

**OCBC AL-AMIN BANK BERHAD**

Registration No. 200801017151 (818444-T)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

Domiciled in Malaysia  
Registered Office:  
19th Floor Menara OCBC  
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50050 Kuala Lumpur

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FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

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

<b>ASSETS</b>	<b>Note</b>	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
Cash and cash equivalents	9	1,845,525	285,723
Financial assets at fair value through profit or loss ("FVTPL")	10	10,118	10,155
Financial investments at fair value through other comprehensive income ("FVOCI")	11	4,638,646	4,204,551
Financing and advances	12	11,457,756	11,244,993
Derivative financial assets	14	16,886	25,948
Other assets	15	33,119	101,361
Tax recoverable		14,609	10,868
Property and equipment		5,075	5,439
Right-of-use ("ROU") assets		4,258	4,493
Deferred tax assets		21,067	8,018
<b>Total assets</b>		<b>18,047,059</b>	<b>15,901,549</b>
<b>LIABILITIES</b>			
Deposits from customers	16	13,701,838	11,495,918
Investment accounts due to designated financial institution	17	1,733,227	1,480,245
Deposits and placements of banks and other financial institutions	18	419,469	775,572
Bills and acceptances payable		12,128	15,064
Derivative financial liabilities	14	17,884	27,253
Other liabilities	19	206,473	155,429
Provision for taxation and zakat		3,275	50
Subordinated sukuk	20	200,000	200,000
<b>Total liabilities</b>		<b>16,294,294</b>	<b>14,149,531</b>
<b>EQUITY</b>			
Share capital		555,000	555,000
Reserves		1,197,765	1,197,018
<b>Total equity</b>		<b>1,752,765</b>	<b>1,752,018</b>
<b>Total liabilities and equity</b>		<b>18,047,059</b>	<b>15,901,549</b>
<b>Commitments and contingencies</b>	30	<b>3,553,982</b>	<b>3,654,590</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 2020 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	Note	Quarter Ended		Year-To-Date Ended	
		30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Income derived from investment of depositors' funds and others	21	129,025	134,602	253,830	295,651
Income derived from investment of investment account funds	22	12,876	12,702	24,098	32,935
Income derived from investment of shareholder's funds	23	32,442	32,021	70,781	67,573
Impairment allowance and provisions	24	(119,680)	(28,610)	(111,017)	(69,665)
Total distributable income		54,663	150,715	237,692	326,494
Income attributable to depositors	25	(49,359)	(72,005)	(97,191)	(161,312)
Income attributable to investment account holder	26	(8,978)	(8,959)	(16,824)	(23,004)
Total net income		(3,674)	69,751	123,677	142,178
Operating expenses	27	(45,039)	(47,984)	(84,141)	(96,031)
<b>(Loss)/Profit before taxation and zakat</b>		(48,713)	21,767	39,536	46,147
Income tax expense	28	11,619	(2,957)	(9,626)	(7,437)
Zakat		(13)	(12)	(25)	(25)
<b>(Loss)/Profit for the period</b>		<b>(37,107)</b>	<b>18,798</b>	<b>29,885</b>	<b>38,685</b>
<b>Items that may be subsequently reclassified to profit or loss</b>					
Fair value reserve (debt instruments)					
- Change in fair value		5,069	28,808	(26,497)	39,836
- Transferred to profit or loss		(7,237)	(2,420)	(11,844)	(10,229)
- Related tax		523	(6,334)	9,204	(7,104)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		(24)	29	(1)	23
<b>Other comprehensive (expense)/income for the period, net of income tax</b>		<b>(1,669)</b>	<b>20,083</b>	<b>(29,138)</b>	<b>22,526</b>
<b>Total comprehensive (expense)/income for the period</b>		<b>(38,776)</b>	<b>38,881</b>	<b>747</b>	<b>61,211</b>
(Loss)/Profit attributable to the owner of the Bank		(37,107)	18,798	29,885	38,685
Total comprehensive (loss)/income attributable to the owner of the Bank		(38,776)	38,881	747	61,211
<b>Basic earnings per ordinary share (sen)</b>		<b>(20.06)</b>	<b>10.16</b>	<b>16.15</b>	<b>20.91</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 2020 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	<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>2021</b>						
At 1 January 2021	555,000	91,000	90	47,940	1,057,988	1,752,018
Fair value reserve						
- Change in fair value	-	-	-	(26,497)	-	(26,497)
- Transferred to profit or loss	-	-	-	(11,844)	-	(11,844)
- Related tax	-	-	-	9,204	-	9,204
Change in ECL reserve	-	-	(1)	-	-	(1)
<b>Total other comprehensive expense for the period</b>	-	-	(1)	(29,137)	-	(29,138)
Profit for the period	-	-	-	-	29,885	29,885
<b>Total comprehensive (expense)/income for the period</b>	-	-	(1)	(29,137)	29,885	747
At 30 June 2021	<b>555,000</b>	<b>91,000</b>	<b>89</b>	<b>18,803</b>	<b>1,087,873</b>	<b>1,752,765</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	-	-	-	39,836	-	39,836
- Transferred to profit or loss	-	-	-	(10,229)	-	(10,229)
- Related tax	-	-	-	(7,104)	-	(7,104)
Change in ECL reserve	-	-	23	-	-	23
<b>Total other comprehensive income for the period</b>	-	-	23	22,503	-	22,526
Profit for the period	-	-	-	-	38,685	38,685
<b>Total comprehensive income for the period</b>	-	-	23	22,503	38,685	61,211
At 30 June 2020	<b>555,000</b>	<b>91,000</b>	<b>176</b>	<b>46,281</b>	<b>1,024,880</b>	<b>1,717,337</b>

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**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**

