

**OCBC AL-AMIN BANK BERHAD**

Company No. 200801017151 (818444-T)

(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

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FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

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

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020**

		<b>30 September 2020</b>	<b>31 December 2019</b>
<b>ASSETS</b>	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and cash equivalents	9	1,103,839	958,140
Financial assets at fair value through profit or loss ("FVTPL")	10	10,169	16,330
Financial investments at fair value through other comprehensive income ("FVOCI")	11	4,087,302	4,206,452
Financing and advances	12	11,464,726	11,805,289
Derivative financial assets	14	25,051	12,289
Other assets	15	41,208	70,569
Tax recoverable		1,728	5,726
Statutory deposits with Bank Negara Malaysia ("BNM")		-	309,300
Property and equipment		5,803	7,421
Right-of-use ("ROU") assets		2,903	3,017
Deferred tax assets		4,114	2,586
<b>Total assets</b>		<b>16,746,843</b>	<b>17,397,119</b>
<b>LIABILITIES</b>			
Deposits from customers	16	12,358,632	12,591,597
Investment accounts due to designated financial institution	17	1,569,935	1,986,054
Deposits and placements of banks and other financial institutions	18	693,589	763,189
Bills and acceptances payable		13,443	17,535
Derivative financial liabilities	14	26,780	12,442
Other liabilities	19	152,940	170,126
Provision for taxation and zakat		87	50
Subordinated sukuk	20	200,000	200,000
<b>Total liabilities</b>		<b>15,015,406</b>	<b>15,740,993</b>
<b>EQUITY</b>			
Share capital		555,000	555,000
Reserves		1,176,437	1,101,126
<b>Total equity</b>		<b>1,731,437</b>	<b>1,656,126</b>
<b>Total liabilities and equity</b>		<b>16,746,843</b>	<b>17,397,119</b>
<b>Commitments and contingencies</b>	30	<b>3,570,826</b>	<b>4,140,499</b>

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

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

	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
Income derived from investment of depositors' funds and others	21	136,829	155,628	432,480	478,854
Income derived from investment of investment account funds	22	8,504	27,509	41,439	55,868
Income derived from investment of shareholder's funds	23	35,242	34,212	102,815	99,211
Impairment (allowance)/writeback and provisions	24	(57,161)	31,682	(126,826)	(17,352)
Total distributable income		123,414	249,031	449,908	616,581
Income attributable to depositors	25	(61,445)	(95,918)	(222,757)	(284,101)
Income attributable to investment account holder	26	(6,629)	(19,283)	(29,633)	(40,719)
Total net income		55,340	133,830	197,518	291,761
Operating expenses	27	(46,437)	(50,460)	(142,468)	(148,118)
<b>Profit before taxation and zakat</b>		8,903	83,370	55,050	143,643
Income tax expense	28	(163)	(17,196)	(7,600)	(27,743)
Zakat		(12)	(16)	(37)	(33)
<b>Profit for the period</b>		<b>8,728</b>	<b>66,158</b>	<b>47,413</b>	<b>115,867</b>
<b>Other comprehensive income, net of income tax</b>					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Fair value reserve (debt instruments)					
- Change in fair value		15,581	11,470	55,417	37,823
- Transferred to profit or loss		(8,394)	(2,917)	(18,623)	(9,778)
- Related tax		(1,722)	(2,051)	(8,826)	(6,731)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		(93)	15	(70)	(120)
<b>Other comprehensive income for the period, net of income tax</b>		<b>5,372</b>	<b>6,517</b>	<b>27,898</b>	<b>21,194</b>
<b>Total comprehensive income for the period</b>		<b>14,100</b>	<b>72,675</b>	<b>75,311</b>	<b>137,061</b>
Profit attributable to the owner of the Bank		8,728	66,158	47,413	115,867
Total comprehensive income attributable to the owner of the Bank		14,100	72,675	75,311	137,061
<b>Basic earnings per ordinary share (sen)</b>		<b>4.72</b>	<b>35.76</b>	<b>25.63</b>	<b>62.63</b>

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

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

	<i>Non-distributable</i>			<i>Distributable</i>		<b>Total Equity RM'000</b>
	<b>Share Capital RM'000</b>	<b>Regulatory Reserve RM'000</b>	<b>ECL Reserve RM'000</b>	<b>Fair Value Reserve RM'000</b>	<b>Retained Earnings RM'000</b>	
<b>2020</b>						
At 1 January 2020	555,000	91,000	153	23,778	986,195	1,656,126
Fair value reserve						
- Change in fair value	-	-	-	55,417	-	55,417
- Transferred to profit or loss	-	-	-	(18,623)	-	(18,623)
- Related tax	-	-	-	(8,826)	-	(8,826)
Change in ECL reserve	-	-	(70)	-	-	(70)
<b>Total other comprehensive (expense)/income for the period</b>	-	-	(70)	27,968	-	27,898
Profit for the period	-	-	-	-	47,413	47,413
<b>Total comprehensive (expense)/income for the period</b>	-	-	(70)	27,968	47,413	75,311
At 30 September 2020	<b>555,000</b>	<b>91,000</b>	<b>83</b>	<b>51,746</b>	<b>1,033,608</b>	<b>1,731,437</b>
<b>2019</b>						
At 1 January 2019	555,000	91,000	249	2,610	821,721	1,470,580
Fair value reserve						
- Change in fair value	-	-	-	37,823	-	37,823
- Transferred to profit or loss	-	-	-	(9,778)	-	(9,778)
- Related tax	-	-	-	(6,731)	-	(6,731)
Change in ECL reserve	-	-	(120)	-	-	(120)
<b>Total other comprehensive (expense)/income for the period</b>	-	-	(120)	21,314	-	21,194
Profit for the period	-	-	-	-	115,867	115,867
<b>Total comprehensive (expense)/income for the period</b>	-	-	(120)	21,314	115,867	137,061
At 30 September 2019	<b>555,000</b>	<b>91,000</b>	<b>129</b>	<b>23,924</b>	<b>937,588</b>	<b>1,607,641</b>

