

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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

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

OCBC BANK (MALAYSIA) BERHAD
AND ITS SUBSIDIARY COMPANIES
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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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OCBC BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020

	Note	Group		Bank	
		30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
ASSETS					
Cash and cash equivalents	10	4,645,858	4,804,851	3,803,800	4,132,830
Deposits and placements with banks and other financial institutions	11	-	-	374,234	434,376
Investment account placements	12	-	-	1,567,875	1,958,154
Reverse repurchase agreement		99,927	-	99,927	-
Financial assets at fair value through profit or loss ("FVTPL")	13	2,624,303	1,176,469	2,614,134	1,160,139
Financial investments at fair value through other comprehensive income ("FVOCI")	14	18,103,856	15,555,244	14,016,554	11,426,798
Loans, advances and financing	15	66,641,788	69,058,329	55,179,122	57,280,940
Derivative financial assets	17	1,239,191	749,732	1,240,902	749,830
Other assets	18	308,970	375,557	488,776	553,854
Statutory deposits with Bank Negara Malaysia		38,560	1,686,883	38,560	1,377,583
Investments in subsidiaries		-	-	557,051	557,051
Property and equipment		147,817	154,493	142,014	147,072
Right-of-use ("ROU") assets		28,046	25,805	25,154	22,831
Tax recoverable		2,833	6,457	-	-
Deferred tax assets		40,734	46,437	36,368	43,737
Total assets		93,921,883	93,640,257	80,184,471	79,845,195
LIABILITIES					
Deposits from customers	19	75,038,130	75,095,805	62,680,177	62,583,956
Deposits and placements of banks and other financial institutions	20	4,410,923	4,196,309	4,353,349	4,153,615
Bills and acceptances payable		56,832	89,047	43,389	71,512
Recourse obligation on loans sold to Cagamas Berhad		700,000	700,000	700,000	700,000
Derivative financial liabilities	17	1,277,075	700,023	1,277,057	699,968
Other liabilities	21	2,238,750	3,075,514	2,106,629	2,953,977
Tax payable and zakat		105,202	44,018	105,115	43,968
Subordinated bonds	22	1,497,954	1,482,439	1,497,954	1,482,439
Total liabilities		85,324,866	85,383,155	72,763,670	72,689,435
EQUITY					
Share capital		754,000	754,000	754,000	754,000
Reserves		7,843,017	7,503,102	6,666,801	6,401,760
Total equity		8,597,017	8,257,102	7,420,801	7,155,760
Total liabilities and equity		93,921,883	93,640,257	80,184,471	79,845,195
Commitments and contingencies	31	99,560,519	111,312,514	96,598,690	107,672,746

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

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

Group	Note	Quarter ended		Year to date ended	
		30 September 2020	30 September 2019	30 September 2020	30 September 2019
		RM'000	RM'000	RM'000	RM'000
Interest income	23	656,238	856,760	2,177,882	2,681,635
Interest income for financial assets at FVTPL	23	17,296	26,655	56,394	67,364
Interest expense	23	(302,908)	(514,010)	(1,122,167)	(1,624,085)
Net interest income	23	370,626	369,405	1,112,109	1,124,914
Income from Islamic banking operations	24	114,117	108,106	336,497	329,793
Net fee and commission income	25	106,857	110,443	290,878	292,523
Net trading income	26	15,237	26,478	113,966	99,296
Other operating income	27	8,141	33,685	91,365	113,268
Operating income		614,978	648,117	1,944,815	1,959,794
Operating expenses	28	(302,411)	(315,980)	(912,554)	(920,778)
Operating profit before impairment allowance and provision		312,567	332,137	1,032,261	1,039,016
Impairment allowance and provisions (charge)/writeback	29	(219,395)	39,408	(535,458)	(124,025)
Profit before income tax and zakat		93,172	371,545	496,803	914,991
Income tax expense	30	(22,783)	(91,506)	(120,773)	(219,445)
Zakat		(12)	(16)	(37)	(33)
Profit for the period		70,377	280,023	375,993	695,513
Other comprehensive income, net of income tax					
<i>Items that will not be reclassified to profit or loss</i>					
Change in fair value reserve (equity instruments)		2,518	3,504	6,752	6,059
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
FVOCI reserve (debt instruments)					
- Change in fair value		79,061	63,397	270,224	276,382
- Amount transferred to profit or loss		(9,470)	(30,096)	(89,615)	(103,365)
- Related tax		(16,691)	(7,992)	(43,342)	(41,524)
Change in expected credit loss (ECL) reserve on debt instruments at FVOCI		180	12	1,028	(552)
Other comprehensive income for the period		55,598	28,825	145,047	137,000
Total comprehensive income for the period		125,975	308,848	521,040	832,513
Profit attributable to owner of the Bank		70,377	280,023	375,993	695,513
Total comprehensive income attributable to owner of the Bank		125,975	308,848	521,040	832,513
Basic earnings per ordinary share (sen)		24.5	97.4	130.8	241.9

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

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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

Bank	Note	Quarter ended		Year to date ended	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Interest income	23	666,774	884,072	2,226,098	2,748,725
Interest income for financial assets at FVTPL	23	17,296	26,655	56,394	67,364
Interest expense	23	(309,540)	(533,293)	(1,151,809)	(1,664,803)
Net interest income	23	374,530	377,434	1,130,683	1,151,286
Net fee and commission income	25	106,101	109,106	289,468	291,035
Net trading income	26	15,237	26,478	113,966	99,296
Other operating income	27	34,630	62,747	174,459	197,320
Operating income		530,498	575,765	1,708,576	1,738,937
Operating expenses	28	(283,836)	(295,992)	(857,143)	(860,875)
Operating profit before impairment allowance and provision		246,662	279,773	851,433	878,062
Impairment allowance and provisions (charge)/writeback	29	(162,233)	7,726	(408,631)	(106,673)
Profit before income tax and zakat		84,429	287,499	442,802	771,389
Income tax expense	30	(22,659)	(74,409)	(113,425)	(191,973)
Profit for the period		61,770	213,090	329,377	579,416
Other comprehensive income, net of income tax					
<i>Items that will not be reclassified to profit or loss</i>					
Change in fair value reserve (equity instruments)		2,518	3,504	6,752	6,059
<i>Items that are or may be reclassified subsequently to profit or loss</i>					
FVOCI reserve (debt instruments)					
- Change in fair value		63,107	51,823	214,333	238,563
- Amount transferred to profit or loss		(1,076)	(27,179)	(70,992)	(93,587)
- Related tax		(14,880)	(5,916)	(34,402)	(34,794)
Change in expected credit loss (ECL) reserve on debt instruments at FVOCI		272	(3)	1,098	(432)
Other comprehensive income for the period		49,941	22,229	116,789	115,809
Total comprehensive income for the period		111,711	235,319	446,166	695,225
Profit attributable to owner of the Bank		61,770	213,090	329,377	579,416
Total comprehensive income attributable to owner of the Bank		111,711	235,319	446,166	695,225
Basic earnings per ordinary share (sen)		21.5	74.1	114.6	201.5

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

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

Group	<i>Non-distributable</i>				<i>Distributable</i>		Total equity
	Share capital	Regulatory reserve	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	-	-	-	-	276,976	-	276,976
- Transferred to profit or loss	-	-	-	-	(89,615)	-	(89,615)
- Related tax	-	-	-	-	(43,342)	-	(43,342)
Change in ECL reserve	-	-	-	1,028	-	-	1,028
Total other comprehensive income for the period	-	-	-	1,028	144,019	-	145,047
Profit for the period	-	-	-	-	-	375,993	375,993
Total comprehensive income for the period	-	-	-	1,028	144,019	375,993	521,040
Contributions by and distributions to owner of the Bank							
Final 2019 ordinary dividend paid	-	-	-	-	-	(181,125)	(181,125)
At 30 September 2020	754,000	600,000	56,619	1,669	344,555	6,840,174	8,597,017
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	-	-	-	-	282,441	-	282,441
- Transferred to profit or loss	-	-	-	-	(103,365)	-	(103,365)
- Related tax	-	-	-	-	(41,524)	-	(41,524)
Change in ECL reserve	-	-	-	(552)	-	-	(552)
Total other comprehensive (expense)/income for the period	-	-	-	(552)	137,552	-	137,000
Profit for the period	-	-	-	-	-	695,513	695,513
Total comprehensive (expense)/income for the period	-	-	-	(552)	137,552	695,513	832,513
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 30 September 2019	754,000	600,000	56,619	853	221,202	6,387,292	8,019,966

