	13,779,219	9,257,620	30,558,528	2,008,193
Deposits from customers	75,095,805	55,875,128	12,594,960	6,371,164	247,121	7,432	-	-
Deposits and placements of banks and other financial institutions	4,196,309	3,147,941	1,024,224	1,309	7,565	15,270	-	-
Bills and acceptances payable	89,047	89,047	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	700,000	-	-	-
Derivative financial liabilities	700,023	117,270	26,551	55,788	136,478	124,279	239,657	-
Other balances***	3,094,145	884,770	274,174	240,256	131,028	503,149	1,005,529	55,239
Lease liabilities	25,387	3,937	3,326	5,563	11,962	440	159	-
Subordinated bonds	1,482,439	-	-	532,154	950,285	-	-	-
Total liabilities	85,383,155	60,118,093	13,923,235	7,206,234	2,184,439	650,570	1,245,345	55,239

* Stated at gross before ECL allowance.

** Other balances consist of other assets, property and equipment, ROU assets, tax recoverable and deferred tax assets.

*** Other balances consist of other liabilities, tax payable and zakat excludes lease liabilities.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK (continued)

<u>Bank</u>	Gross Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2020								
Cash and cash equivalents*	3,056,716	3,056,716	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions*	665,147	665,147	-	-	-	-	-	-
Investment account placements	1,513,013	1,285,664	-	-	-	-	227,349	-
Financial assets at FVTPL	1,303,320	125,590	347,751	124,954	206,288	17	498,720	-
Financial investments at FVOCI	15,908,302	2,815,013	1,613,592	1,020,925	5,256,626	2,560,617	2,529,499	112,030
Loans, advances and financing*	56,132,917	13,530,558	2,009,677	2,310,630	7,559,886	4,367,642	26,354,524	-
Derivative financial assets	1,153,095	113,367	92,648	139,453	262,959	297,598	247,070	-
Statutory deposits with Bank Negara Malaysia	97,601	-	-	-	-	-	-	97,601
Other balances**	1,356,901	208,812	4,512	210,810	60,462	28,324	38,438	805,543
Total assets	81,187,012	21,800,867	4,068,180	3,806,772	13,346,221	7,254,198	29,895,600	1,015,174
Deposits from customers	61,882,313	47,918,373	9,875,122	4,013,882	63,468	11,468	-	-
Deposits and placements of banks and other financial institutions	5,157,288	4,267,596	601,810	382	12,415	275,085	-	-
Bills and acceptances payable	73,673	73,673	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	700,000	-	-	-	-	-
Derivative financial liabilities	1,229,826	231,318	129,085	60,568	251,021	237,443	320,391	-
Other balances***	1,911,844	721,395	206,250	208,447	320,863	233,957	150,740	70,192
Lease liabilities	23,259	3,055	2,703	4,787	11,821	768	125	-
Subordinated bonds	1,491,327	441,327	-	-	500,000	-	550,000	-
Total liabilities	72,469,530	53,656,737	11,514,970	4,288,066	1,159,588	758,721	1,021,256	70,192

* Stated at gross before ECL allowance.

** Other balances consist of other assets, investment in subsidiaries, property and equipment, ROU assets, deferred tax assets and excludes ECL/impairment allowances on an other receivable.

*** Other balances consist of other liabilities and tax payable excludes lease liabilities.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK (continued)

<u>Bank</u> (continued)	Gross Carrying amount RM'000	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000
2019								
Cash and cash equivalents*	3,948,674	3,948,674	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions*	618,913	618,913	-	-	-	-	-	-
Investment account placements	2,018,823	1,960,296	-	-	-	-	58,527	-
Financial assets at FVTPL	1,160,139	4	197,375	108,410	71,334	405,854	377,162	-
Financial investments at FVOCI	11,426,798	1,695,899	904,391	778,686	4,426,220	3,022,827	493,498	105,277
Loans, advances and financing*	58,002,024	16,730,397	2,385,679	2,328,670	6,521,121	4,083,783	25,952,374	-
Derivative financial assets	749,830	77,219	30,743	106,015	147,595	208,696	179,562	-
Statutory deposits with Bank Negara Malaysia	1,377,583	-	-	-	-	-	-	1,377,583
Other balances**	1,324,545	231,166	7,193	13,352	257,443	36,238	16,793	762,360
Total assets	80,627,329	25,262,568	3,525,381	3,335,133	11,423,713	7,757,398	27,077,916	2,245,220
Deposits from customers	62,583,956	46,634,691	10,824,326	4,883,328	234,179	7,432	-	-
Deposits and placements of banks and other financial institutions	4,153,615	3,109,681	1,023,750	586	4,793	14,805	-	-
Bills and acceptances payable	71,512	71,512	-	-	-	-	-	-
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	700,000	-	-	-
Derivative financial liabilities	699,968	117,215	26,551	55,788	136,478	124,279	239,657	-
Other balances***	2,975,563	831,862	241,371	229,264	130,667	503,149	1,003,495	35,755
Lease liabilities	22,382	3,380	2,802	4,806	10,894	341	159	-
Subordinated bonds	1,482,439	-	-	532,154	950,285	-	-	-
Total liabilities	72,689,435	50,768,341	12,118,800	5,705,926	2,167,296	650,006	1,243,311	35,755

* Stated at gross before ECL allowance.

** Other balances consist of other assets, investment in subsidiaries, property and equipment, ROU assets, deferred tax assets.

*** Other balances consist of other liabilities and tax payable excludes lease liabilities.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK (continued)

The tables below show the undiscounted cash outflows of the Group's and the Bank's financial liabilities by remaining contractual maturities. The expected cash flows of these liabilities could vary significantly from what is shown in the table.