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

	<b>30 September 2020 RM'000</b>	<b>30 September 2019 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax expense and zakat	55,050	143,643
<i>Adjustments for:</i>		
Net loss/(gain) from disposal of:		
- Financial assets at FVTPL	96	-
- Financial investments at FVOCI	(18,623)	(9,778)
- Property and equipment	62	3
Depreciation of equipment	1,786	2,054
Depreciation of ROU assets	1,623	1,878
Impairment allowance and provisions	126,826	17,352
Finance expense on ROU assets	63	91
Share-based costs	274	337
Unrealised (gain)/loss on:		
- Financial assets at FVTPL	(14)	(228)
- Derivatives	1,577	(870)
Operating profit before changes in working capital	<u>168,720</u>	<u>154,482</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at FVTPL	6,079	(6,157)
Financing and advances	213,737	(1,283,741)
Derivative financial assets	(12,762)	(10,232)
Other assets	27,785	23,147
Statutory deposits with BNM	309,300	(22,800)
Deposits from customers	(232,965)	145,054
Investment accounts due to designated financial institution	(416,119)	743,118
Deposits and placements of banks and other financial institutions	(69,600)	(285,370)
Bills and acceptances payable	(4,092)	(438)
Derivative financial liabilities	14,338	9,353
Other liabilities	(17,348)	44,094
<b>Cash used in operations</b>	<u>(12,927)</u>	<u>(489,490)</u>
Income tax and zakat paid	<u>(13,956)</u>	<u>(37,817)</u>
<b>Net cash used in operating activities</b>	<u>(26,883)</u>	<u>(527,307)</u>
<b>Cash flows from investing activities</b>		
Acquisition of financial investments at FVOCI	(8,605,000)	(5,290,000)
Proceeds from disposal of financial investments at FVOCI	8,779,497	5,275,530
Acquisition of property and equipment	(231)	(134)
Proceeds from disposal of property and equipment	-	2
<b>Net cash generated/(used in) investing activities</b>	<u>174,266</u>	<u>(14,602)</u>
<b>Cash flows from financing activity</b>		
Payment of lease liabilities	(1,684)	(1,936)
<b>Net cash used in financing activity</b>	<u>(1,684)</u>	<u>(1,936)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	145,699	(543,845)
<b>Cash and cash equivalents at 1 January</b>	<u>958,141</u>	<u>959,600</u>
<b>Cash and cash equivalents at 30 September</b>	<u>1,103,840</u>	<u>415,755</u>

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

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

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

### **GENERAL INFORMATION**

The Bank is a licensed Islamic Bank principally engaged in Islamic Banking and related financial services. There were no significant changes to these activities during the financial period.

### **PERFORMANCE REVIEW**

The Bank recorded profit after tax of RM47.4 million for the financial period ended 30 September 2020, a decrease of RM68.5 million against the corresponding period last year. The decrease was mainly due to higher allowances of RM109.5 million and lower income from investment of depositors' funds and others of RM46.4 million, partly offset by lower profit attributable to depositors of RM61.3 million, lower tax of RM20.1 million and lower operating expenses of RM5.7 million.

Allowances increased by RM109.5 million mainly from higher Stage 1 and Stage 2 expected credit loss ("ECL") allowance of RM75.8 million stemming from a worsened economic outlook, lower recoveries from restricted profit sharing investment account holder of RM29.8 million and bad debt recovered of RM22.2 million partly offset by lower net Stage 3 ECL allowance of RM16.3 million and provision for commitment and contingencies of RM2.0 million.

Income from investment of depositors' funds and others decreased by RM46.4 million mainly due to lower finance income from financing and advances of RM36.8 million, affected by Overnight Policy Rate ("OPR") drops during the financial period totalling 125 basis points.

Gross financing and advances marginally decreased by RM247 million or 2% in the first nine months of 2020, mainly from one large corporate repayment. Deposits from customers concurrently decreased by RM233 million over the same period to RM12.4 billion, mainly from lower deposits from non-bank financial institution deposits of RM0.4 billion, government & statutory bodies by RM0.3 billion and business enterprises by RM0.2 billion, partly replaced by more deposits garnered from individuals of RM0.7 billion as the Bank diversified its source of funds and reduced its reliance on wholesale funding. Deposits from individuals grew from 31% of total customer deposits as at 31 December 2019 to 37% of total customer deposits as at 30 September 2020.