	<b>30 June 2021 RM'000</b>	<b>30 June 2020 RM'000</b>
<b>Cash flows from operating activities</b>		
Profit before income tax expense and zakat	39,536	46,147
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial investments at FVOCI	(11,844)	(10,229)
- Property and equipment	47	-
Depreciation of equipment	875	1,237
Depreciation of ROU assets	933	1,140
Impairment allowance and provisions	121,951	69,665
Finance expense on lease liabilities	50	39
Share-based costs	172	176
Unrealised loss/(gain) on:		
- Financial assets at FVTPL	38	59
- Derivatives	(291)	1,474
Operating profit before changes in working capital	<u>151,467</u>	<u>109,708</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at FVTPL	(1)	(58)
Financing and advances	(334,714)	350,108
Derivative financial assets	9,353	(9,391)
Other assets	68,243	18,925
Statutory deposits with BNM	-	309,300
Deposits from customers	2,205,920	(92,595)
Investment accounts due to designated financial institution	252,982	(500,487)
Deposits and placements of banks and other financial institutions	(356,103)	(21,935)
Bills and acceptances payable	(2,936)	(4,753)
Derivative financial liabilities	(9,369)	10,858
Other liabilities	51,088	25,369
<b>Cash generated from operations</b>	<u>2,035,930</u>	<u>195,049</u>
Income tax and zakat paid	(14,012)	(13,956)
<b>Net cash generated from operating activities</b>	<u>2,021,918</u>	<u>181,093</u>
<b>Cash flows from investing activities</b>		
Acquisition of financial investments at FVOCI	(6,375,000)	(5,775,000)
Proceeds from disposal of financial investments at FVOCI	5,914,407	5,755,932
Acquisition of equipment	(559)	(190)
<b>Net cash used in investing activities</b>	<u>(461,152)</u>	<u>(19,258)</u>
<b>Cash flows from financing activity</b>		
Payment of lease liabilities	(964)	(1,179)
<b>Net cash used in financing activity</b>	<u>(964)</u>	<u>(1,179)</u>
<b>Net increase in cash and cash equivalents</b>	1,559,802	160,656
<b>Cash and cash equivalents at 1 January</b>	<u>285,723</u>	<u>958,141</u>
<b>Cash and cash equivalents at 30 June</b>	<u>1,845,525</u>	<u>1,118,797</u>

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

*The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2020 and the accompanying explanatory notes to the unaudited condensed interim financial statements.*

## **NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2021**

### **GENERAL INFORMATION**

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

### **PERFORMANCE REVIEW**

The Bank recorded profit after tax of RM29.9 million for the financial period ended 30 June 2021, a decrease of RM8.8 million against the corresponding period last year. The decrease was mainly due to lower income from investment of depositors' funds and others of RM41.8 million, higher allowances of RM41.3 million, lower net income from investment account funds of RM2.7 million and higher tax RM2.2 million partly offset by lower profit income attributable to depositors of RM64.1 million, lower operating expenses of RM11.9 million and higher income from investment of shareholder's funds of RM3.2 million.

Income from investment of depositors' funds and others decreased by RM41.8 million mainly due to lower finance income from financing and advances of RM42.3 million, affected by Overnight Policy Rate ("OPR") cuts in 2020.

Allowances increased by RM41.3 million mainly from higher Stage 3 net expected credit loss ("ECL") allowance of RM88.9 million attributed to additional provisions for corporates partly offset by lower Stage 1 and Stage 2 ECL allowance of RM43.8 million attributed to better economic outlook for 2021 and higher bad debt recovered of RM3.8 million.

Gross financing and advances increased by RM0.3 billion or +3% in the first half of 2021, mainly from financing to corporates. Deposits from customers increased by RM2.2 billion over the same period to RM13.7 billion, garnered mainly from non-bank financial institutions and business enterprises.

The Bank remained well capitalised with Common Equity Tier 1 and Tier 1 capital ratios of 16.946% and Total capital ratio of 19.476%.

### **ECONOMIC PERFORMANCE AND PROSPECTS**

Malaysia's Gross Domestic Product ("GDP") recorded a smaller contraction of -0.5% in the first quarter of 2021 compared to -3.4% in the fourth quarter of 2020, mainly supported by improvements in domestic demand and the strong exports performance.

Notably, a nationwide Full Movement Control Order ("FMCO") was imposed on 1 June 2021, followed by the implementation of an Enhanced Movement Control Order ("EMCO") on 1 July 2021 in eight districts in Selangor and 14 localities in Kuala Lumpur following a steep increase in Covid-19 infections. The imposition of stricter containment measures amid the rising Covid-19 cases domestically led to further concerns over the economic outlook, uncertainties in investor sentiments and increased risk aversion towards domestic financial assets.

Given that the EMCO rolled out in Selangor and Kuala Lumpur affects an area that contributes 40% of total GDP and involved factory closures, we are likely to see downward pressure on exports into second half of 2021. The outlook for trade activities will depend on how well the pandemic is being managed, speed of the vaccination programme and how quickly the economy opens up.

While the Covid-19 pandemic will continue to exert downward pressure on earnings, Malaysia's financial system is expected to remain healthy with banks well capitalised to withstand potential stress and sustain credit intermediation in the economy.

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

### 1 BASIS OF PREPARATION

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

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

#### (a) Statement of compliance

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

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

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

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

#### (i) Change in basis for determining cash flows

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

#### (ii) Hedge accounting

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

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

#### (iii) Disclosure

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



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

### 1 BASIS OF PREPARATION (continued)

#### (a) Statement of compliance (continued)

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

##### Effective for annual periods commencing on or after 1 January 2022

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

##### Effective for annual periods commencing on or after 1 January 2023

- Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Deferred Tax related Assets and Liabilities arising from a Single Transaction*

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

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

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

In preparing the unaudited condensed interim financial statements, the significant judgements made by management in applying the Bank's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited financial statements as at and for the financial year ended 31 December 2020.

### 2 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied by the Bank in these unaudited condensed interim financial statements are the same as those applied by the Bank in its audited financial statements as at and for the financial year ended 31 December 2020, except as disclosed in Note 1(a) to the interim financial statements.

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

The auditor's report on the financial statements for the financial year ended 31 December 2020 was not subject to any qualification.

### 4 SEASONALITY OF OPERATIONS

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

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

**5 DEBT SECURITIES**

There were no other issuances, cancellations, repurchases and repayments of debt securities by the Bank during the financial period ended 30 June 2021.

**6 DIVIDEND**

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

**7 SUBSEQUENT EVENTS**

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

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

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

**9 CASH AND CASH EQUIVALENTS**

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
Cash and balances with banks and other financial institutions	125,225	82,779
Deposits and placements with BNM	1,720,300	202,944
	<u>1,845,525</u>	<u>285,723</u>
By geographical distribution determined based on where the credit risk resides		
Malaysia	1,745,074	230,157
Singapore	23,743	29,078
Other ASEAN countries	566	2,574
Rest of the world	76,142	23,914
	<u>1,845,525</u>	<u>285,723</u>

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

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
<b>At fair value</b>		
Islamic Corporate Sukuk	10,118	10,155
	<u>10,118</u>	<u>10,155</u>

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

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

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
Malaysian Government Investment Issues	2,257,278	2,476,270
Malaysian Government Sukuk	73,564	73,817
Malaysian Government Islamic Treasury Bills	442,535	218,821
Islamic Corporate Sukuk	447,278	376,159
Islamic Negotiable Instruments of Deposit	1,397,849	999,225
Cagamas Sukuk	20,142	36,019
Foreign Government Sukuk	-	24,240
	<u>4,638,646</u>	<u>4,204,551</u>