<u>Group</u>	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2020							
Non-derivative financial liabilities							
Deposits from customers	57,550,174	11,582,900	4,641,935	69,868	13,422	-	73,858,299
Deposits and placements of banks and other financial institutions	4,307,914	603,227	1,156	15,267	275,488	-	5,203,052
Bills and acceptances payable	88,737	-	-	-	-	-	88,737
Recourse obligation on loans sold to Cagamas Berhad	-	715,470	-	-	-	-	715,470
Other liabilities	599,460	99,695	147,300	341,569	243,846	155,017	1,586,887
Lease liabilities	3,716	3,345	5,875	14,892	881	132	28,841
Subordinated bonds	464,209	7,975	19,600	555,150	31,900	550,000	1,628,834
	63,014,210	13,012,612	4,815,866	996,746	565,537	705,149	83,110,120
Commitments and contingencies							
Direct credit substitutes	101,842	105,392	96,955	60,871	1,002	-	366,062
Transaction-related contingent items	415,577	248,166	582,427	1,022,151	564,364	40,666	2,873,351
Short-term self-liquidating trade-related contingencies	252,698	19,558	4,000	-	-	-	276,256
Formal standby facilities and credit lines							
- Maturity not exceeding one year	32,000	40,000	20,000	-	-	-	92,000
- Maturity exceeding one year	26,187	157,448	313,689	696,319	728,653	3,182,143	5,104,439
Other unconditionally cancellable commitments	-	-	14,592,205	-	-	4,726,524	19,318,729
	828,304	570,564	15,609,276	1,779,341	1,294,019	7,949,333	28,030,837

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK (continued)

<u>Group</u> (continued)	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2020							
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	3,824	-	-	-	-	-	3,824
- Interest rate derivatives	83,333	71,754	127,983	259,543	86,804	33,259	662,676
- Equity and other derivatives	14,661	7,910	6,215	17,141	17,573	-	63,500
	<u>101,818</u>	<u>79,664</u>	<u>134,198</u>	<u>276,684</u>	<u>104,377</u>	<u>33,259</u>	<u>730,000</u>
Hedging:							
- Interest rate derivatives	455	169	650	1,167	(282)	(507)	1,652
	<u>102,273</u>	<u>79,833</u>	<u>134,848</u>	<u>277,851</u>	<u>104,095</u>	<u>32,752</u>	<u>731,652</u>
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	7,797,413	3,574,611	703,734	2,469,511	1,891,888	586,851	17,024,008
- Inflow	(7,591,193)	(3,498,298)	(730,911)	(2,514,278)	(1,970,826)	(585,252)	(16,890,758)
	<u>308,493</u>	<u>156,146</u>	<u>107,671</u>	<u>233,084</u>	<u>25,157</u>	<u>34,351</u>	<u>864,902</u>
2019							
Non-derivative financial liabilities							
Deposits from customers	56,230,080	12,918,595	6,578,239	261,847	8,551	-	75,997,312
Deposits and placements of banks and other financial institutions	2,943,259	1,036,039	1,309	7,565	15,270	-	4,003,442
Bills and acceptances payable	89,047	-	-	-	-	-	89,047
Recourse obligation on loans sold to Cagamas Berhad	-	9,299	15,470	715,470	-	-	740,239
Other liabilities	844,869	122,980	169,175	325,401	544,769	1,005,529	3,012,723
Lease liabilities	4,143	3,500	5,842	12,376	456	171	26,488
Subordinated bonds	24,747	10,051	564,999	1,008,042	-	-	1,607,838
	<u>60,136,145</u>	<u>14,100,464</u>	<u>7,335,034</u>	<u>2,330,701</u>	<u>569,046</u>	<u>1,005,700</u>	<u>85,477,090</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK (continued)

<u>Group</u> (continued)	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2019							
Commitments and contingencies							
Direct credit substitutes	80,204	124,955	197,854	153,351	419	-	556,783
Transaction-related contingent items	302,715	282,674	592,889	822,879	827,648	66,007	2,894,812
Short-term self-liquidating trade-related contingencies	286,792	30,462	-	-	-	-	317,254
Formal standby facilities and credit lines							
- Maturity exceeding one year	67,036	107,066	230,246	284,434	1,091,922	2,971,217	4,751,921
Other unconditionally cancellable commitments	-	-	19,055,328	-	-	4,415,532	23,470,860
	<u>736,747</u>	<u>545,157</u>	<u>20,076,317</u>	<u>1,260,664</u>	<u>1,919,989</u>	<u>7,452,756</u>	<u>31,991,630</u>
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	292	-	-	-	-	-	292
- Interest rate derivatives	26,940	25,770	44,970	115,181	40,184	25,912	278,957
- Equity and other derivatives	440	1,049	7,505	7,827	20,972	-	37,793
	<u>27,672</u>	<u>26,819</u>	<u>52,475</u>	<u>123,008</u>	<u>61,156</u>	<u>25,912</u>	<u>317,042</u>
Hedging:							
- Interest rate derivatives	(110)	181	100	448	-	-	619
	<u>27,562</u>	<u>27,000</u>	<u>52,575</u>	<u>123,456</u>	<u>61,156</u>	<u>25,912</u>	<u>317,661</u>
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	5,914,402	3,268,492	2,296,797	1,590,650	1,902,527	1,003,230	15,976,098
- Inflow	(5,878,684)	(3,213,855)	(2,334,911)	(1,627,510)	(1,993,462)	(982,181)	(16,030,603)
	<u>63,280</u>	<u>81,637</u>	<u>14,461</u>	<u>86,596</u>	<u>(29,779)</u>	<u>46,961</u>	<u>263,156</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK (continued)