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

Bank	<i>Non-distributable</i>			<i>Distributable</i>		Total equity
	Share capital	Regulatory reserve	ECL reserve	Fair value reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	754,000	509,000	488	177,118	5,715,154	7,155,760
Fair value reserve						
- Change in fair value	-	-	-	221,085	-	221,085
- Transferred to profit or loss	-	-	-	(70,992)	-	(70,992)
- Related tax	-	-	-	(34,402)	-	(34,402)
Change in ECL reserve	-	-	1,098	-	-	1,098
Total other comprehensive income for the period	-	-	1,098	115,691	-	116,789
Profit for the year	-	-	-	-	329,377	329,377
Total comprehensive income for the period	-	-	1,098	115,691	329,377	446,166
Contributions by and distributions to owner of the Bank						
Final 2019 ordinary dividend paid	-	-	-	-	(181,125)	(181,125)
At 30 September 2020	754,000	509,000	1,586	292,809	5,863,406	7,420,801
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	-	-	-	244,622	-	244,622
- Transferred to profit or loss	-	-	-	(93,587)	-	(93,587)
- Related tax	-	-	-	(34,794)	-	(34,794)
Change in ECL reserve	-	-	(432)	-	-	(432)
Total other comprehensive (expense)/income for the period	-	-	(432)	116,241	-	115,809
Profit for the period	-	-	-	-	579,416	579,416
Total comprehensive (expense)/income for the period	-	-	(432)	116,241	579,416	695,225
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 30 September 2019	754,000	509,000	724	197,699	5,505,659	6,967,082

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

	Group		Bank	
	Year to date ended		Year to date ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
Profit before income tax and zakat	496,803	914,991	442,802	771,389
<i>Adjustments for:</i>				
Depreciation of property, plant and equipment	19,380	22,073	17,594	20,019
Depreciation of right-of-use assets	13,836	13,730	12,245	11,885
Dividends received from financial investments at FVOCI	(859)	(722)	(859)	(722)
Impairment allowance and provisions	535,458	124,025	408,631	106,673
Finance expense on ROU assets	711	625	712	534
Net (gain)/loss on disposal of:				
- Financial investments at FVOCI	(89,615)	(103,365)	(70,992)	(93,587)
- Property and equipment	(9)	19	(71)	16
Share-based expenses	8,004	7,069	7,730	6,732
Unrealised loss/(gain) on:				
- Financial assets at FVTPL	6,347	(955)	6,361	(727)
- Hedging derivatives	(6)	32	(6)	32
- Trading derivatives	95,200	98,385	93,623	99,255
- Subordinated bonds	15,515	12,202	15,515	12,202
Operating profit before changes in working capital	1,100,765	1,088,109	933,285	933,701
<i>Changes in operating assets and operating liabilities:</i>				
Deposits and placements with banks and other financial institutions	-	321,258	60,141	476,634
Investment account placements	-	-	416,119	(743,117)
Reverse repurchase agreements	(99,927)	-	(99,927)	-
Financial assets at FVTPL	(1,454,181)	(525,222)	(1,460,356)	(519,065)
Loans, advances and financing	1,886,276	(385,937)	1,672,610	895,890
Other assets	63,163	17,142	61,655	9,532
Statutory deposits with Bank Negara Malaysia	1,648,323	(129,997)	1,339,023	(107,197)
Derivative financial assets and liabilities	(8,554)	21,285	(8,553)	21,294
Deposits from customers	(57,675)	1,039,417	96,221	896,052
Deposits and placements of banks and other financial institutions	214,614	(4,220,712)	199,734	(4,184,579)
Bills and acceptances payable	(32,215)	(3,981)	(28,123)	(3,543)
Other liabilities	(846,907)	219,503	(857,296)	163,772
Cash generated from/(used in) operations	2,413,682	(2,559,135)	2,324,533	(2,160,626)
Income tax and zakat paid	(93,641)	(221,808)	(79,311)	(183,735)
Net cash generated from/(used in) operating activities	2,320,041	(2,780,943)	2,245,222	(2,344,361)

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020 (continued)

	Group		Bank	
	Year to date ended		Year to date ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Cash flows from investing activities				
Acquisition of financial investments at FVOCI	(20,082,538)	(16,359,642)	(11,477,538)	(11,069,642)
Acquisition of property and equipment	(12,837)	(13,476)	(12,606)	(13,346)
Dividends received from financial investments at FVOCI	859	722	859	722
Proceeds from disposal of financial investments at FVOCI	17,811,855	16,333,697	9,109,820	11,055,618
Proceeds from disposal of property and equipment	141	44	140	44
Net cash used in investing activities	(2,282,520)	(38,655)	(2,379,325)	(26,604)
Cash flows from financing activities				
Dividends paid to owner of the Bank	(181,125)	(276,000)	(181,125)	(276,000)
Redemption of subordinated bonds	-	(400,000)	-	(400,000)
Payment of lease liabilities	(14,649)	(9,413)	(13,062)	(8,061)
Net cash used in financing activities	(195,774)	(685,413)	(194,187)	(684,061)
Net decrease in cash and cash equivalents	(158,253)	(3,505,011)	(328,290)	(3,055,026)
Cash and cash equivalents at 1 January	4,805,233	4,898,851	4,133,211	4,348,837
Cash and cash equivalents at 30 September	4,646,980	1,393,840	3,804,921	1,293,811

Details of cash and cash equivalents are disclosed in Note 10 to the unaudited condensed interim financial statements.

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

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

GENERAL INFORMATION

The unaudited condensed consolidated interim financial statements of the Bank as at and for the financial period ended 30 September 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 the 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 period.

FINANCIAL PERFORMANCE

The Group recorded a net profit of RM376 million for the financial period ended 30 September 2020; a decline of RM320 million or 46% compared to the corresponding period last year. This was mainly due to the higher impairment allowances of RM411 million stemming from buffer against higher expected credit losses under worsened market conditions brought about by the COVID-19 pandemic.

The Group's total income for the nine-month financial period decreased marginally by RM15 million, largely due to a 20% drop in other operating income, mostly from lower gains on the disposal of financial investments followed by a 1% drop in net interest income as margins were impacted by the pass through effect of Overnight Policy Rate cuts totalling 125 basis points this year to date.

Tight cost control succeeded to reduce overheads despite having to incur 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.

The Group and the Bank remained well capitalised with Common Equity Tier 1 capital ratios of 15.287% and 15.002%, Tier 1 capital ratios of 16.197% and 16.130% and Total capital ratios of 18.811% and 18.741% respectively.

ECONOMIC PERFORMANCE AND PROSPECTS

The Malaysian economy contracted sharply in the second quarter of the year due to measures introduced to contain the COVID-19 pandemic globally and domestically. Bank Negara Malaysia ("BNM") has projected Malaysia's gross domestic product ("GDP") to range between -3.5% and -5.5% in 2020 and to recover gradually to between 5.5% and 8.0% in 2021. Economic activities in Malaysia have begun to recover gradually in the third quarter of 2020 with the lifting of the Government's restricted movement control order. However, the outlook remains subject to downside risks emanating from uncertainties surrounding global oil and commodity prices as well as the evolving COVID-19 pandemic.