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

	<b>30 June 2021</b>			<b>31 December 2020</b>		
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total ECL</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Total ECL</b>
	<b>12 Months</b>	<b>Lifetime</b>	<b>non credit-</b>	<b>12 Months</b>	<b>Lifetime</b>	<b>non credit-</b>
	<b>ECL</b>	<b>ECL</b>	<b>impaired</b>	<b>ECL</b>	<b>ECL</b>	<b>impaired</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	90	-	90	153	-	153
Transferred to Stage 2	(6)	6	-	-	-	-
New financial assets originated or purchased	96	-	96	268	-	268
Financial assets derecognised	(41)	-	(41)	(212)	-	(212)
Net remeasurement during	(60)	4	(56)	(119)	-	(119)
Other movements	79	10	89	90	-	90
	<u>79</u>	<u>10</u>	<u>89</u>	<u>90</u>	<u>-</u>	<u>90</u>

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

**12 FINANCING AND ADVANCES**

(i) By type and Shariah contract

30 June 2021	<i>Sale based contracts</i>					<i>Lease based contracts</i>			<i>Equity based contracts</i>			Total RM'000
	Bai' Bithaman		Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma		Ijarah Muntahiah	Musharakah	Mudharabah RM'000	Others RM'000	
	Bai' Inah RM'000	Ajil RM'000				Al- Bai RM'000	Ijarah RM'000	Bi Al-Tamlik RM'000	Mutanaqisah RM'000			
<b>At amortised cost and net of unearned income</b>												
Cash line financing	8,600	6,969	-	-	-	-	477,187	-	-	-	11,788	504,544
Term Financing												
- House financing	-	6,747	-	-	-	-	-	1,761,637	65,999	-	-	1,834,383
- Syndicated term financing	-	-	1,308,239	-	-	-	-	119,070	-	100,133	-	1,527,442
- Hire purchase receivables	-	-	-	-	-	164,257	-	117,137	-	-	-	281,394
- Other term financing	142,718	21,119	3,013,802	-	-	-	-	1,137,032	85,606	-	-	4,400,277
Bills receivable	-	-	-	17,482	39,858	-	-	-	-	-	-	57,340
Trust receipts	-	-	-	126	-	-	-	-	-	-	-	126
Revolving credit	-	-	2,833,724	-	-	-	-	-	-	-	-	2,833,724
Claims on customers under acceptance credits	-	-	-	230,827	99,432	-	-	-	-	-	-	330,259
Other financing	-	-	129,178	-	-	-	-	-	-	-	-	129,178
Gross financing and advances	<u>151,318</u>	<u>34,835</u>	<u>7,284,943</u>	<u>248,435</u>	<u>139,290</u>	<u>164,257</u>	<u>477,187</u>	<u>3,134,876</u>	<u>151,605</u>	<u>100,133</u>	<u>11,788</u>	<u>11,898,667</u>
ECL allowance												(440,911)
Net financing and advances												<u>11,457,756</u>

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

As at 30 June 2021, the gross exposure and ECL relating to RPSIA financing amounted to RM1,754 million (31 December 2020: RM1,438 million) and RM35 million (31 December 2020: RM35 million) respectively.

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

**12 FINANCING AND ADVANCES (continued)**

(i) By type and Shariah contract (continued)

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

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

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

**12 FINANCING AND ADVANCES (continued)**

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
(ii) By type of customer		
Domestic non-bank financial institutions	1,008,239	1,018,402
Domestic business enterprises		
- Small and medium enterprises	2,482,925	2,484,518
- Others	5,835,331	5,399,924
Individuals	2,048,703	2,142,907
Foreign entities	523,469	557,115
	<u>11,898,667</u>	<u>11,602,866</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	50,869	39,209
- Hire purchase receivables	164,257	167,197
- Other fixed rate financing	1,296,403	1,500,783
Variable rate		
- Base rate/Base financing rate plus	4,093,791	4,241,457
- Cost plus	6,236,978	5,604,723
- Other variable rate	56,369	49,497
	<u>11,898,667</u>	<u>11,602,866</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,552,869	1,428,375
Mining and quarrying	289,403	277,889
Manufacturing	1,509,108	1,496,359
Electricity, gas and water	50,555	49,300
Construction	1,013,138	1,003,443
Real estate	1,169,100	1,200,401
Wholesale & retail trade and restaurants & hotels	1,305,493	1,575,443
Transport, storage and communication	586,418	363,922
Finance, insurance and business services	1,175,749	1,197,142
Community, social and personal services	1,083,883	749,230
Household		
- Purchase of residential properties	1,843,191	1,909,243
- Purchase of non-residential properties	50,069	48,315
- Others	267,691	301,755
Others	2,000	2,049
	<u>11,898,667</u>	<u>11,602,866</u>
(v) By geographical distribution determined based on where the credit risk resides		
Malaysia	11,416,350	11,090,861
Singapore	73,475	78,956
Other ASEAN countries	96,799	114,774
Rest of the world	312,043	318,275
	<u>11,898,667</u>	<u>11,602,866</u>

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

**12 FINANCING AND ADVANCES (continued)**

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
(vi) By residual contractual maturity		
Up to one year	3,739,098	3,880,731
Over one year to three years	1,043,207	1,068,952
Over three years to five years	2,124,231	1,593,017
Over five years	4,992,131	5,060,166
	<u>11,898,667</u>	<u>11,602,866</u>

**13 IMPAIRED FINANCING AND ADVANCES**

(a) Movements in credit-impaired financing and advances

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
At 1 January	615,091	345,692
Impaired during the period/year	118,577	449,776
Reclassified as non credit-impaired	(10,065)	(29,492)
Amount recovered	(57,688)	(109,453)
Amount written off	(21,133)	(41,432)
At 30 June/31 December	<u>644,782</u>	<u>615,091</u>
Stage 3 ECL allowance	(218,817)	(149,315)
Net impaired financing and advances	<u>425,965</u>	<u>465,776</u>

Included in the credit-impaired financing and advances are specific business ventures funded by the RPSIA arrangements between the Bank and its immediate holding company, OCBC Bank (Malaysia) Berhad. The immediate holding company, as the RPSIA holder, is exposed to the risks and rewards of the business venture and accounts for the Stage 3 ECL allowance arising thereon. As at 30 June 2021, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM194 million (31 December 2020: RM227 million) and RM33 million (31 December 2020: RM33 million) respectively.