<u>Bank</u>	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2020							
Non-derivative financial liabilities							
Deposits from customers	48,052,119	10,065,673	4,088,264	66,356	13,076	-	62,285,488
Deposits and placements of banks and other financial institutions	4,271,260	602,844	382	12,415	275,085	-	5,161,986
Bills and acceptances payable	73,673	-	-	-	-	-	73,673
Recourse obligation on loans sold to Cagamas Berhad	-	715,470	-	-	-	-	715,470
Other liabilities	610,358	99,213	146,939	341,304	243,846	152,916	1,594,576
Lease liabilities	3,239	2,868	5,024	12,145	790	132	24,198
Subordinated bonds	464,209	7,975	19,600	555,150	31,900	550,000	1,628,834
	53,474,858	11,494,043	4,260,209	987,370	564,697	703,048	71,484,225
Commitments and contingencies							
Direct credit substitutes	81,842	88,313	87,346	28,547	785	-	286,833
Transaction-related contingent items	366,483	229,434	536,751	839,501	489,473	28,196	2,489,838
Short-term self-liquidating trade-related contingencies	221,984	18,870	4,000	-	-	-	244,854
Formal standby facilities and credit lines							
- Maturity not exceeding one year	32,000	-	20,000	-	-	-	52,000
- Maturity exceeding one year	22,396	145,448	301,188	552,648	723,226	2,865,397	4,610,303
Other unconditionally cancellable commitments	-	-	12,807,057	-	-	4,417,702	17,224,759
	724,705	482,065	13,756,342	1,420,696	1,213,484	7,311,295	24,908,587
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	3,824	-	-	-	-	-	3,824
- Interest rate derivatives	83,333	71,754	127,983	259,543	86,804	33,259	662,676
- Equity and other derivatives	14,661	7,910	6,215	17,141	17,573	-	63,500
	101,818	79,664	134,198	276,684	104,377	33,259	730,000
Hedging:							
- Interest rate derivatives	455	169	650	1,167	(282)	(507)	1,652
	102,273	79,833	134,848	277,851	104,095	32,752	731,652

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK (continued)

Bank (continued)	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2020							
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	7,803,259	3,574,611	703,734	2,469,511	1,891,889	586,851	17,029,855
- Inflow	(7,597,003)	(3,498,298)	(730,911)	(2,514,278)	(1,970,826)	(585,252)	(16,896,568)
	308,529	156,146	107,671	233,084	25,158	34,351	864,939
2019							
Non-derivative financial liabilities							
Deposits from customers	46,937,860	11,098,344	5,035,789	248,344	8,551	-	63,328,888
Deposits and placements of banks and other financial institutions	2,903,383	1,035,565	586	4,793	14,805	-	3,959,132
Bills and acceptances payable	71,512	-	-	-	-	-	71,512
Recourse obligation on loans sold to Cagamas Berhad	-	9,299	15,470	715,470	-	-	740,239
Other liabilities	825,701	116,106	168,964	325,130	544,769	1,003,495	2,984,165
Lease liabilities	3,568	2,961	5,057	11,270	356	171	23,383
Subordinated bonds	24,747	10,050	564,999	1,008,042	-	-	1,607,838
	50,766,771	12,272,325	5,790,865	2,313,049	568,481	1,003,666	72,715,157
Commitments and contingencies							
Direct credit substitutes	70,204	113,774	131,825	143,742	202	-	459,747
Transaction-related contingent items	268,349	266,549	544,347	721,130	656,382	64,036	2,520,793
Short-term self-liquidating trade-related contingencies	269,212	30,462	-	-	-	-	299,674
Formal standby facilities and credit lines							
- Maturity exceeding one year	62,346	106,734	229,921	279,003	948,322	2,703,070	4,329,396
Other unconditionally cancellable commitments	-	-	16,554,721	-	-	4,195,669	20,750,390
	670,111	517,519	17,460,814	1,143,875	1,604,906	6,962,775	28,360,000

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

42 LIQUIDITY RISK (continued)

Bank (continued)	Up to 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Total RM'000
2019							
Derivative financial liabilities							
Net settled derivatives							
Trading:							
- Foreign exchange derivatives	292	-	-	-	-	-	292
- Interest rate derivatives	26,940	25,770	44,970	115,181	40,184	25,911	278,956
- Equity and other derivatives	440	1,049	7,505	7,827	20,972	-	37,793
	<u>27,672</u>	<u>26,819</u>	<u>52,475</u>	<u>123,008</u>	<u>61,156</u>	<u>25,911</u>	<u>317,041</u>
Hedging:							
- Interest rate derivatives	(110)	181	100	448	-	-	619
	<u>27,562</u>	<u>27,000</u>	<u>52,575</u>	<u>123,456</u>	<u>61,156</u>	<u>25,911</u>	<u>317,660</u>
Gross settled derivatives							
Trading:							
- Foreign exchange derivatives							
- Outflow	5,908,589	3,271,338	2,302,415	1,612,224	1,915,386	1,003,230	16,013,182
- Inflow	(5,873,094)	(3,216,858)	(2,340,853)	(1,649,924)	(2,006,440)	(982,182)	(16,069,351)
	<u>63,057</u>	<u>81,480</u>	<u>14,137</u>	<u>85,756</u>	<u>(29,898)</u>	<u>46,959</u>	<u>261,491</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

43 INTEREST/PROFIT RATE RISK

The Group and the Bank are exposed to various risks associated with the effects of fluctuation in the prevailing level of market interest/profit rate on the financial position and cashflows. The following tables summarise the Group's and the Bank's exposures to interest/profit rate risk. The assets and liabilities at carrying amounts are categorised by the earlier of the next contractual repricing and maturity dates.