The Bank continues to actively reach out to support and assist customers impacted by COVID-19 through a choice of targeted relief assistance options that cater to their varied financial needs and circumstances, and via various channels such as website, phone or email and even on-site events. These included participation at various repayment assistance roadshow campaigns and the opening of selected branches on Saturdays and Sundays in September and October for the convenience of customers wishing to apply for assistance.

1 BASIS OF PREPARATION

The accounting policies set out below have been applied consistently to the periods presented in these unaudited condensed interim financial statements and have been applied consistently by Group entities, unless otherwise stated.

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

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

1 BASIS OF PREPARATION (continued)

(a) Statement of compliance

The unaudited condensed interim financial statements of the Group and the Bank have been prepared under the historical cost convention except for the assets and liabilities which are stated at fair values as disclosed in the notes to the unaudited condensed interim financial statements: financial assets at FVTPL, financial investments at FVOCI, loans, advances and financing at FVTPL and derivative financial instruments. The unaudited condensed interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standard ("MFRS") 134, International Accounting Standards 34 and BNM's Shariah requirements (operations of Islamic Banking).

The unaudited condensed interim 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 current period:

- Amendments to MFRS 3, *Business Combinations*
- 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*

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*

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*
- 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* issued on 30 September 2020 by MASB which the Group is currently assessing the potential impact arising from adoption of this amendments.

(b) Use of estimates and judgements

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

In preparing these unaudited condensed interim financial statements, the significant judgements made by management in applying the Group's and the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2019.

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2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Group and the Bank in these unaudited condensed interim financial statements are the same as those applied by the Group and the Bank in its audited financial statements as at and for the financial year ended 31 December 2019, except as disclosed in Note 1(a) to the interim financial statements.

3 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

4 SEASONALITY OF OPERATIONS

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

5 DEBT AND EQUITY SECURITIES

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

6 CHANGES IN COMPOSITION OF THE GROUP

There was no change in the composition of the Group during the financial period ended 30 September 2020.

7 DIVIDENDS

No dividend has been proposed for the financial period ended 30 September 2020.

8 SUBSEQUENT EVENTS

On 4 November 2020, the Bank issued RM550 million Basel-III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) at 2.9% coupon rate per annum. Part of the proceeds from the issuance was used to fully redeem the Bank's entire outstanding amount of the USD130 million Basel-III compliant Tier 2 subordinated bonds, which was issued on 4 November 2015.

9 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There was no unusual item affecting the assets, liabilities, equity, net income or cash flows of the Group and the Bank for the financial period ended 30 September 2020.

10 CASH AND CASH EQUIVALENTS

	Group		Bank	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	367,477	716,740	291,239	606,244
Money at call and deposit placements with financial institutions maturing within one month	488,901	225,848	750,682	511,967
Deposit placements with Bank Negara Malaysia	3,790,602	3,862,645	2,763,000	3,015,000
	4,646,980	4,805,233	3,804,921	4,133,211
ECL allowance	(1,122)	(382)	(1,121)	(381)
	4,645,858	4,804,851	3,803,800	4,132,830

Included in the Bank's cash and cash equivalents are deposits and placements with OCBC Al-Amin of RM262 million (31 December 2019: RM286 million), which are unsecured and profit bearing.

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10 CASH AND CASH EQUIVALENTS (continued)

(a) Movements in ECL allowance

<u>Group</u>	30 September 2020			31 December 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	382	-	382	1,345	-	1,345
New financial assets originated or purchased	94	-	94	172	-	172
Financial assets derecognised	(42)	-	(42)	(24)	-	(24)
Net remeasurement during the period/year	716	-	716	(1,091)	-	(1,091)
Other movements	(30)	-	(30)	(20)	-	(20)
At 30 September/ 31 December	1,120	-	1,120	382	-	382
Bank						
At 1 January	381	-	381	1,345	-	1,345
New financial assets originated or purchased	94	-	94	172	-	172
Financial assets derecognised	(42)	-	(42)	(24)	-	(24)
Net remeasurement during the period/year	716	-	716	(1,092)	-	(1,092)
Other movements	(30)	-	(30)	(20)	-	(20)
At 30 September/ 31 December	1,119	-	1,119	381	-	381

11 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Licensed banks	-	-	374,234	434,376

Included in the Bank's deposits and placements with licensed banks are deposits and placements with OCBC Al-Amin of RM374 million (31 December 2019: RM434 million), which are unsecured and profit bearing.

(a) Movements in ECL allowance

<u>Group and Bank</u>	30 September 2020			31 December 2019		
	Stage 1	Stage 2	Total ECL	Stage 1	Stage 2	Total ECL
	ECL RM'000	ECL RM'000	non credit- impaired RM'000	ECL RM'000	ECL RM'000	non credit- impaired RM'000
At 1 January	-	-	-	44	-	44
New financial assets originated or purchased	5	-	5	-	-	-
Net remeasurement during the period/year	(5)	-	(5)	(44)	-	(44)
At 30 September/ 31 December	-	-	-	-	-	-

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12 INVESTMENT ACCOUNT PLACEMENTS

	Bank	
	30 September 2020	31 December 2019
	RM'000	RM'000
Restricted Profit Sharing Investment Accounts	1,602,704	2,018,823
ECL allowance	(34,829)	(60,669)
	1,567,875	1,958,154

The exposure to Restricted Profit Sharing Investment Accounts ("RPSIA") is an arrangement with its subsidiary, OCBC Al-Amin, which 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.

(a) Movements in ECL allowance

Bank	<i>Non credit-impaired</i>		<i>Credit-impaired</i>	Total ECL RM'000
	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL 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	422	-	-	422
Financial assets derecognised	(669)	-	-	(669)
Net remeasurement during the period	1,022	15,614	(42,229)	(25,593)
At 30 September	2,060	-	32,769	34,829
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	1,285	26,615	32,769	60,669

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

	Group		Bank	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues	176,472	589,121	176,472	589,121
Malaysian Government Securities	499,760	275,024	499,760	275,024
Malaysian Government Treasury Bills	1,718,018	295,732	1,718,018	295,732
Corporate Bonds and Sukuk	230,053	16,592	219,884	262
	2,624,303	1,176,469	2,614,134	1,160,139

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

	Group		Bank	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
At fair value				
Malaysian Government Investment Issues	7,899,390	6,107,784	5,501,943	3,846,724
Malaysian Government Securities	3,755,642	3,129,096	3,755,642	3,129,096
Malaysian Treasury Bills and Islamic Treasury Bills	1,556,716	39,840	1,268,956	39,840
Malaysian Government Debt Securities and Sukuk	135,768	125,283	60,530	30,437
Bank Negara Malaysia Monetary Notes	-	497,441	-	497,441
Foreign Government Debt Securities	200,985	204,109	175,706	179,222
Negotiable Instruments of Deposit and Islamic				
Negotiable Instruments of Deposit	2,145,502	2,768,686	1,147,485	1,471,815
Corporate and Islamic Corporate Bonds, Sukuk and				
Sanadat Mudharabah Cagamas	2,297,823	2,577,728	1,994,262	2,126,946
Unquoted shares in Malaysia	112,030	105,277	112,030	105,277
	18,103,856	15,555,244	14,016,554	11,426,798

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

Group	30 September 2020			31 December 2019		
	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Total ECL non credit-impaired RM'000	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Total ECL 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	457	-	457	276	-	276
Financial assets derecognised	(634)	(275)	(909)	(716)	(41)	(757)
Net remeasurement during the period/year	522	974	1,496	(272)	(9)	(281)
Other movements	(4)	(12)	(16)	(2)	-	(2)
At 30 September/ 31 December	1,669	-	1,669	641	-	641
Bank						
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	306	-	306	71	-	71
Financial assets derecognised	(469)	(275)	(744)	(650)	-	(650)
Net remeasurement during the period/year	578	974	1,552	(87)	-	(87)
Other movements	(4)	(12)	(16)	(2)	-	(2)
At 30 September/ 31 December	1,586	-	1,586	488	-	488