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
(i) By sector		
Agriculture, hunting, forestry and fishing	166,992	195,204
Mining and quarrying	32	-
Manufacturing	31,949	29,274
Construction	93,718	98,855
Real estate	5,840	6,176
Wholesale & retail trade and restaurants & hotels	134,540	92,948
Transport, storage and communication	43,320	48,479
Finance, insurance and business services	14,634	11,217
Community, social and personal services	600	606
Household		
- Purchase of residential properties	126,803	107,603
- Purchase of non-residential properties	707	-
- Others	25,647	24,729
	<u>644,782</u>	<u>615,091</u>

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

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

(a) Movements in credit-impaired financing and advances (continued)

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
(ii) By geographical distribution determined based on where the credit risk resides		
Malaysia	639,989	610,451
Singapore	4,739	4,592
Other ASEAN country	54	48
	<u>644,782</u>	<u>615,091</u>
(iii) By period overdue		
Up to 3 months	300,519	333,069
Over 3 months to 6 months	31,250	21,112
Over 6 months to 9 months	67,537	5,063
Over 9 months	245,476	255,847
	<u>644,782</u>	<u>615,091</u>
(iv) By collateral type		
Property	182,421	125,016
Stocks and shares	38,538	40,748
Machinery	32	-
Secured - others	31,934	39,305
Unsecured - corporate and other guarantees	241,303	296,356
Unsecured - clean	150,554	113,666
	<u>644,782</u>	<u>615,091</u>



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

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

(b) Movements in ECL allowance for financing and advances

	<i>Non credit-impaired</i>		<i>Credit-impaired</i>	<b>30 June 2021</b>	<i>Non credit-impaired</i>		<i>Credit-impaired</i>	<b>31 December 2020</b>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
At 1 January	66,433	142,125	149,315	357,873	59,706	53,434	109,208	222,348
Transferred to Stage 1	16,409	(14,310)	(2,099)	-	87,406	(76,993)	(10,413)	-
Transferred to Stage 2	(20,726)	22,462	(1,736)	-	(47,085)	49,367	(2,282)	-
Transferred to Stage 3	(489)	(21,657)	22,146	-	(2,975)	(57,767)	60,742	-
New financial assets originated or purchased	11,620	20,291	-	31,911	23,318	37,655	-	60,973
Financial assets derecognised	(6,900)	(23,445)	(1,351)	(31,696)	(18,690)	(39,326)	(5,652)	(63,668)
Net remeasurement during the period/year	(19,458)	48,952	77,525	107,019	(34,873)	176,602	47,847	189,576
Written-off	-	-	(21,133)	(21,133)	-	-	(41,432)	(41,432)
Other movements	647	140	(3,850)	(3,063)	(374)	(847)	(8,703)	(9,924)
At 30 June/31 December	<b>47,536</b>	<b>174,558</b>	<b>218,817</b>	<b>440,911</b>	<b>66,433</b>	<b>142,125</b>	<b>149,315</b>	<b>357,873</b>
At 1 January								
- Financing and advances	64,675	126,502	149,315	340,492	56,055	46,736	109,208	211,999
- Financing related commitments and financial guarantees	1,758	15,623	-	17,381	3,651	6,698	-	10,349
	<b>66,433</b>	<b>142,125</b>	<b>149,315</b>	<b>357,873</b>	<b>59,706</b>	<b>53,434</b>	<b>109,208</b>	<b>222,348</b>
At 30 June/31 December								
- Financing and advances	46,064	157,149	218,817	422,030	64,675	126,502	149,315	340,492
- Financing related commitments and financial guarantees	1,472	17,409	-	18,881	1,758	15,623	-	17,381
	<b>47,536</b>	<b>174,558</b>	<b>218,817</b>	<b>440,911</b>	<b>66,433</b>	<b>142,125</b>	<b>149,315</b>	<b>357,873</b>

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

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

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

(i) By sector

	<i>Non credit- impaired</i>	<i>Credit- impaired</i>	<b>Stage 3</b>	
	<b>Stage 1 and 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Made during the period RM'000</b>	<b>Written off RM'000</b>
<b>30 June 2021</b>				
Agriculture, hunting, forestry and fishing	5,893	94	117	41
Mining and quarrying	3,248	-	-	-
Manufacturing	32,696	8,291	2,080	164
Electricity, gas and water	927	-	-	-
Construction	39,278	59,243	52,250	30
Real estate	15,569	103	-	-
Wholesale & retail trade and restaurants & hotels	44,586	49,388	10,213	1,564
Transport, storage and communication	3,999	33,044	839	1,210
Finance, insurance and business services	1,179	3,292	6,347	4,356
Community, social and personal services	6,895	145	5	10
Household				
- Purchase of residential properties	13,178	43,392	23,051	6,954
- Purchase of non-residential properties	1,304	-	-	-
- Others	21,022	21,825	10,781	6,804
Others	32,320	-	-	-
	<b>222,094</b>	<b>218,817</b>	<b>105,683</b>	<b>21,133</b>
<b>31 December 2020</b>				
Agriculture, hunting, forestry and fishing	7,795	104	70	133
Mining and quarrying	4,072	-	-	-
Manufacturing	39,031	6,686	10,559	5,441
Electricity, gas and water	1,135	-	-	-
Construction	32,784	8,903	4,701	6,006
Real estate	7,493	72	103	-
Wholesale & retail trade and restaurants & hotels	49,813	42,838	39,100	5,921
Transport, storage and communication	3,611	33,532	595	267
Finance, insurance and business services	1,665	2,162	1,460	270
Community, social and personal services	9,764	150	66	112
Household				
- Purchase of residential properties	13,118	32,681	60,737	10,444
- Purchase of non-residential properties	1,234	-	498	765
- Others	21,740	22,187	21,926	12,073
Others	15,303	-	-	-
	<b>208,558</b>	<b>149,315</b>	<b>139,815</b>	<b>41,432</b>

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

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

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

(ii) By geographical distribution

	<i>Non credit- impaired</i>	<i>Credit- impaired</i>	<b>30 June 2021</b>	<i>Non credit- impaired</i>	<i>Credit- impaired</i>	<b>31 December 2020</b>
	<b>Stage 1 and 2</b>	<b>Stage 3</b>	<b>Total</b>	<b>Stage 1 and 2</b>	<b>Stage 3</b>	<b>Total</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>
Malaysia	188,740	217,349	406,089	192,293	147,890	340,183
Singapore	500	1,414	1,914	362	1,377	1,739
Other ASEAN countries	118	54	172	264	48	312
Rest of the world	32,736	-	32,736	15,639	-	15,639
	<b>222,094</b>	<b>218,817</b>	<b>440,911</b>	<b>208,558</b>	<b>149,315</b>	<b>357,873</b>

**14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

	<b>30 June 2021</b>			<b>31 December 2020</b>		
	<b>Contract or underlying principal amount</b>	<b>Fair value</b>		<b>Contract or underlying principal amount</b>	<b>Fair value</b>	
	<b>RM'000</b>	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>	<b>RM'000</b>	<b>Assets RM'000</b>	<b>Liabilities RM'000</b>
<b>Trading</b>						
Foreign exchange derivatives						
- Forwards	49,876	54	166	42,448	256	48
- Swaps	55,513	312	315	64,493	1,713	1,721
Profit rate derivatives						
- Swaps	424,843	16,520	17,403	425,400	23,979	25,484
	<b>530,232</b>	<b>16,886</b>	<b>17,884</b>	<b>532,341</b>	<b>25,948</b>	<b>27,253</b>