The Bank remained well capitalised with Common Equity Tier 1 and Tier 1 capital ratios of 16.298% and Total capital ratio of 18.904%.

### **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. 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, 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.

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

### 1 BASIS OF PREPARATION

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

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

#### (a) Statement of compliance

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

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

- Amendments to MFRS 9, *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 initial application of the abovementioned amendments to accounting standards do not have any material impact to the financial statements of the Bank.

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

#### Effective for annual periods commencing on or after 1 January 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 9, *Financial Instruments - Annual Improvements to MFRS Standards 2018-2020*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets: Onerous Contract - Cost of Fulfilling a Contract*

The Bank plans to apply the abovementioned amendments to accounting standards when they become effective in the respective financial periods. The initial application of the abovementioned amendments to accounting standards are not expected to have any material impact to the financial statements of the Bank.



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

**1 BASIS OF PREPARATION (continued)**

**(b) Use of estimates and judgements**

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

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

**2 SIGNIFICANT ACCOUNTING POLICIES**

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

**3 AUDITOR'S REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS**

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

**4 SEASONALITY OF OPERATIONS**

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

**5 DEBT SECURITIES**

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

**6 DIVIDEND**

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

**7 SUBSEQUENT EVENTS**

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

**8 UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE**

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

**9 CASH AND CASH EQUIVALENTS**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Cash and balances with banks and other financial institutions	76,238	110,496
Deposits and placements with BNM	1,027,602	847,645
	<u>1,103,840</u>	<u>958,141</u>
Stage 1 ECL allowance	(1)	(1)
	<u>1,103,839</u>	<u>958,140</u>

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

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

	30 September 2020 RM'000	31 December 2019 RM'000
<b>At fair value</b>		
Islamic Corporate Sukuk	10,169	16,330

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

	30 September 2020 RM'000	31 December 2019 RM'000
<b>At fair value</b>		
Malaysian Government Investment Issues	2,397,447	2,261,060
Malaysian Government Sukuk	75,238	94,846
Malaysian Government Islamic Treasury Bills	287,760	-
Islamic Corporate Sukuk	252,434	389,940
Islamic Negotiable Instruments of Deposit	998,017	1,374,877
Cagamas Sukuk	51,127	60,842
Foreign Government Sukuk	25,279	24,887
	<u>4,087,302</u>	<u>4,206,452</u>

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

	30 September 2020			31 December 2019		
	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non credit- impaired RM'000	Stage 1 12 Months ECL RM'000	Stage 2 Lifetime ECL RM'000	Total ECL non credit- impaired RM'000
At 1 January	153	-	153	199	50	249
New financial assets originated or purchased	151	-	151	205	-	205
Financial assets derecognised	(165)	-	(165)	(66)	(41)	(107)
Net remeasurement during the period/year	(57)	-	(57)	(185)	(9)	(194)
At 30 September/31 December	<u>82</u>	<u>-</u>	<u>82</u>	<u>153</u>	<u>-</u>	<u>153</u>

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

**12 FINANCING AND ADVANCES**

(i) By type and Shariah contract

	<i>Sale based contracts</i>					<i>Lease based contracts</i>			<i>Equity based contracts</i>		<b>Total RM'000</b>	
	<b>Bai'</b>		<b>Tawarruq RM'000</b>	<b>Murabahah RM'000</b>	<b>Bai' Dayn RM'000</b>	<b>Ijarah</b>		<b>Ijarah</b>		<b>Musharakah Mutanaqisah RM'000</b>		<b>Others RM'000</b>
	<b>Bai' Inah RM'000</b>	<b>Bithaman Ajil RM'000</b>				<b>Al- Bai RM'000</b>	<b>Ijarah RM'000</b>	<b>Muntahiah Bi Al-Tamlik RM'000</b>				
<b>30 September 2020</b>												
<b>At amortised cost and net of unearned income</b>												
Cash line financing	9,269	7,275	-	-	-	-	444,467	-	-	1,757	462,768	
Term Financing												
- House financing	-	7,567	-	-	-	-	-	1,846,884	72,493	-	1,926,944	
- Syndicated term financing	-	-	672,663	-	-	-	-	136,080	-	-	808,743	
- Hire purchase receivables	-	-	-	-	-	175,207	-	164,493	-	-	339,700	
- Other term financing	187,516	25,945	2,768,438	-	-	-	-	1,286,245	92,991	-	4,361,135	
Bills receivable	-	-	-	16,080	28,970	-	-	-	-	-	45,050	
Trust receipts	-	-	-	413	-	-	-	-	-	-	413	
Revolving credit	-	-	3,408,658	-	-	-	-	-	-	-	3,408,658	
Claims on customers under acceptance credits	-	-	-	215,604	95,622	-	-	-	-	-	311,226	
Other financing	-	-	115,681	-	-	-	-	-	-	-	115,681	
<b>Gross financing and advances</b>	<b>196,785</b>	<b>40,787</b>	<b>6,965,440</b>	<b>232,097</b>	<b>124,592</b>	<b>175,207</b>	<b>444,467</b>	<b>3,433,702</b>	<b>165,484</b>	<b>1,757</b>	<b>11,780,318</b>	
ECL allowance											(315,592)	
<b>Net financing and advances</b>											<b>11,464,726</b>	