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15 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
At amortised cost				
Overdrafts	3,016,768	3,398,207	2,554,000	2,944,597
Term loans/financing:				
- Housing loans/financing	23,636,303	24,189,809	21,709,359	22,247,391
- Syndicated term loans/financing	4,460,977	4,392,816	3,652,234	3,765,013
- Hire purchase receivables	339,710	344,785	10	10
- Other term loans/financing	21,415,389	21,500,426	17,054,254	17,349,480
Credit cards	567,355	673,849	567,355	673,849
Bills receivable	224,659	189,342	179,609	136,611
Trust receipts	22,263	33,364	21,850	33,229
Claims on customers under acceptance credits	2,434,392	3,121,354	2,123,166	2,701,054
Revolving credit	9,607,556	10,293,142	6,198,898	6,387,825
Staff loans/financing	46,488	48,156	46,488	48,156
Other loans/financing	2,200,696	1,833,851	2,085,015	1,704,249
	<u>67,972,556</u>	<u>70,019,101</u>	<u>56,192,238</u>	<u>57,991,464</u>
At fair value				
Other term loans/financing	10,520	10,560	10,520	10,560
Gross loans, advances and financing	<u>67,983,076</u>	<u>70,029,661</u>	<u>56,202,758</u>	<u>58,002,024</u>
ECL allowance	<u>(1,341,288)</u>	<u>(971,332)</u>	<u>(1,023,636)</u>	<u>(721,084)</u>
Net loans, advances and financing	<u>66,641,788</u>	<u>69,058,329</u>	<u>55,179,122</u>	<u>57,280,940</u>

(a) By type of customer

Domestic banking institutions	21,039	23,358	21,039	23,358
Domestic non-bank financial institutions	1,910,007	2,818,760	909,745	1,791,640
Domestic business enterprises				
- Small and medium enterprises	14,569,214	10,912,492	12,075,193	8,855,747
- Others	21,987,061	25,626,000	16,473,863	20,015,048
Individuals	26,276,044	26,986,984	24,093,468	24,774,846
Foreign entities	3,219,711	3,662,067	2,629,450	2,541,385
	<u>67,983,076</u>	<u>70,029,661</u>	<u>56,202,758</u>	<u>58,002,024</u>

(b) By interest/profit rate sensitivity

Fixed rate				
- Housing loans/financing	70,044	54,597	24,976	7,084
- Hire purchase receivables	175,216	165,105	10	10
- Other fixed rate loans/financing	6,629,912	7,088,138	5,144,613	5,538,079
Variable rate				
- Base rate/Base lending rate/Base financing rate plus	39,018,260	39,487,376	34,715,424	35,345,541
- Cost plus	20,732,754	22,442,446	15,015,299	16,362,580
- Other variable rates	1,356,890	791,999	1,302,436	748,730
	<u>67,983,076</u>	<u>70,029,661</u>	<u>56,202,758</u>	<u>58,002,024</u>

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15 LOANS, ADVANCES AND FINANCING (continued)

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
(c) By sector				
Agriculture, hunting, forestry and fishing	4,762,892	4,789,873	2,745,776	2,701,393
Mining and quarrying	494,888	523,637	218,357	222,802
Manufacturing	8,452,125	8,154,764	6,947,147	6,651,295
Electricity, gas and water	396,351	464,669	348,492	434,160
Construction	2,739,008	3,226,626	1,810,195	2,444,176
Real estate	8,103,936	7,931,295	6,887,858	6,718,571
Wholesale & retail trade and restaurants & hotels	7,770,905	7,710,554	6,488,036	6,467,672
Transport, storage and communication	1,045,107	1,337,624	802,176	1,083,505
Finance, insurance and business services	2,735,591	4,151,250	1,550,059	2,435,541
Community, social and personal services	2,854,584	2,361,993	2,078,834	1,796,782
Household				
- Purchase of residential properties	24,595,810	25,165,317	22,659,503	23,213,270
- Purchase of non-residential properties	877,116	908,656	828,268	862,296
- Others	2,701,191	2,796,820	2,385,062	2,464,555
Others	453,571	506,583	452,994	506,006
	<u>67,983,076</u>	<u>70,029,661</u>	<u>56,202,758</u>	<u>58,002,024</u>
(d) By geography determined based on where the credit risk resides				
Malaysia	64,806,909	66,421,116	53,566,940	55,454,801
Singapore	1,383,690	1,865,837	1,302,514	1,285,905
Other ASEAN countries	502,103	511,654	371,239	349,494
Rest of the world	1,290,374	1,231,054	962,065	911,824
	<u>67,983,076</u>	<u>70,029,661</u>	<u>56,202,758</u>	<u>58,002,024</u>
(e) By residual contractual maturity				
Up to one year	20,382,510	22,536,861	16,166,908	17,626,038
Over one year to three years	4,033,166	3,519,191	2,997,661	2,699,713
Over three years to five years	6,110,941	6,009,591	4,912,762	4,584,009
Over five years	37,456,459	37,964,018	32,125,427	33,092,264
	<u>67,983,076</u>	<u>70,029,661</u>	<u>56,202,758</u>	<u>58,002,024</u>

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16 IMPAIRED LOANS, ADVANCES AND FINANCING

(i) Movements in impaired loans, advances and financing

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
At 1 January	1,402,168	1,333,041	1,056,476	957,941
Impaired during the period/year	1,235,199	1,391,456	876,566	1,012,998
Reclassified as non-credit impaired	(230,434)	(574,881)	(164,843)	(432,701)
Amount recovered	(406,841)	(556,154)	(386,671)	(386,305)
Amount written off	(165,713)	(191,643)	(128,263)	(95,523)
Effect of foreign exchange difference	216	349	216	66
At 30 September/31 December	1,834,595	1,402,168	1,253,481	1,056,476
Stage 3 ECL allowance	(447,066)	(378,350)	(320,601)	(269,142)
Net impaired loans, advances and financing	1,387,529	1,023,818	932,880	787,334

(a) By sector

Agriculture, hunting, forestry and fishing	214,820	9,343	5,617	5,708
Mining and quarrying	19,102	14,895	19,102	14,895
Manufacturing	441,575	152,905	413,724	116,677
Construction	136,237	80,081	34,441	38,165
Real estate	194,956	206,934	194,412	206,268
Wholesale & retail trade and restaurants & hotels	193,272	205,976	100,323	101,470
Transport, storage and communication	81,651	106,118	29,292	44,123
Finance, insurance and business services	16,076	15,927	8,077	8,315
Community, social and personal services	5,839	4,214	5,238	3,481
Household				
- Purchase of residential properties	434,889	488,748	360,180	423,115
- Purchase of non-residential properties	17,768	22,216	17,768	21,455
- Others	78,005	90,409	64,902	68,402
Others	405	4,402	405	4,402
	1,834,595	1,402,168	1,253,481	1,056,476

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

Malaysia	1,780,164	1,359,309	1,203,870	1,017,534
Singapore	28,100	20,578	23,294	16,679
Rest of the world	26,331	22,281	26,317	22,263
	1,834,595	1,402,168	1,253,481	1,056,476

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16 IMPAIRED LOANS, ADVANCES AND FINANCING (continued)