<u>Group</u>	<i>Non-trading Book</i>						Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000				
2020									
Assets									
Cash and cash equivalents	2,497,941	-	-	-	-	428,265	-	2,926,206	
Deposits and placements with banks and other financial institutions	344,182	-	-	-	-	-	-	344,182	
Financial assets at FVTPL	-	-	-	-	-	-	1,313,475	1,313,475	
Financial investments at FVOCI	4,140,822	3,214,514	6,686,841	3,015,752	2,942,894	112,030	-	20,112,853	
Loans, advances and financing									
- Non credit-impaired	61,037,274	1,671,929	934,925	1,343,755	384,869	(563,551)	-	64,809,201	
- Credit-impaired	-	-	-	-	-	1,464,362	-	1,464,362	
Derivative financial assets	-	-	-	321	-	-	1,151,433	1,151,754	
Other assets	-	-	-	-	-	374,921	-	374,921	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	97,601	-	97,601	
Property and equipment	-	-	-	-	-	152,014	-	152,014	
ROU assets	-	-	-	-	-	30,757	-	30,757	
Tax recoverable	-	-	-	-	-	11,068	-	11,068	
Deferred tax assets	-	-	-	-	-	68,797	-	68,797	
	68,020,219	4,886,443	7,621,766	4,359,828	3,327,763	2,176,264	2,464,908	92,857,191	

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

<u>Group</u> (continued)	<i>Non-trading Book</i>					Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000			
2020								
Liabilities								
Deposits from customers	29,617,891	15,921,053	16,946,344	11,781	-	10,878,463	-	73,375,532
Deposits and placements of banks and other financial institutions	4,253,749	602,192	12,415	275,085	-	52,240	-	5,195,681
Bills and acceptances payable	-	-	-	-	-	88,737	-	88,737
Recourse obligation on loans sold to Cagamas Berhad	-	700,000	-	-	-	-	-	700,000
Derivative financial liabilities	-	-	904	216	173	-	1,228,497	1,229,790
Other liabilities	177,706	217,574	309,576	232,550	150,000	869,687	-	1,957,093
Tax payable and zakat	-	-	-	-	-	44,445	-	44,445
Subordinated bonds	441,327	(200,000)	700,000	-	550,000	-	-	1,491,327
	34,490,673	17,240,819	17,969,239	519,632	700,173	11,933,572	1,228,497	84,082,605
On-statement of financial position interest/profit sensitivity gap	33,529,546	(12,354,376)	(10,347,473)	3,840,196	2,627,590	(9,757,308)	1,236,411	8,774,586
Off-statement of financial position interest/profit sensitivity gap	420,060	-	(110,060)	(210,000)	(100,000)	-	-	-
Total interest/profit sensitivity gap	33,949,606	(12,354,376)	(10,457,533)	3,630,196	2,527,590	(9,757,308)	1,236,411	8,774,586

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

<u>Group</u> (continued)	<i>Non-trading Book</i>						Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Non interest/ profit sensitive RM'000		
2019								
Assets								
Cash and cash equivalents	3,898,311	-	-	-	-	722,003	-	4,620,314
Deposits and placements with banks and other financial institutions	184,537	-	-	-	-	-	-	184,537
Financial assets at FVTPL	-	-	-	-	-	-	1,176,469	1,176,469
Financial investments at FVOCI	3,304,519	2,359,185	5,239,739	3,856,677	689,847	105,277	-	15,555,244
Loans, advances and financing								
- Non credit-impaired	64,473,524	1,328,992	1,032,417	1,283,625	170,879	(254,926)	-	68,034,511
- Credit-impaired	-	-	-	-	-	1,023,818	-	1,023,818
Derivative financial assets	-	-	-	-	-	-	749,732	749,732
Other assets	-	-	-	-	-	375,557	-	375,557
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,686,883	-	1,686,883
Property and equipment	-	-	-	-	-	154,493	-	154,493
ROU assets	-	-	-	-	-	25,805	-	25,805
Tax recoverable	-	-	-	-	-	6,457	-	6,457
Deferred tax assets	-	-	-	-	-	46,437	-	46,437
	71,860,891	3,688,177	6,272,156	5,140,302	860,726	3,891,804	1,926,201	93,640,257

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

<u>Group</u> (continued)	<i>Non-trading Book</i>					Non interest/ profit sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000			
2019								
Liabilities								
Deposits from customers	33,500,265	18,966,124	15,243,258	7,432	-	7,378,726	-	75,095,805
Deposits and placements of banks and other financial institutions	3,103,594	1,024,336	4,793	14,805	-	48,781	-	4,196,309
Bills and acceptances payable	-	-	-	-	-	89,047	-	89,047
Recourse obligation on loans sold to Cagamas Berhad	-	-	700,000	-	-	-	-	700,000
Derivative financial liabilities	-	-	573	-	-	-	699,450	700,023
Other liabilities	224,331	222,180	121,480	500,467	1,000,000	1,007,056	-	3,075,514
Tax payable and zakat	-	-	-	-	-	44,018	-	44,018
Subordinated bonds	-	532,154	950,285	-	-	-	-	1,482,439
	36,828,190	20,744,794	17,020,389	522,704	1,000,000	8,567,628	699,450	85,383,155
On-statement of financial position interest/profit sensitivity gap	35,032,701	(17,056,617)	(10,748,233)	4,617,598	(139,274)	(4,675,824)	1,226,751	8,257,102
Off-statement of financial position interest/profit sensitivity gap	20,467,475	-	(20,467,475)	-	-	-	-	-
Total interest/profit sensitivity gap	55,500,176	(17,056,617)	(31,215,708)	4,617,598	(139,274)	(4,675,824)	1,226,751	8,257,102