Included in financing and advances are specific business ventures funded by the Restricted Profit Sharing Investment Account ("RPSIA") arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad (Note 17). The immediate holding company, being the RPSIA investor, is exposed to the risks and rewards of the business venture and accounts for the impairment allowances arising thereon.

As at 30 September 2020, the gross exposure and ECL relating to RPSIA financing amounted to RM1,603 million (31 December 2019: RM2,022 million) and RM35 million (31 December 2019: RM61 million) respectively.

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

**12 FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contract (continued)

	<i>Sale based contracts</i>					<i>Lease based contracts</i>			<i>Equity based contracts</i>		<b>Total RM'000</b>
	<b>Bai'</b>		<b>Tawarruq RM'000</b>	<b>Murabahah RM'000</b>	<b>Bai' Dayn RM'000</b>	<b>Ijarah</b>		<b>Ijarah Muntahiah Bi Al-Tamlik RM'000</b>	<b>Musharakah Mutanaqisah RM'000</b>	<b>Others RM'000</b>	
	<b>Bai' Inah RM'000</b>	<b>Bithaman Ajil RM'000</b>				<b>Al- Bai RM'000</b>	<b>Ijarah RM'000</b>				
<b>31 December 2019</b>											
<b>At amortised cost and net of unearned income</b>											
Cash line financing	10,059	8,631	-	-	-	-	432,413	-	-	2,507	453,610
Term Financing											
- House financing	-	8,095	-	-	-	-	-	1,858,021	76,302	-	1,942,418
- Syndicated term financing	-	-	460,608	-	-	-	-	167,195	-	-	627,803
- Hire purchase receivables	-	-	-	-	-	165,094	-	179,681	-	-	344,775
- Other term financing	216,361	30,253	2,388,283	-	-	-	-	1,419,122	96,927	-	4,150,946
Bills receivable	-	-	-	16,801	35,930	-	-	-	-	-	52,731
Trust receipts	-	-	-	135	-	-	-	-	-	-	135
Revolving credit	-	-	3,905,317	-	-	-	-	-	-	-	3,905,317
Claims on customers under acceptance credits	-	-	-	346,543	73,757	-	-	-	-	-	420,300
Other financing	-	-	129,602	-	-	-	-	-	-	-	129,602
<b>Gross financing and advances</b>	<b>226,420</b>	<b>46,979</b>	<b>6,883,810</b>	<b>363,479</b>	<b>109,687</b>	<b>165,094</b>	<b>432,413</b>	<b>3,624,019</b>	<b>173,229</b>	<b>2,507</b>	<b>12,027,637</b>
ECL allowance											(222,348)
<b>Net financing and advances</b>											<b>11,805,289</b>

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

**12 FINANCING AND ADVANCES (continued)**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
(ii) By type of customer		
Domestic non-bank financial institutions	1,000,262	1,027,120
Domestic business enterprises		
- Small and medium enterprises	2,494,021	2,056,745
- Others	5,513,198	5,610,952
Individuals	2,182,576	2,212,138
Foreign entities	590,261	1,120,682
	<u>11,780,318</u>	<u>12,027,637</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	45,068	47,513
- Hire purchase receivables	175,206	165,095
- Other fixed rate financing	1,485,299	1,550,059
Variable rate		
- Base rate/Base financing rate plus	4,302,836	4,141,835
- Cost plus	5,717,455	6,079,866
- Other variable rate	54,454	43,269
	<u>11,780,318</u>	<u>12,027,637</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	2,017,116	2,088,480
Mining and quarrying	276,531	300,835
Manufacturing	1,504,978	1,503,469
Electricity, gas and water	47,859	30,509
Construction	928,813	782,450
Real estate	1,216,078	1,212,724
Wholesale & retail trade and restaurants & hotels	1,282,869	1,242,882
Transport, storage and communication	242,931	254,119
Finance, insurance and business services	1,185,532	1,715,709
Community, social and personal services	775,750	565,211
Household		
- Purchase of residential properties	1,936,307	1,952,047
- Purchase of non-residential properties	48,848	46,360
- Others	316,129	332,265
Others	577	577
	<u>11,780,318</u>	<u>12,027,637</u>
(v) By geographical distribution determined based on where the credit risk resides		
Malaysia	11,239,969	10,966,315
Singapore	81,176	579,932
Other ASEAN countries	130,864	162,160
Rest of the world	328,309	319,230
	<u>11,780,318</u>	<u>12,027,637</u>