**15 OTHER ASSETS**

	<b>30 June 2021</b>	<b>31 December 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Profit receivable	27,384	28,019
Other receivables, deposits and prepayments	4,493	4,266
Amount due from immediate holding company	1,228	69,065
Amount due from ultimate holding company	10	10
Amount due from related company	4	1
	<b>33,119</b>	<b>101,361</b>

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

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

**16 DEPOSITS FROM CUSTOMERS**

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
(a) By type of deposit		
Savings deposits		
- Tawarruq	630,000	613,063
- Qard	230,651	212,557
Demand deposits		
- Tawarruq	1,446,123	707,734
- Qard	4,096,363	3,998,492
Term deposits		
- Commodity Murabahah	5,482,964	5,181,896
- Qard	50,120	7,311
Short-term deposits		
- Tawarruq	1,765,617	774,865
	<u>13,701,838</u>	<u>11,495,918</u>
(b) By type of customer		
Government and statutory bodies	223,831	324,831
Non-bank financial institutions	2,717,148	1,300,503
Business enterprises	6,092,694	5,478,370
Individuals	4,317,650	4,078,151
Foreign entities	224,029	183,166
Others	126,486	130,897
	<u>13,701,838</u>	<u>11,495,918</u>
(c) By maturity structure of term deposits and short-term deposits		
Up to six months	4,728,665	5,417,120
Over six months to one year	2,559,393	543,233
Over one year to three years	10,180	3,406
Over three years to five years	463	313
	<u>7,298,701</u>	<u>5,964,072</u>

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

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
<b>Mudharabah RPSIA</b>		
Licensed bank	1,765,996	1,513,014
Amount receivable from immediate holding company under RPSIA	(32,769)	(32,769)
	<u>1,733,227</u>	<u>1,480,245</u>

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

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

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

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
<b>Non-Mudharabah</b>		
Licensed banks	412,672	770,767
Other financial institutions	6,797	4,805
	<u>419,469</u>	<u>775,572</u>

Included in the above are deposits and placements of its immediate holding company of RM385 million (2020: RM737 million), which are unsecured and profit-bearing.

**19 OTHER LIABILITIES**

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
Profit payable	23,497	51,807
Other payables and accruals	70,603	78,527
Amount due to immediate holding company	(a) 90,799	17,136
Amount due to related company	(a) -	167
Amount due to ultimate holding company	(a) 568	464
Equity compensation benefits	734	771
Lease liabilities	4,307	4,523
Provision for commitments and contingencies	15,965	2,034
	<u>206,473</u>	<u>155,429</u>

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

**20 SUBORDINATED SUKUK**

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

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

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

	<b>Quarter Ended</b>		<b>Year-To-Date Ended</b>	
	<b>30 June 2021 RM'000</b>	<b>30 June 2020 RM'000</b>	<b>30 June 2021 RM'000</b>	<b>30 June 2020 RM'000</b>
Income derived from investment of:				
(i) Term deposits	50,556	69,695	101,227	153,054
(ii) Other deposits	78,469	64,907	152,603	142,597
	<u>129,025</u>	<u>134,602</u>	<u>253,830</u>	<u>295,651</u>

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

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

	Quarter Ended		Year-To-Date Ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
(i) Income derived from investment of term deposits				
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	33,973	54,193	69,932	112,549
- Recoveries from credit-impaired financing	634	395	1,210	1,239
- Discount unwind from credit-impaired financing	479	1,095	1,368	2,208
Financial assets at FVTPL	39	77	79	154
Financial investments at FVOCI	9,849	13,338	19,054	30,707
Deposits and placements with banks and other financial institutions	2,889	2,917	5,063	4,658
	<u>47,863</u>	<u>72,015</u>	<u>96,706</u>	<u>151,515</u>
<b>Other trading income</b>				
Unrealised (loss)/gain on financial assets at FVTPL	(5)	1	(13)	(28)
<b>Other operating income</b>				
Net gain from sale of financial investments at FVOCI	2,523	1,108	4,178	4,695
Others	175	(3,429)	356	(3,128)
	<u>50,556</u>	<u>69,695</u>	<u>101,227</u>	<u>153,054</u>
(ii) Income derived from investment of other deposits				
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	52,729	50,466	105,340	104,855
- Recoveries from credit-impaired financing	984	368	1,826	1,155
- Discount unwind from credit-impaired financing	744	1,020	2,045	2,057
Financial assets at FVTPL	60	72	118	143
Financial investments at FVOCI	15,287	12,422	28,753	28,610
Deposits and placements with banks and other financial institutions	4,485	2,717	7,667	4,339
	<u>74,289</u>	<u>67,065</u>	<u>145,749</u>	<u>141,159</u>
<b>Other trading income</b>				
Unrealised (loss)/gain on financial assets at FVTPL	(8)	2	(20)	(25)
<b>Other operating income</b>				
Net gain from sale of financial investments at FVOCI	3,915	1,033	6,336	4,376
Others	273	(3,193)	538	(2,913)
	<u>78,469</u>	<u>64,907</u>	<u>152,603</u>	<u>142,597</u>

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

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

	<u>Quarter Ended</u>		<u>Year-To-Date Ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	10,294	12,046	18,928	31,277
- Recoveries from credit-impaired financing	2,333	656	4,782	1,658
Deposits and placements with banks and other financial institutions	249	-	388	-
	<u>12,876</u>	<u>12,702</u>	<u>24,098</u>	<u>32,935</u>

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

	<u>Quarter Ended</u>		<u>Year-To-Date Ended</u>	
	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>	<u>30 June</u>
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<b>Finance income and hibah</b>				
Financing and advances				
- Finance income earned other than recoveries	10,762	13,575	22,300	27,897
- Recoveries from credit-impaired financing	201	99	386	306
- Discount unwind from credit-impaired financing	152	274	437	547
Financial assets at FVTPL	12	19	25	38
Financial investments at FVOCI	3,120	3,342	6,073	7,605
Deposits and placements with banks and other financial institutions	915	731	1,613	1,158
	<u>15,162</u>	<u>18,040</u>	<u>30,834</u>	<u>37,551</u>
<b>Other trading income</b>				
Unrealised (loss)/gain on financial assets at FVTPL	(2)	1	(5)	(6)
<b>Other operating income</b>				
Commission	7,147	5,759	17,931	12,644
Service charges and fees	4,826	4,850	10,945	9,306
Net gain from sale of financial investments at FVOCI	799	278	1,330	1,158
Others	56	(859)	114	(785)
<b>Other trading income</b>				
Net trading gain/(loss)				
- Foreign currency	148	490	596	(912)
- Derivatives	4,365	4,392	8,745	10,091
- Revaluation of derivatives	(59)	(930)	291	(1,474)
	<u>32,442</u>	<u>32,021</u>	<u>70,781</u>	<u>67,573</u>