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

Bank	<i>Non-trading Book</i>						Trading Book	Total
	Up to 3 months	> 3 - 12 months	> 1 - 3 years	> 3 - 5 years	Over 5 years	Non interest sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2020								
Assets								
Cash and cash equivalents	2,719,156	-	-	-	-	337,542	-	3,056,698
Deposits and placements with banks and other financial institutions	665,147	-	-	-	-	-	-	665,147
Investment account placements	1,285,664	-	-	-	-	192,804	-	1,478,468
Financial assets at FVTPL	-	-	-	-	-	-	1,303,320	1,303,320
Financial investments at FVOCI	2,987,142	2,552,297	5,166,717	2,560,617	2,529,499	112,030	-	15,908,302
Loans, advances and financing								
- Non credit-impaired	51,358,258	1,364,481	678,161	761,748	261,545	(392,434)	-	54,031,759
- Credit-impaired	-	-	-	-	-	998,587	-	998,587
Derivative financial assets	-	-	-	321	-	-	1,152,774	1,153,095
Other assets	-	200,000	-	-	-	362,845	-	562,845
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	97,601	-	97,601
Investment in subsidiaries	-	-	-	-	-	557,051	-	557,051
Property and equipment	-	-	-	-	-	146,575	-	146,575
ROU assets	-	-	-	-	-	26,309	-	26,309
Deferred tax assets	-	-	-	-	-	60,733	-	60,733
	59,015,367	4,116,778	5,844,878	3,322,686	2,791,044	2,499,643	2,456,094	80,046,490

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	<i>Non-trading Book</i>					Non interest sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000			
Bank (continued)								
2020								
Liabilities								
Deposits from customers	24,302,503	13,889,004	14,110,153	11,468	-	9,569,185	-	61,882,313
Deposits and placements of banks and other financial institutions	4,253,748	602,192	12,415	275,085	-	13,848	-	5,157,288
Bills and acceptances payable	-	-	-	-	-	73,673	-	73,673
Recourse obligation on loans sold to Cagamas Berhad	-	700,000	-	-	-	-	-	700,000
Derivative financial liabilities	-	-	904	216	173	-	1,228,533	1,229,826
Other liabilities	177,706	217,574	309,576	232,550	150,000	803,302	-	1,890,708
Tax payable and zakat	-	-	-	-	-	44,395	-	44,395
Subordinated bonds	441,327	-	500,000	-	550,000	-	-	1,491,327
	<u>29,175,284</u>	<u>15,408,770</u>	<u>14,933,048</u>	<u>519,319</u>	<u>700,173</u>	<u>10,504,403</u>	<u>1,228,533</u>	<u>72,469,530</u>
On-statement of financial position interest/profit sensitivity gap	29,840,083	(11,291,992)	(9,088,170)	2,803,367	2,090,871	(8,004,760)	1,227,561	7,576,960
Off-statement of financial position interest/profit sensitivity gap	420,060	-	(110,060)	(210,000)	(100,000)	-	-	-
Total interest/profit sensitivity gap	<u>30,260,143</u>	<u>(11,291,992)</u>	<u>(9,198,230)</u>	<u>2,593,367</u>	<u>1,990,871</u>	<u>(8,004,760)</u>	<u>1,227,561</u>	<u>7,576,960</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	<i>Non-trading Book</i>						Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000	Non interest sensitive RM'000		
Bank (continued)								
2019								
Assets								
Cash and cash equivalents	3,342,430	-	-	-	-	605,863	-	3,948,293
Deposits and placements with banks and other financial institutions	618,913	-	-	-	-	-	-	618,913
Investment account placements	1,960,296	-	-	-	-	(2,142)	-	1,958,154
Financial assets at FVTPL	-	-	-	-	-	-	1,160,139	1,160,139
Financial investments at FVOCI	2,003,707	1,590,320	4,211,171	3,022,826	493,497	105,277	-	11,426,798
Loans, advances and financing								
- Non credit-impaired	54,037,096	1,174,012	702,176	692,860	34,424	(146,962)	-	56,493,606
- Credit-impaired	-	-	-	-	-	787,334	-	787,334
Derivative financial assets	-	-	-	-	-	-	749,830	749,830
Other assets	-	-	200,000	-	-	353,854	-	553,854
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	1,377,583	-	1,377,583
Investment in subsidiaries	-	-	-	-	-	557,051	-	557,051
Property and equipment	-	-	-	-	-	147,072	-	147,072
ROU assets	-	-	-	-	-	22,831	-	22,831
Deferred tax assets	-	-	-	-	-	43,737	-	43,737
	61,962,442	2,764,332	5,113,347	3,715,686	527,921	3,851,498	1,909,969	79,845,195

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

	<i>Non-trading Book</i>					Non interest sensitive RM'000	Trading Book RM'000	Total RM'000
	Up to 3 months RM'000	> 3 - 12 months RM'000	> 1 - 3 years RM'000	> 3 - 5 years RM'000	Over 5 years RM'000			
Bank (continued)								
2019								
Liabilities								
Deposits from customers	27,671,636	15,707,654	12,198,422	7,432	-	6,998,812	-	62,583,956
Deposits and placements of banks and other financial institutions	3,103,593	1,024,336	4,793	14,805	-	6,088	-	4,153,615
Bills and acceptances payable	-	-	-	-	-	71,512	-	71,512
Recourse obligation on loans sold to Cagamas Berhad	-	-	700,000	-	-	-	-	700,000
Derivative financial liabilities	-	-	573	-	-	-	699,395	699,968
Other liabilities	224,331	222,180	121,480	500,467	1,000,000	885,519	-	2,953,977
Tax payable and zakat	-	-	-	-	-	43,968	-	43,968
Subordinated bonds	-	532,154	950,285	-	-	-	-	1,482,439
	<u>30,999,560</u>	<u>17,486,324</u>	<u>13,975,553</u>	<u>522,704</u>	<u>1,000,000</u>	<u>8,005,899</u>	<u>699,395</u>	<u>72,689,435</u>
On-statement of financial position interest/profit sensitivity gap	30,962,882	(14,721,992)	(8,862,206)	3,192,982	(472,079)	(4,154,401)	1,210,574	7,155,760
Off-statement of financial position interest/profit sensitivity gap	20,467	-	(20,467)	-	-	-	-	-
Total interest/profit sensitivity gap	<u>30,983,349</u>	<u>(14,721,992)</u>	<u>(8,882,673)</u>	<u>3,192,982</u>	<u>(472,079)</u>	<u>(4,154,401)</u>	<u>1,210,574</u>	<u>7,155,760</u>