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

**12 FINANCING AND ADVANCES (continued)**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
(vi) By residual contractual maturity		
Up to one year	4,215,602	4,910,823
Over one year to three years	1,035,505	819,478
Over three years to five years	1,198,179	1,425,582
Over five years	5,331,032	4,871,754
	<u>11,780,318</u>	<u>12,027,637</u>

**13 IMPAIRED FINANCING AND ADVANCES**

(a) Movements in credit-impaired financing and advances

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
At 1 January	345,692	375,100
Impaired during the period/year	358,633	378,458
Reclassified as non credit-impaired	(65,591)	(142,180)
Amount recovered	(20,170)	(169,849)
Amount written off	(37,450)	(96,120)
Effect of foreign exchange difference	-	283
At 30 September/31 December	<u>581,114</u>	<u>345,692</u>
Stage 3 ECL allowance	(126,465)	(109,208)
Net impaired financing and advances	<u>454,649</u>	<u>236,484</u>

Included in the credit-impaired financing and advances are specific business ventures funded by the RPSIA arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad. The immediate holding company, as the RPSIA holder, is exposed to the risks and rewards of the business venture and accounts for the Stage 3 ECL arising thereon. As at 30 September 2020, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM245 million (31 December 2019: RM59 million) and RM33 million (31 December 2019: RM33 million) respectively.

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
(i) By sector		
Agriculture, hunting, forestry and fishing	209,203	3,635
Manufacturing	27,851	36,228
Construction	101,796	41,916
Real estate	544	666
Wholesale & retail trade and restaurants & hotels	92,949	104,506
Transport, storage and communication	52,359	61,995
Finance, insurance and business services	7,999	7,612
Community, social and personal services	601	733
Household		
- Purchase of residential properties	74,709	65,633
- Purchase of non-residential properties	-	761
- Others	13,103	22,007
	<u>581,114</u>	<u>345,692</u>
(ii) By geographical distribution determined based on where the credit risk resides		
Malaysia	576,294	341,775
Singapore	4,806	3,899
Other ASEAN country	14	18
	<u>581,114</u>	<u>345,692</u>

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

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

(b) Movements in ECL allowance for financing and advances

	30 September				31 December			
	<i>Non credit-impaired</i>		<i>Credit-impaired</i>		<i>Non credit-impaired</i>		<i>Credit-impaired</i>	
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>	<b>ECL</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	59,706	53,434	109,208	222,348	58,957	57,165	120,198	236,320
Transferred to Stage 1	77,919	(73,123)	(4,796)	-	64,823	(56,128)	(8,695)	-
Transferred to Stage 2	(40,726)	42,410	(1,684)	-	(18,523)	26,608	(8,085)	-
Transferred to Stage 3	(2,265)	(22,631)	24,896	-	(1,953)	(58,309)	60,262	-
New financial assets originated or purchased	17,626	28,097	-	45,723	31,681	8,072	-	39,753
Financial assets derecognised	(14,531)	(24,084)	(5,072)	(43,687)	(24,198)	(14,370)	(11,171)	(49,739)
Net remeasurement during the period/year	(27,379)	115,112	48,157	135,890	(50,925)	90,391	59,215	98,681
Written-off	-	-	(37,450)	(37,450)	-	-	(96,120)	(96,120)
Other movements	399	(837)	(6,794)	(7,232)	(156)	5	(6,396)	(6,547)
At 30 September/31 December	<b>70,749</b>	<b>118,378</b>	<b>126,465</b>	<b>315,592</b>	<b>59,706</b>	<b>53,434</b>	<b>109,208</b>	<b>222,348</b>
At 1 January								
- Financing and advances	56,055	46,736	109,208	211,999	55,816	56,927	120,198	232,941
- Financing related commitments and financial guarantees	3,651	6,698	-	10,349	3,141	238	-	3,379
	<b>59,706</b>	<b>53,434</b>	<b>109,208</b>	<b>222,348</b>	<b>58,957</b>	<b>57,165</b>	<b>120,198</b>	<b>236,320</b>
At 30 September/31 December								
- Financing and advances	69,352	98,310	126,465	294,127	56,055	46,736	109,208	211,999
- Financing related commitments and financial guarantees	1,397	20,068	-	21,465	3,651	6,698	-	10,349
	<b>70,749</b>	<b>118,378</b>	<b>126,465</b>	<b>315,592</b>	<b>59,706</b>	<b>53,434</b>	<b>109,208</b>	<b>222,348</b>

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

**14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	30 September 2020			31 December 2019		
	Contract underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	73,117	65	95	68,693	392	152
- Swaps	81,351	765	792	80,175	552	556
Profit rate derivatives						
- Swaps	425,400	24,221	25,893	360,000	11,345	11,734
	<b>579,868</b>	<b>25,051</b>	<b>26,780</b>	<b>508,868</b>	<b>12,289</b>	<b>12,442</b>

**15 OTHER ASSETS**

	30 September 2020 RM'000	31 December 2019 RM'000
Profit receivable	27,196	31,047
Other receivables, deposits and prepayments	5,916	7,255
Amount due from immediate holding company	8,087	31,955
Amount due from ultimate holding company	9	309
Amount due from related company	-	3
	<b>41,208</b>	<b>70,569</b>