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

Group	30 September 2020				31 December 2019			
	Non credit-impaired		Credit-impaired	Total	Non credit-impaired		Credit-impaired	Total
	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL RM'000		Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL 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	201,241	(184,211)	(17,030)	-	301,333	(273,828)	(27,505)	-
Transferred to Stage 2	(158,246)	166,118	(7,872)	-	(79,351)	112,225	(32,874)	-
Transferred to Stage 3	(2,397)	(184,726)	187,123	-	(4,299)	(191,863)	196,162	-
New financial assets originated or purchased	136,008	111,436	-	247,444	199,067	65,193	-	264,260
Financial assets derecognised	(109,901)	(113,895)	(21,812)	(245,608)	(150,741)	(89,491)	(34,139)	(274,371)
Net remeasurement during the period/year	(6,981)	445,859	112,767	551,645	(247,872)	423,730	115,461	291,319
Written off	-	-	(165,713)	(165,713)	-	-	(191,643)	(191,643)
Other movements	1,605	(669)	(18,748)	(17,812)	(536)	(288)	(15,814)	(16,638)
At 30 September/31 December	320,128	574,095	447,065	1,341,288	258,799	334,183	378,350	971,332
At 1 January								
- Loans, advances and financing	245,985	308,571	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
	258,799	334,183	378,350	971,332	241,198	288,505	368,702	898,405
At 30 September/31 December								
- Loans, advances and financing	304,597	525,052	447,065	1,276,714	245,984	308,572	378,350	932,906
- Credit commitments and financial guarantees	15,531	49,043	-	64,574	12,814	25,612	-	38,426
	320,128	574,095	447,065	1,341,288	258,798	334,184	378,350	971,332

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

	30 September 2020				31 December 2019			
	<i>Non credit-impaired</i>		<i>Credit-impaired</i>		<i>Non credit-impaired</i>		<i>Credit-impaired</i>	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	ECL	ECL	ECL	ECL	ECL	ECL	ECL	ECL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank								
At 1 January	197,808	254,134	269,142	721,084	178,849	231,340	248,504	658,693
Transferred to Stage 1	123,322	(111,088)	(12,234)	-	236,510	(217,700)	(18,810)	-
Transferred to Stage 2	(117,520)	123,708	(6,188)	-	(55,639)	80,428	(24,789)	-
Transferred to Stage 3	(132)	(119,866)	119,998	-	(2,346)	(133,554)	135,900	-
New financial assets originated or purchased	117,960	83,339	-	201,299	167,070	57,121	-	224,191
Financial assets derecognised	(94,701)	(89,811)	(16,740)	(201,252)	(126,543)	(75,121)	(22,968)	(224,632)
Net remeasurement during the period/year	19,376	315,132	106,839	441,347	(199,713)	311,913	56,246	168,446
Written off	-	-	(128,263)	(128,263)	-	-	(95,523)	(95,523)
Other movements	1,206	168	(11,953)	(10,579)	(380)	(293)	(9,418)	(10,091)
At 30 September/31 December	247,319	455,716	320,601	1,023,636	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 30 September/31 December								
- Loans, advances and financing	233,185	426,741	320,601	980,527	188,645	235,221	269,142	693,008
- Credit commitments and financial guarantees	14,134	28,975	-	43,109	9,163	18,913	-	28,076
	247,319	455,716	320,601	1,023,636	197,808	254,134	269,142	721,084

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17 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Group	30 September 2020			31 December 2019		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	6,365,393	12,003	90,771	4,368,293	11,504	42,376
- Swaps	16,477,147	424,786	284,488	15,361,383	454,265	334,840
- Options	876,155	6,877	636	704,214	6,907	294
Interest rate derivatives						
- Swaps	46,001,749	670,772	775,261	56,748,918	236,667	284,147
- Futures	20,375	-	3	286,545	63	-
Equity and other derivatives						
- Swaps	700,538	31,977	31,977	803,309	16,660	16,660
- Commodity related contracts	56,159	2,255	1,898	74,620	2,574	41
- Credit linked notes	947,589	90,457	90,457	953,135	21,092	21,092
	71,445,105	1,239,127	1,275,491	79,300,417	749,732	699,450
Hedging						
Interest rate derivatives						
- Swaps	420,791	64	1,584	20,467	-	573
	71,865,896	1,239,191	1,277,075	79,320,884	749,732	700,023

Bank	30 September 2020			31 December 2019		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	6,384,586	11,999	90,737	4,360,330	11,209	42,321
- Swaps	16,487,082	424,829	284,504	15,361,208	454,269	334,840
- Options	876,155	6,877	636	704,214	6,907	294
Interest rate derivatives						
- Swaps	46,001,749	672,444	775,261	56,748,918	237,056	284,147
- Futures	20,375	-	3	286,545	63	-
Equity and other derivatives						
- Swaps	700,538	31,977	31,977	803,309	16,660	16,660
- Commodity related contracts	56,159	2,255	1,898	74,620	2,574	41
- Credit linked notes	947,589	90,457	90,457	953,135	21,092	21,092
	71,474,233	1,240,838	1,275,473	79,292,279	749,830	699,395
Hedging						
Interest rate derivatives						
- Swaps	420,791	64	1,584	20,467	-	573
	71,895,024	1,240,902	1,277,057	79,312,746	749,830	699,968

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18 OTHER ASSETS

	Note	Group		Bank	
		30 September	31 December	30 September	31 December
		2020	2019	2020	2019
		RM'000	RM'000	RM'000	RM'000
Amount due from subsidiary	(a)	-	-	8,847	12,223
Interest/Profit receivable		124,480	138,747	101,369	112,404
Unquoted redeemable Islamic subordinated bonds of subsidiary	(b)	-	-	200,000	200,000
Other receivables, deposits and prepayments		187,878	236,810	181,948	229,227
Impairment allowance on other receivables		(3,388)	-	(3,388)	-
		<u>308,970</u>	<u>375,557</u>	<u>488,776</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.

19 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30 September	31 December	30 September	31 December
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
(a) By type of deposit				
Demand deposits	20,069,433	17,238,374	15,207,017	13,028,179
Saving deposits	14,606,172	12,520,313	13,818,973	11,825,379
Fixed/General investment deposits	35,795,904	38,693,976	29,889,036	32,063,682
Negotiable instruments of deposit	831,628	4,284,146	831,628	3,684,146
Short-term money market deposits	3,734,993	2,358,996	2,933,523	1,982,570
	<u>75,038,130</u>	<u>75,095,805</u>	<u>62,680,177</u>	<u>62,583,956</u>
(b) By type of customer				
Government and statutory bodies	504,004	957,967	37,648	189,645
Non-bank financial institutions	3,893,458	3,854,813	2,490,044	2,086,313
Business enterprises	26,149,393	26,446,757	20,562,131	20,632,967
Individuals	39,200,114	36,002,821	34,633,207	32,129,591
Foreign entities	4,472,680	6,947,700	4,267,515	6,800,530
Others	818,481	885,747	689,632	744,910
	<u>75,038,130</u>	<u>75,095,805</u>	<u>62,680,177</u>	<u>62,583,956</u>
(c) By maturity structure for fixed/term/general investment deposits, negotiable instruments of deposit and short-term money market deposits				
Up to six months	29,229,364	38,711,401	23,916,173	32,605,459
Over six months to one year	11,023,332	6,371,164	9,632,250	4,883,328
Over one year to three years	98,306	247,121	94,541	234,179
Over three years to five years	11,523	7,432	11,223	7,432
	<u>40,362,525</u>	<u>45,337,118</u>	<u>33,654,187</u>	<u>37,730,398</u>

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30 September	31 December	30 September	31 December
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Licensed banks and other financial institutions	4,410,923	3,991,634	4,353,349	3,948,940
Bank Negara Malaysia	-	204,675	-	204,675
	<u>4,410,923</u>	<u>4,196,309</u>	<u>4,353,349</u>	<u>4,153,615</u>

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21 OTHER LIABILITIES

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Amount due to subsidiary	-	-	8,083	31,954
Equity compensation benefits	18,020	14,284	17,332	13,592
Interest/Profit payable	303,240	531,528	245,623	456,909
Structured investments	1,483,495	2,068,458	1,483,495	2,068,458
Lease liabilities	27,526	25,387	24,600	22,382
Other payables and accruals	404,435	433,655	327,496	360,514
Provision for commitments and contingencies	2,034	2,202	-	168
	<u>2,238,750</u>	<u>3,075,514</u>	<u>2,106,629</u>	<u>2,953,977</u>

The amount due to subsidiary is unsecured, interest/profit free and repayable on demand.