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

43 INTEREST/PROFIT RATE RISK (continued)

The impact on the net interest/finance income is simulated under various interest/profit rate assumptions. The below table sets out the impact on net interest/finance income based on a 50 bps parallel shift in interest/profit rates at the reporting date, for a period of 12 months:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
+ 50 bps	134,113	129,243	120,767	107,851
- 50 bps	(128,445)	(124,679)	(115,884)	(104,597)

The 50 bps shock impact on net interest/finance income is based on simplified scenarios, using the Group's and the Bank's interest/profit risk profile as at the reporting date. It does not take into account actions that would be taken by the Treasury Division or business units to mitigate the impact of the interest/profit rate risk. In reality, Treasury Division seeks to proactively change the interest/profit rate risk profile to minimise losses and maximise net revenues. The projection assumes that interest/profit rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest/finance income of some rates changing while others remain unchanged. The projections also assume a constant statement of financial position and that all positions run to maturity.

44 CURRENCY RISK

Group	MYR RM'000	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000	Total RM'000
2020						
Financial assets						
Cash and cash equivalents	2,613,453	84,752	15,751	81,097	131,153	2,926,206
Deposits and placements with banks and other financial institutions	7,689	336,493	-	-	-	344,182
Financial assets at FVTPL	1,313,456	17	2	-	-	1,313,475
Financial investments at FVOCI	18,767,416	905,533	235,308	-	204,596	20,112,853
Loans, advances and financing	59,394,284	5,053,370	1,177,578	42,726	605,605	66,273,563
Derivative financial assets	683,350	405,792	61,112	701	799	1,151,754
Other assets	343,635	23,178	2,059	823	5,226	374,921
Statutory deposits with Bank Negara Malaysia	97,601	-	-	-	-	97,601
	83,220,884	6,809,135	1,491,810	125,347	947,379	92,594,555
Financial liabilities						
Deposits from customers	68,231,958	3,570,308	513,477	545,632	514,157	73,375,532
Deposits and placements of banks and other financial institutions	437,616	4,298,598	340,970	797	117,700	5,195,681
Bills and acceptances payable	83,377	4,244	-	-	1,116	88,737
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	700,000
Derivative financial liabilities	836,091	362,165	29,748	637	1,149	1,229,790
Other liabilities	1,586,106	203,175	94,735	59,038	14,039	1,957,093
Subordinated bonds	1,050,000	441,327	-	-	-	1,491,327
	72,925,148	8,879,817	978,930	606,104	648,161	84,038,160
Net financial assets/(liabilities) exposure	10,295,736	(2,070,682)	512,880	(480,757)	299,218	8,556,395

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)**44 CURRENCY RISK (continued)**

Group (continued)	MYR RM'000	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000	Total RM'000
2019						
Financial assets						
Cash and cash equivalents	4,321,003	155,414	12,077	55,259	76,561	4,620,314
Deposits and placements with banks and other financial institutions	248	184,289	-	-	-	184,537
Financial assets at FVTPL	1,170,080	129	7	6,253	-	1,176,469
Financial investments at FVOCI	14,150,225	990,030	245,264	-	169,725	15,555,244
Loans, advances and financing	61,030,473	5,735,742	1,691,884	66,899	533,331	69,058,329
Derivative financial assets	354,440	390,438	3,377	846	631	749,732
Other assets	325,488	40,319	3,257	2,728	3,765	375,557
Statutory deposits with Bank Negara Malaysia	1,686,883	-	-	-	-	1,686,883
	83,038,840	7,496,361	1,955,866	131,985	784,013	93,407,065
Financial liabilities						
Deposits from customers	66,956,376	6,513,917	604,923	574,423	446,166	75,095,805
Deposits and placements of banks and other financial institutions	241,813	2,550,862	1,075,328	-	328,306	4,196,309
Bills and acceptances payable	88,217	364	-	-	466	89,047
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	700,000
Derivative financial liabilities	366,270	326,169	6,761	771	52	700,023
Other liabilities	2,610,395	151,637	272,439	36,868	4,175	3,075,514
Subordinated bonds	500,000	982,439	-	-	-	1,482,439
	71,463,071	10,525,388	1,959,451	612,062	779,165	85,339,137
Net financial assets/(liabilities) exposure	11,575,769	(3,029,027)	(3,585)	(480,077)	4,848	8,067,928

Bank**2020****Financial assets**

Cash and cash equivalents	2,583,296	288,845	11,324	52,019	121,214	3,056,698
Deposits and placements with banks and other financial institutions	7,689	657,458	-	-	-	665,147
Investment account placements	1,257,804	220,664	-	-	-	1,478,468
Financial assets at FVTPL	1,303,301	17	2	-	-	1,303,320
Financial investments at FVOCI	14,611,669	856,729	235,308	-	204,596	15,908,302
Loans, advances and financing	49,104,161	4,100,580	1,177,578	42,422	605,605	55,030,346
Derivative financial assets	684,691	405,792	61,112	701	799	1,153,095
Other assets	532,427	22,732	2,010	501	5,175	562,845
Statutory deposits with Bank Negara Malaysia	97,601	-	-	-	-	97,601
	70,182,639	6,552,817	1,487,334	95,643	937,389	79,255,822