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

**16 DEPOSITS FROM CUSTOMERS**

	30 September 2020 RM'000	31 December 2019 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	574,666	510,986
- Qard	212,533	183,948
Demand deposits		
- Tawarruq	833,390	543,334
- Qard	4,029,685	3,669,057
Term deposits		
- Commodity Murabahah	5,886,953	6,622,560
- Qard	19,935	7,754



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

**16 DEPOSITS FROM CUSTOMERS (continued)**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
(a) By type of deposit (continued)		
Negotiable instruments of deposits		
- Bai' Inah	-	600,000
- Bai Bithaman Ajil	-	77,532
Short-term deposits		
- Tawarruq	801,470	376,426
	<u>12,358,632</u>	<u>12,591,597</u>
(b) By type of customer		
Government and statutory bodies	466,356	768,322
Non-bank financial institutions	1,404,093	1,770,716
Business enterprises	5,587,262	5,813,790
Individuals	4,566,907	3,873,230
Foreign entities	205,165	147,170
Others	128,849	218,369
	<u>12,358,632</u>	<u>12,591,597</u>
(c) By maturity structure of term deposits, negotiable instruments of deposit and short-term deposits		
Up to six months	5,313,211	6,105,962
Over six months to one year	1,391,082	1,565,368
Over one year to three years	3,765	12,942
Over three years to five years	300	-
	<u>6,708,358</u>	<u>7,684,272</u>

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>Mudharabah RPSIA</b>		
Licensed bank	1,602,704	2,018,823
Amount receivable from immediate holding company under RPSIA	(32,769)	(32,769)
	<u>1,569,935</u>	<u>1,986,054</u>

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>Non-Mudharabah</b>		
Licensed banks	689,428	758,235
Other financial institutions	4,161	4,954
	<u>693,589</u>	<u>763,189</u>

Included in the above are deposits and placements of its immediate holding company of RM636 million (2019: RM720 million), which are unsecured and profit-bearing.

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

**19 OTHER LIABILITIES**

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Profit payable	61,702	79,323
Other payables and accruals	76,340	72,391
Amount due to immediate holding company	8,844	12,218
Amount due to related company	-	245
Amount due to ultimate holding company	397	176
Equity compensation benefits	688	692
Lease liabilities	2,935	3,047
Provision for commitments and contingencies	2,034	2,034
	<u>152,940</u>	<u>170,126</u>

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

**20 SUBORDINATED SUKUK**

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

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

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

	<u>Quarter Ended</u>		<u>Year-To-Date Ended</u>	
	<u>30 September 2020 RM'000</u>	<u>30 September 2019 RM'000</u>	<u>30 September 2020 RM'000</u>	<u>30 September 2019 RM'000</u>
Income derived from investment of:				
(i) Term deposits/General investment deposits	61,922	84,297	214,976	255,552
(ii) Other deposits	74,907	71,331	217,504	223,302
	<u>136,829</u>	<u>155,628</u>	<u>432,480</u>	<u>478,854</u>

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

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

	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
(i) Income derived from investment of term/general investment deposits				
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	43,131	61,077	155,680	187,585
- Recoveries from credit-impaired financing	554	719	1,793	1,728
- Discount unwind from credit-impaired financing	792	228	3,000	2,254
Financial assets at FVTPL	55	81	209	222
Financial investments at FVOCI	12,273	18,698	42,980	50,935
Deposits and placements with banks and other financial institutions	1,552	1,655	6,210	7,353
	<u>58,357</u>	<u>82,458</u>	<u>209,872</u>	<u>250,077</u>
<b>Other trading income</b>				
Net loss from sale of financial assets at FVTPL	(39)	-	(39)	-
Unrealised gain on financial assets at FVTPL	29	121	1	110
<b>Other operating income</b>				
Net gain from sale of financial investments at FVOCI	3,354	1,403	8,049	4,709
Others	221	315	(2,907)	656
	<u>61,922</u>	<u>84,297</u>	<u>214,976</u>	<u>255,552</u>
(ii) Income derived from investment of other deposits				
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	52,175	51,683	157,030	164,039
- Recoveries from credit-impaired financing	670	608	1,825	1,508
- Discount unwind from credit-impaired financing	958	192	3,015	2,001
Financial assets at FVTPL	67	69	210	195
Financial investments at FVOCI	14,846	15,823	43,456	44,563
Deposits and placements with banks and other financial institutions	1,877	1,400	6,216	6,329
	<u>70,593</u>	<u>69,775</u>	<u>211,752</u>	<u>218,635</u>
<b>Other trading income</b>				
Net loss from sale of financial assets at FVTPL	(46)	-	(46)	-
Unrealised gain on financial assets at FVTPL	35	102	10	92
<b>Other operating income</b>				
Net gain from sale of financial investments at FVOCI	4,057	1,187	8,433	4,007
Others	268	267	(2,645)	568
	<u>74,907</u>	<u>71,331</u>	<u>217,504</u>	<u>223,302</u>