22 SUBORDINATED BONDS

	Group and Bank	
	30 September 2020 RM'000	31 December 2019 RM'000
USD110 million Additional Tier 1 Capital Securities	457,396	450,285
USD130 million Redeemable Subordinated Bonds 2015/2025	540,558	532,154
RM390 million Redeemable Subordinated Bonds 2017/2027	390,000	390,000
RM110 million Redeemable Subordinated Bonds 2017/2027	110,000	110,000
	<u>1,497,954</u>	<u>1,482,439</u>

23 NET INTEREST INCOME

Group	Quarter ended		Year to date ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	521,339	713,681	1,775,834	2,181,911
- Recoveries from impaired loans, advances and financing	10,811	11,727	40,857	39,189
- Discount unwind from impaired loans, advances and financing	5,039	183	11,999	7,304
Money at call and deposit placements with banks and other financial institutions	17,666	18,472	52,329	76,648
Financial investments at FVOCI	100,679	111,149	295,526	353,436
Others	704	1,548	1,337	23,147
	<u>656,238</u>	<u>856,760</u>	<u>2,177,882</u>	<u>2,681,635</u>
Financial assets at FVTPL	17,296	26,655	56,394	67,364
	<u>673,534</u>	<u>883,415</u>	<u>2,234,276</u>	<u>2,748,999</u>
Interest expense				
Deposits from customers	(268,977)	(477,434)	(999,554)	(1,431,782)
Deposits and placements of banks and other financial institutions	(788)	(1,066)	(20,310)	(50,003)
Recourse obligation on loans sold to Cagamas Berhad	(7,778)	(7,777)	(23,163)	(23,129)
Subordinated bonds	(16,916)	(16,804)	(50,516)	(57,331)
Lease liabilities	(224)	(151)	(711)	(535)
Others	(8,225)	(10,778)	(27,913)	(61,305)
	<u>(302,908)</u>	<u>(514,010)</u>	<u>(1,122,167)</u>	<u>(1,624,085)</u>
Net interest income	<u>370,626</u>	<u>369,405</u>	<u>1,112,109</u>	<u>1,124,914</u>

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23 NET INTEREST INCOME (continued)

Bank	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing				
- Interest income other than recoveries	521,339	713,682	1,775,834	2,181,912
- Recoveries from impaired loans, advances and financing	10,811	11,727	40,857	39,189
- Discount unwind from impaired loans, advances and financing	5,039	1,402	11,999	7,304
Money at call and deposit placements with banks and other financial institutions	24,994	42,537	90,870	134,130
Financial investments at FVOCI	101,467	111,975	297,994	355,863
Unquoted Islamic subordinated bond of subsidiary	2,420	2,419	7,207	7,180
Others	704	330	1,337	23,147
	666,774	884,072	2,226,098	2,748,725
Financial assets at FVTPL	17,296	26,655	56,394	67,364
	684,070	910,727	2,282,492	2,816,089
Interest expense				
Deposits from customers	(268,978)	(477,434)	(999,561)	(1,431,782)
Deposits and placements of banks and other financial institutions	(4,766)	(12,636)	(38,090)	(74,434)
Recourse obligation on loans sold to Cagamas Berhad	(7,778)	(7,777)	(23,163)	(23,129)
Subordinated bonds	(16,916)	(16,804)	(50,516)	(57,331)
Lease liabilities	(225)	(151)	(712)	(534)
Others	(10,877)	(18,491)	(39,767)	(77,593)
	(309,540)	(533,293)	(1,151,809)	(1,664,803)
Net interest income	374,530	377,434	1,130,683	1,151,286

24 INCOME FROM ISLAMIC BANKING OPERATIONS

Group	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	136,829	155,628	432,480	478,854
Income derived from investment of specific investment account funds	8,504	27,509	41,439	55,868
Income derived from investment of shareholder's funds	32,952	32,141	96,386	93,520
Income attributable to depositors	(57,539)	(87,889)	(204,175)	(257,730)
Income attributable to investment account holder	(6,629)	(19,283)	(29,633)	(40,719)
	114,117	108,106	336,497	329,793

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25 NET FEE AND COMMISSION INCOME

	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Commission	73,063	53,320	180,102	147,450
Service charges and fees	31,792	53,359	103,617	134,626
Guarantee fees	471	1,379	1,670	3,446
Other fee income	1,531	2,385	5,489	7,001
	<u>106,857</u>	<u>110,443</u>	<u>290,878</u>	<u>292,523</u>
Bank				
Commission	73,063	52,303	180,102	146,282
Service charges and fees	31,036	53,039	102,207	134,306
Guarantee fees	471	1,379	1,670	3,446
Other fee income	1,531	2,385	5,489	7,001
	<u>106,101</u>	<u>109,106</u>	<u>289,468</u>	<u>291,035</u>

26 NET TRADING INCOME

	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Foreign exchange gain/(loss)	122,741	(19,575)	15,454	(17,286)
Realised gain on financial assets at FVTPL	16,170	22,094	55,285	46,013
Realised gain on trading derivatives	22,619	30,160	143,211	169,097
Unrealised (loss)/gain on financial assets at FVTPL	(7,164)	(2,897)	(6,361)	727
Unrealised loss on trading derivatives	(139,129)	(3,304)	(93,623)	(99,255)
	<u>15,237</u>	<u>26,478</u>	<u>113,966</u>	<u>99,296</u>
Bank				
Foreign exchange gain/(loss)	122,741	(19,575)	15,454	(17,286)
Realised gain on financial assets at FVTPL	16,170	22,094	55,285	46,013
Realised gain on trading derivatives	22,619	30,160	143,211	169,097
Unrealised (loss)/gain on financial assets at FVTPL	(7,164)	(2,897)	(6,361)	727
Unrealised loss on trading derivatives	(139,129)	(3,304)	(93,623)	(99,255)
	<u>15,237</u>	<u>26,478</u>	<u>113,966</u>	<u>99,296</u>

27 OTHER OPERATING INCOME

	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on disposal:				
- Financial investments at FVOCI	1,077	27,179	70,993	93,587
- Property and equipment	(71)	-	(71)	(16)
Gross dividends from financial investments at FVOCI in Malaysia	409	272	859	722
Rental of premises	1,056	1,047	3,111	3,132
Rental of safe deposit boxes	1,395	1,399	4,693	4,720
Shared services income received from related companies	4,129	3,622	11,435	10,687
Unrealised gain/(loss) on hedging derivatives	4	(2)	6	(31)
Others	142	168	339	467
	<u>8,141</u>	<u>33,685</u>	<u>91,365</u>	<u>113,268</u>

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27 OTHER OPERATING INCOME (continued)

	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Bank	RM'000	RM'000	RM'000	RM'000
Gain/(Loss) on disposal:				
- Financial investments at FVOCI	1,077	27,179	70,993	93,587
- Property and equipment	(71)	-	(71)	(16)
Gross dividends from financial investments at FVOCI in Malaysia	409	272	859	722
Rental of premises	1,061	1,061	3,137	3,176
Rental of safe deposit boxes	1,395	1,399	4,693	4,720
Shared services income received from subsidiaries	26,483	29,048	83,067	84,008
Shared services income received from related companies	4,129	3,622	11,435	10,687
Unrealised gain/(loss) on hedging derivatives	4	(2)	6	(31)
Others	143	168	340	467
	34,630	62,747	174,459	197,320