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

44 CURRENCY RISK (continued)

Bank (continued)	MYR RM'000	USD RM'000	AUD RM'000	SGD RM'000	Others RM'000	Total RM'000
2020						
Financial liabilities						
Deposits from customers	57,025,801	3,319,963	509,211	519,625	507,713	61,882,313
Deposits and placements of banks and other financial institutions	400,282	4,298,598	340,970	797	116,641	5,157,288
Bills and acceptances payable	68,313	4,244	-	-	1,116	73,673
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	700,000
Derivative financial liabilities	836,127	362,165	29,748	637	1,149	1,229,826
Other liabilities	1,521,294	203,099	94,735	57,788	13,792	1,890,708
Subordinated bonds	1,050,000	441,327	-	-	-	1,491,327
	61,601,817	8,629,396	974,664	578,847	640,411	72,425,135
Net financial assets/(liabilities) exposure	8,580,822	(2,076,579)	512,670	(483,204)	296,978	6,830,687
2019						
Financial assets						
Cash and cash equivalents	3,422,530	390,471	7,435	53,146	74,711	3,948,293
Deposits and placements with banks and other financial institutions	248	614,106	-	4,559	-	618,913
Investment account placements	1,007,857	950,297	-	-	-	1,958,154
Financial assets at FVTPL	1,159,877	129	7	126	-	1,160,139
Financial investments at FVOCI	10,072,125	939,684	245,264	-	169,725	11,426,798
Loans, advances and financing	51,016,227	3,972,599	1,691,884	66,899	533,331	57,280,940
Derivative financial assets	354,538	390,438	3,377	846	631	749,830
Other assets	504,381	39,850	3,791	1,475	4,357	553,854
Statutory deposits with Bank Negara Malaysia	1,377,583	-	-	-	-	1,377,583
	68,915,366	7,297,574	1,951,758	127,051	782,755	79,074,504
Financial liabilities						
Deposits from customers	54,673,307	6,310,442	601,095	553,704	445,408	62,583,956
Deposits and placements of banks and other financial institutions	199,120	2,550,861	1,075,328	-	328,306	4,153,615
Bills and acceptances payable	70,682	364	-	-	466	71,512
Recourse obligation on loans sold to Cagamas Berhad	700,000	-	-	-	-	700,000
Derivative financial liabilities	366,215	326,169	6,761	771	52	699,968
Other liabilities	2,476,394	165,097	272,431	35,983	4,072	2,953,977
Subordinated bonds	500,000	982,439	-	-	-	1,482,439
	58,985,718	10,335,372	1,955,615	590,458	778,304	72,645,467
Net financial assets/(liabilities) exposure	9,929,648	(3,037,798)	(3,857)	(463,407)	4,451	6,429,037

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

44 CURRENCY RISK (continued)

Value-at-Risk ("VaR")

The usage of market VaR by risk type based on 1-day holding period of the Group's and Bank's trading exposures are set out below:

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
VaR				
- Interest/Profit rate risk	7,043	2,947	7,048	2,946
- Currency risk	2,601	2,254	2,557	2,246
- Credit spread risk	1,232	-	1,232	-
- Price risk	30	1,111	30	1,111
- Total	9,901	3,357	9,859	3,354

45 CAPITAL ADEQUACY

Capital Management

The key objective of the Group's and the Bank's capital management policy is to maintain a strong capital position to support business growth and to sustain investor, depositor, customer and market confidence. The Group and Bank actively manage its capital composition with an optimal mix of capital instruments in order to keep the overall cost of capital low.

The Group's and the Bank's capital are closely monitored and actively managed to ensure that there is sufficient capital to support business growth and to pursue strategic business that will create value for our stakeholder, while taking into consideration OCBC Malaysia's risk appetite. The Group's and the Bank's internal capital adequacy assessment process ("ICAAP") involves a comprehensive assessment of all material risks that the Group and the Bank are exposed to and an evaluation of the adequacy of the Group's and the Bank's capital in relation to those risks. This includes an annual capital planning exercise to forecast capital demands and assess the Group's and the Bank's capital adequacy over a 3-year period. This process takes into consideration the Group's and the Bank's business strategy, operating environment, regulatory changes, target capital ratios and composition, as well as expectations of its various stakeholders. In addition, capital stress tests are conducted to understand the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios, and to evaluate how the Group and the Bank can continue to maintain adequate capital under such scenarios.

Capital Adequacy Ratios

The Group and the Bank are in compliance with BNM's Capital Adequacy Framework which requires banks to meet minimum Common Equity Tier 1 ("CET1"), Tier 1 and Total Capital Adequacy Ratio ("CAR") of 7.0%, 8.5% and 10.5% respectively (inclusive of Capital Conservation Buffer of 2.5%) from 1 January 2019.

In addition, the Group and the Bank will be subject to a Countercyclical Buffer requirement if this buffer is applied by regulators in countries which the Group and the Bank have credit exposures to. Generally in the range of 0% to 2.5% of risk-weighted assets, the Countercyclical Buffer is not an ongoing requirement but it may be applied by regulators to limit excessive credit growth in their economy.