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

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

	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
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	5,794	25,772	37,071	52,924
- Recoveries from credit-impaired financing	2,710	518	4,368	2,944
- Discount unwind from credit-impaired financing	-	1,219	-	-
	<u>8,504</u>	<u>27,509</u>	<u>41,439</u>	<u>55,868</u>

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

	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
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	12,643	14,233	40,540	42,689
- Recoveries from credit-impaired financing	162	168	468	395
- Discount unwind from credit-impaired financing	232	53	779	509
Financial assets at FVTPL	16	19	54	51
Financial investments at FVOCI	3,597	4,357	11,202	11,617
Deposits and placements with banks and other financial institutions	455	386	1,613	1,658
	<u>17,105</u>	<u>19,216</u>	<u>54,656</u>	<u>56,919</u>
<b>Other trading income</b>				
Net loss from sale of financial assets at FVTPL	(11)	-	(11)	-
Unrealised gain on financial assets at FVTPL	9	28	3	26
<b>Other operating income</b>				
Commission	6,189	5,624	18,833	17,169
Service charges and fees	6,403	3,764	15,709	11,219
Net gain from sale of financial investments at FVOCI	983	327	2,141	1,062
Others	65	74	(720)	150
<b>Other trading income</b>				
Net trading gain/(loss)				
- Foreign currency	334	(12)	(578)	(1,228)
- Derivatives	4,268	5,151	14,359	13,024
- Revaluation of derivatives	(103)	40	(1,577)	870
	<u>35,242</u>	<u>34,212</u>	<u>102,815</u>	<u>99,211</u>

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

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

	Quarter 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
<b>Financing and advances</b>				
Stage 1 and Stage 2 ECL made during the period	18,680	(27,749)	75,987	184
Stage 3 ECL				
- Made during the period	46,613	22,855	82,475	106,165
- Written back	(4,617)	(7,180)	(20,974)	(28,368)
Credit-impaired financing recovered	(3,422)	(21,657)	(10,592)	(32,749)
Recovery from RPSIA holder*	-	-	-	(29,794)
<b>Financial investments at FVOCI</b>				
Stage 1 and Stage 2 ECL (write back) /made during the period	(93)	15	(70)	(120)
<b>Other assets</b>				
Stage 1 and Stage 2 ECL write back during the period	-	-	-	-
<b>Commitments and contingencies</b>				
Net charge during the period	-	2,034	-	2,034
	<u>57,161</u>	<u>(31,682)</u>	<u>126,826</u>	<u>17,352</u>

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

**25 INCOME ATTRIBUTABLE TO DEPOSITORS**

	Quarter Ended		Year-To-Date Ended	
	30 September	30 September	30 September	30 September
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Non-Mudharabah	58,303	88,691	206,577	260,065
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	699	4,784	8,911	16,765
Subordinated sukuk	2,420	2,419	7,207	7,180
Lease liabilities	23	24	62	91
	<u>61,445</u>	<u>95,918</u>	<u>222,757</u>	<u>284,101</u>

**26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER**

	Quarter 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
Investment accounts due to designated financial institution				
- Mudharabah	6,629	19,283	29,633	40,719

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

**27 OPERATING EXPENSES**

	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
<b>Personnel expenses</b>				
Wages, salaries and bonus	5,897	6,438	17,491	19,467
Employees Provident Fund contributions	886	958	2,712	2,957
Share-based costs	98	136	274	337
Others	871	1,086	2,850	3,036
	<u>7,752</u>	<u>8,618</u>	<u>23,327</u>	<u>25,797</u>
<b>Establishment expenses</b>				
Depreciation of equipment	549	655	1,786	2,054
Depreciation of ROU assets	483	567	1,623	1,878
Rental of premises	(5)	3	(7)	8
Repair and maintenance	408	199	642	729
Information technology costs	171	180	510	643
Hire of equipment	22	25	87	91
Others	661	689	2,051	2,104
	<u>2,289</u>	<u>2,318</u>	<u>6,692</u>	<u>7,507</u>
<b>Marketing expenses</b>				
Advertising and business promotion	28	128	138	386
Transport and travelling	20	76	82	233
Others	2	14	28	66
	<u>50</u>	<u>218</u>	<u>248</u>	<u>685</u>
<b>General administrative expenses</b>				
Shared service fees to immediate holding company	26,468	29,032	83,020	83,960
IT and transaction processing fees to related companies	6,923	6,860	21,001	20,900
Others	2,955	3,414	8,180	9,269
	<u>36,346</u>	<u>39,306</u>	<u>112,201</u>	<u>114,129</u>
<b>Total operating expenses</b>	<u>46,437</u>	<u>50,460</u>	<u>142,468</u>	<u>148,118</u>

**28 INCOME TAX EXPENSE**

	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
Malaysian income tax				
- Current period	3,376	12,893	17,954	27,541
- Prior periods	-	1,179	-	1,179
Deferred tax				
- Origination and reversal of temporary differences	(3,213)	3,575	(10,354)	(526)
- Prior periods	-	(451)	-	(451)
	<u>163</u>	<u>17,196</u>	<u>7,600</u>	<u>27,743</u>

**29 CAPITAL COMMITMENTS**

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

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

**30 COMMITMENTS AND CONTINGENCIES**

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

The credit equivalent and risk weighted amounts were computed using the credit conversion factors and risk weights as defined by BNM for regulatory capital adequacy purposes.