28 OPERATING EXPENSES

	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Group	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Wages, salaries and bonus	119,828	126,849	366,310	373,619
Employees Provident Fund contributions	18,443	19,344	55,968	56,801
Share-based expenses	2,756	2,753	8,004	7,069
Others	13,683	15,278	38,719	42,623
	154,710	164,224	469,001	480,112
Establishment expenses				
Depreciation of property and equipment	5,749	7,427	19,380	22,073
Depreciation of ROU assets	4,133	4,520	13,836	13,730
Rental of premises	-	7	-	15
Repair and maintenance	3,465	3,419	9,385	9,138
Information technology costs	12,516	11,235	35,690	30,227
Hire of equipment	270	210	762	890
Others	4,815	4,984	14,505	14,397
	30,948	31,802	93,558	90,470
Marketing expenses				
Advertisement and business promotion	2,114	4,685	7,037	12,941
Transport and travelling	461	1,189	1,773	3,439
Others	332	937	1,741	2,229
	2,907	6,811	10,551	18,609
General administrative expenses				
Transaction processing fees	83,667	82,604	253,984	250,629
Others	30,179	30,539	85,460	80,958
	113,846	113,143	339,444	331,587
Total other operating expenses	302,411	315,980	912,554	920,778

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28 OPERATING EXPENSES (continued)

	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Bank	RM'000	RM'000	RM'000	RM'000
Personnel expenses				
Wages, salaries and bonus	113,678	120,143	347,849	353,193
Employees Provident Fund contributions	17,517	18,343	53,101	53,691
Share-based expenses	2,658	2,617	7,730	6,732
Others	12,801	14,187	35,850	39,570
	<u>146,654</u>	<u>155,290</u>	<u>444,530</u>	<u>453,186</u>
Establishment expenses				
Depreciation of property and equipment	5,200	6,751	17,594	20,019
Depreciation of ROU assets	3,660	3,986	12,245	11,885
Rental of premises	-	7	1	18
Repair and maintenance	3,057	3,220	8,743	8,409
Information technology costs	12,345	11,055	35,180	29,584
Hire of equipment	248	190	675	799
Others	4,154	4,289	12,454	12,293
	<u>28,664</u>	<u>29,498</u>	<u>86,892</u>	<u>83,007</u>
Marketing expenses				
Advertisement and business promotion	2,086	4,557	6,899	12,553
Transport and travelling	440	1,113	1,689	3,203
Others	331	923	1,711	2,163
	<u>2,857</u>	<u>6,593</u>	<u>10,299</u>	<u>17,919</u>
General administrative expenses				
Transaction processing fees	76,739	75,739	232,968	229,719
Others	28,922	28,872	82,454	77,044
	<u>105,661</u>	<u>104,611</u>	<u>315,422</u>	<u>306,763</u>
Total other operating expenses	<u>283,836</u>	<u>295,992</u>	<u>857,143</u>	<u>860,875</u>

29 IMPAIRMENT ALLOWANCE AND PROVISIONS CHARGE/(WRITEBACK)

	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Group	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
Stage 1 and 2 ECL net charge/(writeback) during the period	117,317	(46,712)	301,241	32,152
Stage 3 ECL				
- Charge during the period	127,107	71,012	338,620	258,898
- Writeback	(17,882)	(35,394)	(85,444)	(115,351)
Impaired loans, advances and financing				
- Recovered during the period	(10,306)	(30,468)	(24,152)	(53,340)
Financial investments at FVOCI				
Stage 1 and 2 ECL net charge/(writeback) during the period	179	12	1,028	(552)
Other financial assets				
Stage 1 and 2 ECL net (writeback)/charge during the period	(420)	155	739	184
Stage 3 ECL net charge during the period	3,400	33	3,426	83
Commitments and contingencies				
Net charge during the period	-	1,954	-	1,951
	<u>219,395</u>	<u>(39,408)</u>	<u>535,458</u>	<u>124,025</u>

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29 IMPAIRMENT ALLOWANCE AND PROVISIONS CHARGE/(WRITEBACK) (continued)

	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Bank	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
Stage 1 and 2 ECL net charge/(writeback) during the period	140,045	(21,254)	251,093	28,456
Stage 3 ECL				
- Charge during the period	80,494	48,157	256,145	152,733
- Writeback	(13,265)	(28,214)	(64,470)	(86,983)
Impaired loans, advances and financing				
- Recovered during the period	(6,884)	(8,811)	(13,560)	(20,591)
Investment account placements				
Stage 1 and 2 ECL net (writeback)/charge during the period	(41,409)	2,291	(25,840)	3,512
Stage 3 ECL net charge during the period	-	-	-	29,794
Financial investments at FVOCI				
Stage 1 and 2 ECL net charge/(writeback) during the period	272	(3)	1,098	(432)
Other financial assets				
Stage 1 and 2 ECL net (writeback)/charge during the period	(420)	155	739	184
Stage 3 ECL net charge during the period	3,400	33	3,426	83
Commitments and contingencies				
Net writeback during the period	-	(80)	-	(83)
	162,233	(7,726)	408,631	106,673

30 INCOME TAX EXPENSE

	Quarter ended		Year to date ended	
	30 September 2020	30 September 2019	30 September 2020	30 September 2019
Group	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
- Current period	44,656	90,870	158,412	222,772
- Prior years	-	1,179	-	1,179
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(21,873)	(92)	(37,639)	(4,055)
- Prior years overprovision of deferred tax	-	(451)	-	(451)
	22,783	91,506	120,773	219,445
Bank				
Malaysian income tax				
- Current period	41,280	77,977	140,458	195,231
Expenses not deductible for tax purposes				
- Origination and reversal of temporary differences	(18,621)	(3,568)	(27,033)	(3,258)
	22,659	74,409	113,425	191,973

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31 COMMITMENTS AND CONTINGENCIES

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. Apart from the provision for commitments and contingencies already made in the condensed interim financial statements, 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>	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk weighted amount</u> RM'000
30 September 2020			
Direct credit substitutes	372,493	372,493	322,390
Transaction-related contingent items	2,859,278	1,465,409	976,798
Short-term self-liquidating trade-related contingencies	323,336	69,114	47,182
Forward asset purchases, forward deposits, partly paid shares and securities	54,728	54,728	10,218
Foreign exchange related contracts			
- Less than one year	19,311,173	114,137	53,089
- One year to less than five years	2,527,707	665,714	158,552
- Five years and above	1,879,815	51,541	59,272
Interest rate contracts			
- Less than one year	14,963,504	11,979	9,245
- One year to less than five years	21,015,225	442,966	109,464
- Five years and above	10,464,186	425,672	280,862
Equity and commodity related contracts	756,697	10,844	2,517
Credit derivative contracts	947,589	22,995	4,211
Formal standby facilities and credit lines			
- Maturity not exceeding one year	75,289	56,467	38,663
- Original maturity exceeding one year	4,772,132	4,078,736	1,991,681
Other unconditionally cancellable commitments	19,237,367	2,353,860	376,144
Total	99,560,519	10,196,655	4,440,288
31 December 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			
- Less than 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 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

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Bank	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
30 September 2020			
Direct credit substitutes	276,638	276,638	219,355
Transaction-related contingent items	2,466,559	1,264,476	847,202
Short-term self-liquidating trade-related contingencies	284,941	60,567	40,835
Forward asset purchases, forward deposits, partly paid shares and securities	54,728	54,728	10,218
Foreign exchange related contracts			
- Less than one year	19,341,009	114,303	53,251
- One year to less than five years	2,526,999	665,714	156,171
- Five years and above	1,879,815	51,541	59,272
Interest rate contracts			
- Less than one year	14,963,504	11,979	9,245
- One year to less than five years	21,015,225	442,966	109,464
- Five years and above	10,464,186	425,672	245,606
Equity and commodity related contracts	756,697	10,844	2,517
Credit derivative contracts	947,589	22,995	4,211
Formal standby facilities and credit lines			
- Maturity not exceeding one year	75,289	56,467	38,663
- Original maturity exceeding one year	4,297,141	3,697,513	1,708,818
Other unconditionally cancellable commitments	17,248,370	2,183,513	347,417
Total	96,598,690	9,339,916	3,852,245
31 December 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			
- Less than 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 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	107,672,746	9,428,354	3,907,511