On 9 December 2020, BNM implemented transitional arrangements for regulatory capital treatment of accounting provisions which allow the Bank to add back a portion of the Stage 1 and Stage 2 provisions for expected credit loss ("ECL") to CET1 capital, subject to eligibility. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions - interim approach and transitional arrangements" (March 2017) and "Measures to reflect the impact of Covid-19" (April 2020). The Group and the Bank elected to apply the transitional arrangements for four financial years commencing with the financial year ending 31 December 2020, with the transitional benefits add-back starts at 100% in 2020, reduces to 75% in 2022, 50% in 2023 and 0% from 2024 onwards.

The table below shows the composition of the Group's and the Bank's regulatory capital and capital adequacy ratios which were determined in accordance with the requirements of BNM's Capital Adequacy Framework (Capital Components), applying the transitional arrangements in 2020. The Group's and the Bank's total risk-weighted assets were computed based on the Internal Rating Based Approach for Credit Risk for their major credit portfolio and have adopted the Standardised Approach for Market Risk and Operational Risks respectively.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

45 CAPITAL ADEQUACY (continued)

Capital Adequacy Ratios (continued)

	Group		Bank	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
CET 1 capital				
Paid-up ordinary share capital	754,000	754,000	754,000	754,000
Retained earnings	7,085,291	6,645,307	6,026,695	5,715,154
Other reserves	933,379	857,156	794,439	686,118
Regulatory adjustment for CET 1 capital	(456,711)	(768,876)	(983,450)	(1,218,797)
	<u>8,315,959</u>	<u>7,487,587</u>	<u>6,591,684</u>	<u>5,936,475</u>
Additional Tier 1 capital	441,327	450,285	441,327	450,285
Tier 1 capital	<u>8,757,286</u>	<u>7,937,872</u>	<u>7,033,011</u>	<u>6,386,760</u>
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	15,773	13,191	13,189	10,473
Surplus eligible provisions over expected losses	264,540	260,207	211,179	211,418
Subordinated bonds	1,050,000	1,032,154	1,050,000	1,032,154
Regulatory adjustment for Tier 2 capital	-	-	(200,000)	(200,000)
Tier 2 capital	<u>1,330,313</u>	<u>1,305,552</u>	<u>1,074,368</u>	<u>1,054,045</u>
Capital base	<u>10,087,599</u>	<u>9,243,424</u>	<u>8,107,379</u>	<u>7,440,805</u>
Before deducting proposed dividend				
CET 1 capital ratio	16.086%	14.736%	15.776%	14.250%
Tier 1 capital ratio	16.940%	15.622%	16.832%	15.331%
Total capital ratio	<u>19.513%</u>	<u>18.192%</u>	<u>19.403%</u>	<u>17.861%</u>
After deducting proposed dividend				
CET 1 capital ratio	15.686%	14.380%	15.281%	13.815%
Tier 1 capital ratio	16.539%	15.266%	16.337%	14.896%
Total capital ratio	<u>19.113%</u>	<u>17.835%</u>	<u>18.908%</u>	<u>17.426%</u>

Had the transitional arrangements not been applied in 2020, the Group's CET1, Tier 1 and Total Capital ratios after deducting proposed dividend would be 14.901%, 15.755% and 18.328% respectively and 14.539%, 15.595% and 18.166% for the Bank.

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

Total RWA for credit risk	45,351,918	44,422,981	36,251,649	36,074,121
Total RWA for market risk	1,329,110	1,503,354	1,327,520	1,510,830
Total RWA for operational risk	5,015,847	4,884,966	4,203,941	4,074,650
	<u>51,696,875</u>	<u>50,811,301</u>	<u>41,783,110</u>	<u>41,659,601</u>

The capital adequacy ratios of OCBC Al-Amin, OCBC Malaysia's Islamic Banking subsidiary, are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components), applying the transitional arrangements in 2020. OCBC Al-Amin has adopted the Internal Ratings Based Approach for Credit Risk for its major credit portfolios, whilst the other credit portfolios are on the Standardised Approach. For market and operational risks, OCBC Al-Amin has adopted the Standardised Approach and the Basic Indicator Approach respectively.

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 31 DECEMBER 2020 (continued)

45 CAPITAL ADEQUACY (continued)

The capital adequacy ratios of OCBC Al-Amin are as follows:

	2020	2019
CET 1 capital ratio	17.239%	16.704%
Tier 1 capital ratio	17.239%	16.704%
Total capital ratio	<u>19.810%</u>	<u>19.425%</u>

Had the transitional arrangements not been applied in 2020, OCBC Al-Amin's CET1, Tier 1 and Total Capital ratios after the effects of PSIA would be 16.284%, 16.284% and 18.854% respectively.

46 COMPARATIVE FIGURES

The Group and the Bank have reclassified the prior year's comparative to conform with current year presentation. The Group's and the Bank's prior year profit and retained profits brought forward are not affected by these reclassifications.

	Group		Bank	
	As restated RM'000	As previously reported RM'000	As restated RM'000	As previously reported RM'000
Statements of financial position as at 31 December 2019				
Cash and cash equivalents	<u>4,620,314</u>	<u>4,804,851</u>	<u>3,948,293</u>	<u>4,132,830</u>
Deposits and placements with banks and other financial institutions	<u>184,537</u>	<u>-</u>	<u>618,913</u>	<u>434,376</u>
Statements of cash flows for financial year ended 31 December 2019				
Deposits and placements with banks and other financial institutions	<u>508,996</u>	<u>399,984</u>	<u>654,963</u>	<u>545,951</u>
Cash and cash equivalents at 1 January	<u>4,605,302</u>	<u>4,898,851</u>	<u>4,055,288</u>	<u>4,348,837</u>
Cash and cash equivalents at 31 December	<u>4,620,696</u>	<u>4,805,233</u>	<u>3,948,674</u>	<u>4,133,211</u>