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

**24 IMPAIRMENT ALLOWANCE AND PROVISIONS**

	Quarter Ended		Year-To-Date Ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
<b>Financing and advances</b>				
Stage 1 and Stage 2 ECL net charge during the period	31,670	20,924	13,536	57,307
Stage 3 ECL				
- Made during the period	84,279	17,873	105,683	35,862
- Written back	(4,390)	(7,274)	(11,198)	(16,357)
Credit-impaired financing recovered	(5,786)	(2,942)	(10,934)	(7,170)
<b>Financial investments at FVOCI</b>				
Stage 1 and Stage 2 ECL (write back)/net charge during the period	(24)	29	(1)	23
<b>Commitments and contingencies</b>				
Net charge during the period	13,931	-	13,931	-
	<u>119,680</u>	<u>28,610</u>	<u>111,017</u>	<u>69,665</u>

**25 INCOME ATTRIBUTABLE TO DEPOSITORS**

	Quarter Ended		Year-To-Date Ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Deposits from customers				
- Non-Mudharabah	46,212	67,168	90,340	148,274
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	726	2,424	2,040	8,212
Subordinated sukuk	2,394	2,394	4,761	4,787
Lease liabilities	27	19	50	39
	<u>49,359</u>	<u>72,005</u>	<u>97,191</u>	<u>161,312</u>

**26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER**

	Quarter Ended		Year-To-Date Ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	8,978	8,959	16,824	23,004



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

**27 OPERATING EXPENSES**

	Quarter Ended		Year-To-Date Ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
<b>Personnel expenses</b>				
Wages, salaries and bonus	6,029	6,513	9,072	11,594
Employees Provident Fund contributions	874	925	1,633	1,826
Share-based costs	69	71	172	176
Others	768	994	1,623	1,979
	<u>7,740</u>	<u>8,503</u>	<u>12,500</u>	<u>15,575</u>
<b>Establishment expenses</b>				
Depreciation of equipment	493	607	875	1,237
Depreciation of ROU assets	467	573	933	1,140
Rental of premises	3	(5)	5	(2)
Repair and maintenance	3	121	201	234
Information technology costs	161	170	330	339
Hire of equipment	29	35	57	65
Others	581	690	1,185	1,390
	<u>1,737</u>	<u>2,191</u>	<u>3,586</u>	<u>4,403</u>
<b>Marketing expenses</b>				
Advertising and business promotion	40	19	103	110
Transport and travelling	12	12	22	62
Others	-	1	1	26
	<u>52</u>	<u>32</u>	<u>126</u>	<u>198</u>
<b>General administrative expenses</b>				
Shared service fees to immediate holding company	27,067	27,203	52,233	56,552
IT and transaction processing fees to related companies	5,346	6,696	10,696	14,078
Others	3,097	3,359	5,000	5,225
	<u>35,510</u>	<u>37,258</u>	<u>67,929</u>	<u>75,855</u>
<b>Total operating expenses</b>	<u>45,039</u>	<u>47,984</u>	<u>84,141</u>	<u>96,031</u>

**28 INCOME TAX (WRITE BACK)/EXPENSE**

	Quarter Ended		Year-To-Date Ended	
	30 June 2021 RM'000	30 June 2020 RM'000	30 June 2021 RM'000	30 June 2020 RM'000
Malaysian income tax				
- Current period (write back)/charge	(7,630)	6,389	13,471	14,578
Deferred tax				
- Origination and reversal of temporary differences	(3,989)	(3,432)	(3,845)	(7,141)
	<u>(11,619)</u>	<u>2,957</u>	<u>9,626</u>	<u>7,437</u>

**29 CAPITAL COMMITMENTS**

	30 June 2021 RM'000	31 December 2020 RM'000
Capital expenditure in respect of property and equipment		
- Contracted but not provided for	71	45

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

**30 COMMITMENTS AND CONTINGENCIES**

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

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

	30 June 2021			31 December 2020		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	63,845	58,995	59,515	79,229	76,229	85,163
Transaction-related contingent items	341,347	173,610	112,777	383,512	196,318	122,719
Short-term self-liquidating trade-related contingencies	59,818	12,205	5,724	31,402	6,714	3,735
Foreign exchange related contracts						
- One year or less	49,876	371	264	42,448	441	322
- Over one year to five years	55,513	5,310	2,118	64,493	8,815	4,196
Profit rate related contracts						
- Over five years	424,843	47,886	42,235	425,400	60,027	52,194
Formal standby facilities and credit lines						
- Original maturity up to one year	-	-	-	40,000	30,000	13,203
- Original maturity over one year	408,532	332,251	263,334	494,136	392,293	328,065
Other unconditionally cancellable commitments	2,150,208	164,352	30,166	2,093,970	175,240	31,864
	<b>3,553,982</b>	<b>794,980</b>	<b>516,133</b>	<b>3,654,590</b>	<b>946,077</b>	<b>641,461</b>

**31 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES**

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

	30 June 2021 RM'000	31 December 2020 RM'000
<b>Aggregate value of outstanding credit exposures with connected parties<sup>^</sup></b>		
Credit facility and leasing (except guarantee)	104,140	103,915
Commitments and contingencies*	93,896	92,276
	<b>198,036</b>	<b>196,191</b>
<b>Credit-impaired or in default</b>	<b>-</b>	<b>-</b>
<b>Outstanding credit exposures to connected parties</b>		
As a proportion of total credit exposures	1.55%	1.54%

<sup>^</sup> Comprises total outstanding balances and unutilised limits.

\* Commitments and contingencies transactions that give rise to credit and/or counterparty risk.

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

**32 CREDIT RISK**

Credit risk is the risk of a financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Bank's maximum credit exposure on the financial assets without taking into account any collateral held or other credit enhancements of the Bank equals their carrying amount as reported in the statement of financial position. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	<b>Note</b>	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
Cash and cash equivalents *		1,820,752	258,510
Financial assets at FVTPL	10	10,118	10,155
Financial investments at FVOCI	11	4,638,646	4,204,551
Financing and advances	12	11,457,756	11,244,993
Derivative financial assets	14	16,886	25,948
Other assets	15	33,119	101,361
Contingent liabilities and credit commitments		3,023,750	3,122,249
		<u>21,001,027</u>	<u>18,967,767</u>

\* Excluding cash in hand

**Credit quality analysis**

(i) By credit rating/internal grading and ECL stage

	<b>30 June 2021</b>				<b>31 December 2020</b>			
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	<b>Total RM'000</b>
Cash and cash equivalents	1,820,752	-	-	1,820,752	258,510	-	-	258,510
<b>Financial assets at FVTPL*</b>								
Investment grade (AAA)	-	-	-	10,118	-	-	-	10,155

\* ECL stage is not applicable for financial assets at FVTPL.