32 CAPITAL COMMITMENTS

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Capital expenditure commitments in respect of property and equipment contracted but not provided for	19,312	6,000	19,272	5,953

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33 FAIR VALUE OF FINANCIAL INSTRUMENTS

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 agency securities Actively traded quoted equity securities of corporations	Corporate and other government bonds/sukuk and loans Over-the counter ("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
Type of financial liabilities	OTC derivatives	OTC derivatives Deposits from customer Deposits and placement of banks and other financial institutions Other liabilities Subordinated bonds/sukuk	OTC derivatives

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33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy of financial instruments (continued)

<u>Group</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
30 September 2020				
Financial assets at fair value				
Financial assets at FVTPL	2,624,279	24	-	2,624,303
Financial investments at FVOCI	13,852,061	4,139,765	112,030	18,103,856
Loans, advances and financing	-	-	10,520	10,520
Derivative financial assets	1,212	1,235,205	2,774	1,239,191
	<u>16,477,552</u>	<u>5,374,994</u>	<u>125,324</u>	<u>21,977,870</u>
Financial liabilities at fair value				
Derivative financial liabilities	587	1,265,550	10,938	1,277,075
	<u>587</u>	<u>1,265,550</u>	<u>10,938</u>	<u>1,277,075</u>
31 December 2019				
Financial assets at fair value				
Financial assets at FVTPL	864,145	312,324	-	1,176,469
Financial investments at FVOCI	9,236,880	6,213,087	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>10,102,532</u>	<u>7,251,988</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
	<u>888</u>	<u>667,470</u>	<u>31,665</u>	<u>700,023</u>
Bank				
30 September 2020				
Financial assets at fair value				
Financial assets at FVTPL	2,614,110	24	-	2,614,134
Financial investments at FVOCI	10,762,777	3,141,747	112,030	14,016,554
Loans, advances and financing	-	-	10,520	10,520
Derivative financial assets	1,246	1,236,885	2,771	1,240,902
	<u>13,378,133</u>	<u>4,378,656</u>	<u>125,321</u>	<u>17,882,110</u>
Financial liabilities at fair value				
Derivative financial liabilities	595	1,265,524	10,938	1,277,057
	<u>595</u>	<u>1,265,524</u>	<u>10,938</u>	<u>1,277,057</u>
31 December 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
	<u>894</u>	<u>667,409</u>	<u>31,665</u>	<u>699,968</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 2020 (continued)**33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)****Fair value hierarchy of financial instruments (continued)**

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

	Group		Bank	
	30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
Financial assets at fair value				
At 1 January	137,485	197,081	137,485	197,081
Purchased	-	10,000	-	10,000
Settled/disposed	(176)	(24,661)	(176)	(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	2,911	16,612	2,908	16,612
- Recognised in other comprehensive income	6,752	6,059	6,752	6,059
At 30 September/31 December	<u>125,324</u>	<u>137,485</u>	<u>125,321</u>	<u>137,485</u>
Financial liabilities at fair value				
At 1 January	31,665	73,283	31,665	73,283
Transferred (from)/to Level 3	(21,092)	4,161	(21,092)	4,161
Realised gain				
- Recognised in net trading income	(10,520)	(72,030)	(10,520)	(72,030)
Unrealised loss				
- Recognised in net trading income	10,885	26,251	10,885	26,251
At 30 September/31 December	<u>10,938</u>	<u>31,665</u>	<u>10,938</u>	<u>31,665</u>

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

Group	30 September 2020 Fair value RM'000	31 December 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	10,520	10,560	FVTPL	Discounted cash flow analysis and market approach	Implied equity value, incentive fee and discount factor
Derivative financial assets	<u>2,774</u>	<u>21,648</u>	Hedge for trading	Option pricing model	Standard deviation
	<u>125,324</u>	<u>137,485</u>			
Liabilities					
Derivative financial liabilities	<u>10,938</u>	<u>31,665</u>	Hedge for trading	Option pricing model	Standard deviation

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33 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Fair value hierarchy of financial instruments (continued)

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:

<u>Bank</u>	30 September	31 December	Classification	Valuation technique	Unobservable input
	2020	2019			
	Fair value	Fair value			
	RM'000	RM'000			
Assets					
Financial investments at FVOCI	112,030	105,277	FVOCI	Net asset value approach	Net asset value
Loans, advances and financing	10,520	10,560	FVTPL	Discounted cash flow analysis and market approach	Implied equity value, incentive fee and discount factor
Derivative financial assets	2,771	21,648	Hedge for trading	Option pricing model	Standard deviation
	<u>125,321</u>	<u>137,485</u>			
Liabilities					
Derivative financial liabilities	10,938	31,665	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.

35 CAPITAL ADEQUACY

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

	Group		Bank	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier 1 ("CET 1") capital				
Paid-up ordinary share capital	754,000	754,000	754,000	754,000
Retained earnings	6,769,797	6,645,307	5,801,636	5,715,154
Other reserves	1,001,175	857,156	801,809	686,118
Regulatory adjustment	(841,135)	(768,876)	(1,274,406)	(1,218,797)
	<u>7,683,837</u>	<u>7,487,587</u>	<u>6,083,039</u>	<u>5,936,475</u>
Additional Tier 1 capital	457,395	450,285	457,395	450,285
Tier 1 capital	<u>8,141,232</u>	<u>7,937,872</u>	<u>6,540,434</u>	<u>6,386,760</u>
Stage 1 and Stage 2 ECL and qualifying regulatory reserves under the Standardised Approach	14,594	13,191	12,048	10,473
Surplus eligible provisions over expected losses	258,390	260,207	206,206	211,418
Subordinated bonds	1,040,558	1,032,154	1,040,558	1,032,154
Regulatory adjustment	-	-	(200,000)	(200,000)
Tier 2 capital	<u>1,313,542</u>	<u>1,305,552</u>	<u>1,058,812</u>	<u>1,054,045</u>
Capital base	<u>9,454,774</u>	<u>9,243,424</u>	<u>7,599,246</u>	<u>7,440,805</u>

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35 CAPITAL ADEQUACY (continued)

	Group		Bank	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Before deducting proposed dividend				
CET 1 capital ratio	15.287%	14.736%	15.002%	14.250%
Tier 1 capital ratio	16.197%	15.622%	16.130%	15.331%
Total capital ratio	18.811%	18.192%	18.741%	17.861%
After deducting proposed dividend				
CET 1 capital ratio	15.287%	14.380%	15.002%	13.815%
Tier 1 capital ratio	16.197%	15.266%	16.130%	14.896%
Total capital ratio	18.811%	17.835%	18.741%	17.426%

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

	Group		Bank	
	30 September 2020	31 December 2019	30 September 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	44,232,455	44,422,981	35,331,585	36,074,121
Total RWA for market risk	1,061,068	1,503,354	1,061,870	1,510,830
Total RWA for operational risk	4,969,011	4,884,966	4,156,032	4,074,650
	50,262,534	50,811,301	40,549,487	41,659,601

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). 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.

The capital adequacy ratios of OCBC Al-Amin are as follows:

	30 September 2020	31 December 2019
CET 1 capital ratio	16.298%	16.704%
Tier 1 capital ratio	16.298%	16.704%
Total capital ratio	18.904%	19.425%