	30 September 2020			31 December 2019		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	95,854	95,854	103,035	97,036	97,036	93,643
Transaction-related contingent items	392,720	200,933	130,783	374,020	190,518	130,795
Short-term self-liquidating trade-related contingencies	38,395	8,547	6,348	17,580	6,477	3,802
Foreign exchange related contracts						
- Less than one year	83,759	204	124	68,693	795	791
- One year to five years	70,709	8,529	3,969	80,175	10,974	4,008
Profit rate related contracts						
- Five years and above	425,400	60,494	50,915	360,000	40,683	30,416
Formal standby facilities and credit lines						
- Original maturity exceeding one year	474,991	381,598	283,977	422,525	334,720	267,231
Other unconditionally cancellable commitments	1,988,998	171,097	28,869	2,720,470	126,687	20,308
	<b>3,570,826</b>	<b>927,256</b>	<b>608,020</b>	<b>4,140,499</b>	<b>807,890</b>	<b>550,994</b>

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

**31 FAIR VALUE OF FINANCIAL INSTRUMENTS**

**Fair value hierarchy of financial instruments**

The Bank measures the fair value of financial assets and liabilities using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The valuation hierarchy and the types of instruments classified into each level within that hierarchy, are set out below:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Fair value determined as	Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and financial liabilities that the entity can access at the measurement date.	Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the financial assets and liabilities, either directly or indirectly.	Level 3 fair value is estimated using unobservable inputs for the financial assets and liabilities.
Type of financial assets	Actively traded government and government agency securities.  Actively traded quoted equity securities of corporations.  Corporate and other governments sukuk.	Over-the counter ("OTC") derivatives.  Deposits and placements with banks and other financial institutions.	Private debt equity instruments.  Corporate sukuk with illiquid markets.  Financing and advances.
Type of financial liabilities	-	OTC derivatives.  Deposits from customers.  Investment accounts due to designated financial institutions.  Deposits and placements of banks and other financial institutions.  Subordinated sukuk.	-

**Financial instruments carried at fair value**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>30 September 2020</b>				
<b>Financial assets at fair value</b>				
Financial assets at FVTPL	10,169	-	-	10,169
Financial investments at FVOCI	3,089,285	998,017	-	4,087,302
Derivative financial assets	27	25,021	3	25,051
	<u>3,099,481</u>	<u>1,023,038</u>	<u>3</u>	<u>4,122,522</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	53	26,727	-	26,780
<b>31 December 2019</b>				
<b>Financial assets at fair value</b>				
Financial assets at FVTPL	-	16,330	-	16,330
Financial investments at FVOCI	2,261,060	1,945,392	-	4,206,452
Derivative financial assets	14	12,275	-	12,289
	<u>2,261,074</u>	<u>1,973,997</u>	<u>-</u>	<u>4,235,071</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	91	12,351	-	12,442



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

**31 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)**

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

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

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

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

	30 September 2020 Fair value RM'000	31 December 2019 Fair value RM'000			
<b>Bank</b>			<b>Classification</b>	<b>Valuation technique</b>	<b>Unobservable input</b>
<b>Asset</b>					
Derivative financial assets	3	-	Hedge for trading	Option pricing model	Standard deviation

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

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

**32 CAPITAL ADEQUACY**

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
<b>Common Equity Tier 1 ("CET 1") capital</b>		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	1,024,880	986,195
Other reserves	142,746	114,778
Regulatory adjustment	(124,732)	(107,214)
	<u>1,597,894</u>	<u>1,548,759</u>
<b>Tier 2 capital</b>		
Stage 1 and Stage 2 ECL and qualifying regulatory reserves under the Standardised Approach	2,611	2,818
Surplus eligible provisions over expected losses	52,861	49,474
Subordinated sukuk	200,000	200,000
	<u>255,472</u>	<u>252,292</u>
<b>Capital base</b>	<u>1,853,366</u>	<u>1,801,051</u>
<b>Before the effects of PSIA</b>		
CET 1 / Tier 1 capital ratio	15.646%	14.495%
Total capital ratio	<u>18.148%</u>	<u>16.857%</u>
<b>After the effects of PSIA</b>		
CET 1 / Tier 1 capital ratio	16.298%	16.704%
Total capital ratio	<u>18.904%</u>	<u>19.425%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account as Risk Absorbent, the credit and market risks of the assets funded by the RPSIA which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 September 2020, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM408 million (31 December 2019: RM1,413 million).

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

	<b>30 September 2020 RM'000</b>	<b>31 December 2019 RM'000</b>
Total RWA for credit risk	9,018,950	8,471,121
Total RWA for market risk	6,088	9,820
Total RWA for operational risk	779,076	790,685
	<u>9,804,114</u>	<u>9,271,626</u>