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

**32 CREDIT RISK (continued)**

**Credit quality analysis (continued)**

(i) By credit rating/internal grading and ECL stage (continued)

	30 June 2021				31 December 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Financial investments at FVOCI</b>								
Government (AAA to BBB)	298,944	-	-	298,944	381,956	-	-	381,956
Government and Central Bank (unrated)	2,474,434	-	-	2,474,434	2,386,952	-	-	2,386,952
Foreign government (AAA to BBB)	-	-	-	-	24,240	-	-	24,240
Investment grade (AAA to BBB)	318,142	-	-	318,142	102,947	-	-	102,947
Unrated	1,097,614	449,512	-	1,547,126	1,308,456	-	-	1,308,456
	<b>4,189,134</b>	<b>449,512</b>	<b>-</b>	<b>4,638,646</b>	<b>4,204,551</b>	<b>-</b>	<b>-</b>	<b>4,204,551</b>
<b>Contingent liabilities and credit commitments (excluding derivative financial assets)</b>								
Pass	2,338,940	575,652	-	2,914,592	2,168,355	711,164	-	2,879,519
Special mention	-	41,281	-	41,281	-	172,499	-	172,499
Credit-impaired	-	-	67,877	67,877	-	-	70,231	70,231
	<b>2,338,940</b>	<b>616,933</b>	<b>67,877</b>	<b>3,023,750</b>	<b>2,168,355</b>	<b>883,663</b>	<b>70,231</b>	<b>3,122,249</b>

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

**32 CREDIT RISK (continued)**

**Credit quality analysis (continued)**

(i) By credit rating/internal grading and ECL stage (continued)

**Financing and advances**

Financing and advances are categorised according to the Bank's customer classification grades as Pass, Special Mention, Substandard, Doubtful and Loss.

Financing and advances classified as Pass and Special Mention are not credit-impaired whereas Substandard, Doubtful and Loss are credit-impaired.

Past due but not credit-impaired are financing and advances where the customer has failed to make a principal or profit payment when contractually due, and includes financing which are past due one or more days after the contractual due date but less than 3 months past due.

**Credit quality and ECL stages**

	30 June 2021				31 December 2020			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>Neither past due nor credit-impaired</b>								
(i) By internal grading								
Pass	9,096,268	1,102,847	-	10,199,115	8,820,322	1,081,212	-	9,901,534
Special mention	-	787,216	-	787,216	-	823,499	-	823,499
	<u>9,096,268</u>	<u>1,890,063</u>	<u>-</u>	<u>10,986,331</u>	<u>8,820,322</u>	<u>1,904,711</u>	<u>-</u>	<u>10,725,033</u>
<b>Past due but not credit-impaired</b>								
(ii) By period overdue								
Less than 2 months	-	40,781	-	40,781	-	40,835	-	40,835
2 months to less than 3 months	-	4,679	-	4,679	-	13,349	-	13,349
	<u>-</u>	<u>45,460</u>	<u>-</u>	<u>45,460</u>	<u>-</u>	<u>54,184</u>	<u>-</u>	<u>54,184</u>
<b>Credit-impaired</b>								
Past due	-	-	230,153	230,153	-	-	224,437	224,437
Not past due	-	-	195,812	195,812	-	-	241,339	241,339
	<u>-</u>	<u>-</u>	<u>425,965</u>	<u>425,965</u>	<u>-</u>	<u>-</u>	<u>465,776</u>	<u>465,776</u>
<b>Total</b>	<u>9,096,268</u>	<u>1,935,523</u>	<u>425,965</u>	<u>11,457,756</u>	<u>8,820,322</u>	<u>1,958,895</u>	<u>465,776</u>	<u>11,244,993</u>

The past due but not credit-impaired financing are classified as part of Special Mention.

The analysis of impaired financing and advances is detailed in Note 13(a).

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

**32 CREDIT RISK (continued)**

**Credit quality analysis (continued)**

(i) By credit rating/internal grading and ECL stage (continued)

**Financing and advances (continued)**

***Collateral***

(i) The main types of collateral obtained by the Bank are as follows:

- For personal house financing, mortgages over residential properties;
- For commercial property financing, charges over properties being financed; and
- For other financing, charges over business assets such as premises, inventories, trade receivables, equipment or deposits.

As at 30 June 2021 and 31 December 2020, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

(ii) The quantification of the extent to which collateral and other credit enhancements mitigate credit risk and that best represents the maximum exposure to credit risk for credit-impaired financing is as follows:

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
Fair value of collateral held against the covered portion of credit-impaired financing and advances	331,461	266,308
Covered portion of credit-impaired financing and advances	252,925	205,069
Uncovered portion of credit-impaired financing and advances	391,857	410,022
	<u>644,782</u>	<u>615,091</u>

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

**32 CREDIT RISK (continued)**

**Credit quality analysis (continued)**

	30 June 2021					31 December 2020				
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000
(ii) By issuer/counterparty										
Government and Central Bank	-	2,773,377	-	-	-	-	2,768,908	-	-	-
Foreign government	-	-	-	-	-	-	24,240	-	-	-
Public sector	-	376,275	-	-	-	-	334,172	-	-	-
Banking institutions	-	1,397,849	-	15,459	-	-	999,225	-	21,579	-
Non-bank financial institutions	-	20,142	-	2	3,122	-	36,019	-	34	5,647
Business enterprises	10,118	71,003	18,220	1,425	2,915,172	10,155	41,987	25,191	4,335	2,995,360
Individuals	-	-	35,906	-	105,456	-	-	38,926	-	121,242
	<b>10,118</b>	<b>4,638,646</b>	<b>54,126</b>	<b>16,886</b>	<b>3,023,750</b>	<b>10,155</b>	<b>4,204,551</b>	<b>64,117</b>	<b>25,948</b>	<b>3,122,249</b>
(iii) By geographical distribution										
Malaysia	10,118	4,638,646	48,925	16,884	3,009,110	10,155	4,180,311	61,649	25,945	3,107,387
Other ASEAN countries	-	-	2,586	2	10,460	-	24,240	2,468	3	8,286
Rest of the world	-	-	2,615	-	4,180	-	-	-	-	6,576
	<b>10,118</b>	<b>4,638,646</b>	<b>54,126</b>	<b>16,886</b>	<b>3,023,750</b>	<b>10,155</b>	<b>4,204,551</b>	<b>64,117</b>	<b>25,948</b>	<b>3,122,249</b>

\* Past due but not credit-impaired at gross financing. The analysis of financing and advances by geographical distribution is detailed in Note 12(v).

\*\* Excluding derivative financial assets.

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

**32 CREDIT RISK (continued)**

**Credit quality analysis (continued)**

	30 June 2021					31 December 2020				
	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000	Financial assets at FVTPL RM'000	Financial investments at FVOCI RM'000	Financing and advances* RM'000	Derivative financial assets RM'000	Contingent liabilities and credit commitments** RM'000
(iv) By sector										
Agriculture, hunting, forestry and fishing	-	-	-	-	14,767	-	-	97	-	16,172
Mining and quarrying	-	-	-	-	38,537	-	-	563	-	96,578
Manufacturing	-	-	6,587	337	793,383	-	-	7,187	1,714	686,444
Electricity, gas and water	-	82,158	-	-	2,776	-	88,470	-	-	3,013
Construction	-	-	3,861	2	808,535	-	-	3,041	-	871,593
Real estate	-	-	2,173	1,061	306,270	-	-	376	2,455	299,670
Wholesale & retail trade and restaurants & hotels	-	-	2,946	19	310,465	-	-	6,159	166	368,372
Transport, storage and communication	-	55,623	604	1	214,008	-	30,847	767	-	186,367
Finance, insurance and business services	-	1,565,230	1,105	15,464	409,961	-	1,035,244	6,602	21,613	460,685
Community, social and personal services	-	-	944	-	14,355	-	-	400	-	7,354
Household										
- Purchase of residential properties	-	-	28,243	-	94,841	-	-	28,630	-	102,137
- Others	-	-	7,663	-	10,614	-	-	10,295	-	19,105
Others	10,118	2,935,635	-	2	5,238	10,155	3,049,990	-	-	4,759
	10,118	4,638,646	54,126	16,886	3,023,750	10,155	4,204,551	64,117	25,948	3,122,249
(v) By residual contractual maturity										
Up to one year	5,026	2,519,510	1,804	54	2,088,710	-	1,815,897	8,702	256	2,045,081
Over one year to five years	5,092	1,872,529	13,178	312	428,417	10,155	1,975,259	10,481	1,713	438,429
Over five years	-	246,607	39,144	16,520	506,623	-	413,395	44,934	23,979	638,739
	10,118	4,638,646	54,126	16,886	3,023,750	10,155	4,204,551	64,117	25,948	3,122,249

\* Past due but not credit-impaired at gross financing. The analysis of financing and advances by sector and residual contractual maturity are detailed in Note 12(iv) and Note 12(vi)

\*\* Excluding derivative financial assets.



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

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

**Financial instruments carried at fair value**

	<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 June 2021</b>				
<b>Financial assets at fair value</b>				
Financial assets at FVTPL	10,118	-	-	10,118
Financial investments at FVOCI	3,240,797	1,397,849	-	4,638,646
Derivative financial assets	18	16,834	34	16,886
	<u>3,250,933</u>	<u>1,414,683</u>	<u>34</u>	<u>4,665,650</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	20	17,864	-	17,884
	<u>20</u>	<u>17,864</u>	<u>-</u>	<u>17,884</u>
<b>31 December 2020</b>				
<b>Financial assets at fair value</b>				
Financial assets at FVTPL	10,155	-	-	10,155
Financial investments at FVOCI	3,205,326	999,225	-	4,204,551
Derivative financial assets	69	25,878	1	25,948
	<u>3,215,550</u>	<u>1,025,103</u>	<u>1</u>	<u>4,240,654</u>
<b>Financial liabilities at fair value</b>				
Derivative financial liabilities	30	27,219	4	27,253
	<u>30</u>	<u>27,219</u>	<u>4</u>	<u>27,253</u>

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

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

**Fair value hierarchy of financial assets and liabilities (continued)**

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

	30 June 2021 RM'000	31 December 2020 RM'000
<b>Financial assets at fair value</b>		
At 1 January	1	-
Unrealised gain recognised in profit or loss	33	1
At 30 June/31 December	<u>34</u>	<u>1</u>
<b>Financial liabilities at fair value</b>		
At 1 January	4	-
Unrealised loss recognised in profit or loss	(4)	4
At 30 June/31 December	<u>-</u>	<u>4</u>

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

Bank	Fair value		Classification	Valuation technique	Unobservable input
	30 June 2021 Fair value RM'000	31 December 2020 Fair value RM'000			
<b>Asset</b>					
Derivative financial assets	<u>34</u>	<u>1</u>	Hedge for trading	Option pricing model	Standard deviation
<b>Liability</b>					
Derivative financial liabilities	<u>-</u>	<u>4</u>	Hedge for trading	Option pricing model	Standard deviation

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

**34 CAPITAL ADEQUACY**

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

	30 June 2021 RM'000	31 December 2020 RM'000
<b>Common Equity Tier 1 ("CET 1") capital</b>		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	1,087,873	1,057,988
Other reserves	109,803	138,940
Regulatory adjustment	(16,604)	(31,115)
	<u>1,736,072</u>	<u>1,720,813</u>

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

**34 CAPITAL ADEQUACY (continued)**

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
<b>Tier 2 capital</b>		
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	4,649	2,659
Surplus eligible provisions over expected losses	54,496	53,936
Subordinated sukuk	200,000	200,000
	<u>259,145</u>	<u>256,595</u>
<b>Capital base</b>	<u>1,995,217</u>	<u>1,977,408</u>
	<b>30 June 2021</b>	<b>31 December 2020</b>
<b>Before the effects of PSIA</b>		
CET 1/Tier 1 capital ratio	15.962%	16.533%
Total capital ratio	<u>18.344%</u>	<u>18.998%</u>
<b>After the effects of PSIA</b>		
CET 1/Tier 1 capital ratio	16.946%	17.239%
Total capital ratio	<u>19.476%</u>	<u>19.810%</u>

In accordance with BNM's Guidelines on the Recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks of the assets funded by the Restricted Profit Sharing Investment Accounts ("RPSIA") which qualify as risk absorbent are excluded from the total capital ratio calculation. As at 30 June 2021, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM 632 million (31 December 2020: RM427 million).

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

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
<b>After the effects of PSIA</b>		
CET 1 / Tier 1 capital ratio	15.883%	16.284%
Total capital ratio	<u>18.413%</u>	<u>18.854%</u>

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

	<b>30 June 2021 RM'000</b>	<b>31 December 2020 RM'000</b>
Total RWA for credit risk	9,454,553	9,202,127
Total RWA for market risk	8,379	3,848
Total RWA for operational risk	781,566	776,034
	<u>10,244,498</u>	<u>9,982,009</u>