

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 2022

Domiciled in Malaysia
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18 Jalan Tun Perak
50050 Kuala Lumpur

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		30 June 2022	31 December 2021
	Note	RM'000	RM'000
ASSETS			
Cash and cash equivalents	9	2,846,973	2,180,400
Financial assets at fair value through profit or loss ("FVTPL")	10	5,068	10,090
Financial investments at fair value through other comprehensive income ("FVOCI")	11	2,957,109	3,518,894
Financing and advances	12	12,826,913	12,436,450
Derivative financial assets	14	1,101	13,110
Other assets	15	30,726	32,558
Tax recoverable		-	15,575
Property and equipment		3,812	4,375
Right-of-use ("ROU") assets		2,026	2,796
Deferred tax assets		48,257	41,558
Total assets		<u>18,721,985</u>	<u>18,255,806</u>
LIABILITIES			
Deposits from customers	16	12,948,401	12,947,257
Investment accounts due to designated financial institution	17	3,190,576	2,571,103
Deposits and placements of banks and other financial institutions	18	493,303	518,377
Bills and acceptances payable		23,244	12,330
Derivative financial liabilities	14	933	13,484
Other liabilities	19	191,568	202,046
Provision for taxation and zakat		10,985	2,644
Subordinated sukuk	20	-	200,000
Total liabilities		<u>16,859,010</u>	<u>16,467,241</u>
EQUITY			
Share capital		555,000	555,000
Reserves		1,307,975	1,233,565
Total equity		<u>1,862,975</u>	<u>1,788,565</u>
Total liabilities and equity		<u>18,721,985</u>	<u>18,255,806</u>
Commitments and contingencies	30	<u>3,790,223</u>	<u>4,108,808</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2021 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 2022

	Note	Quarter Ended		Year-To-Date Ended	
		30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Income derived from investment of depositors' funds and others	21	119,314	129,025	234,340	253,830
Income derived from investment of investment account funds	22	18,061	12,876	34,384	24,098
Income derived from investment of shareholder's funds	23	35,431	32,442	68,977	70,781
Impairment allowance and provisions	24	(14,029)	(119,680)	(5,461)	(111,017)
Total distributable income		158,777	54,663	332,240	237,692
Income attributable to depositors	25	(44,067)	(49,359)	(89,199)	(97,191)
Income attributable to investment account holder	26	(12,954)	(8,978)	(24,712)	(16,824)
Total net income		101,756	(3,674)	218,329	123,677
Operating expenses	27	(44,310)	(45,039)	(84,507)	(84,141)
Profit/(Loss) before taxation and zakat		57,446	(48,713)	133,822	39,536
Income tax expense	28	(16,789)	11,619	(31,987)	(9,626)
Zakat		(13)	(13)	(25)	(25)
Profit/(Loss) for the period		40,644	(37,107)	101,810	29,885
Items that may be subsequently reclassified to profit or loss					
Fair value reserve (debt instruments)					
- Change in fair value		(4,118)	5,069	(35,684)	(26,497)
- Transferred to profit or loss		4,237	(7,237)	(370)	(11,844)
- Related tax		(28)	523	8,653	9,204
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		(22)	(24)	1	(1)
Other comprehensive income/(expense) for the period, net of income tax		69	(1,669)	(27,400)	(29,138)
Total comprehensive income/(expense) for the period		40,713	(38,776)	74,410	747
Profit/(Loss) attributable to the owner of the Bank		40,644	(37,107)	101,810	29,885
Total comprehensive income/(loss) attributable to the owner of the Bank		40,713	(38,776)	74,410	747
Basic earnings per ordinary share (sen)		21.97	(20.06)	55.03	16.15

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 2021 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 2022

	<i>Non-distributable</i>			<i>Distributable</i>		Total Equity RM'000
	Share Capital RM'000	Regulatory Reserve RM'000	ECL Reserve RM'000	Fair Value Reserve RM'000	Retained Earnings RM'000	
2022						
At 1 January 2022	555,000	91,000	54	(5,470)	1,147,981	1,788,565
Fair value reserve						
- Change in fair value	-	-	-	(35,684)	-	(35,684)
- Transferred to profit or loss	-	-	-	(370)	-	(370)
- Related tax	-	-	-	8,653	-	8,653
Change in ECL reserve	-	-	1	-	-	1
Total other comprehensive income/(expense) for the period	-	-	1	(27,401)	-	(27,400)
Profit for the period	-	-	-	-	101,810	101,810
Total comprehensive income/(expense) for the period	-	-	1	(27,401)	101,810	74,410
At 30 June 2022	555,000	91,000	55	(32,871)	1,249,791	1,862,975
2021						
At 1 January 2021	555,000	91,000	90	47,940	1,057,988	1,752,018
Fair value reserve						
- Change in fair value	-	-	-	(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)
Total other comprehensive expense for the period	-	-	(1)	(29,137)	-	(29,138)
Profit for the period	-	-	-	-	29,885	29,885
Total comprehensive (expense)/income for the period	-	-	(1)	(29,137)	29,885	747
At 30 June 2021	555,000	91,000	89	18,803	1,087,873	1,752,765

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 2021 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022

	30 June 2022 RM'000	30 June 2021 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	133,822	39,536
<i>Adjustments for:</i>		
Net (gain)/loss from disposal of:		
- Financial assets at FVTPL	206	-
- Financial investments at FVOCI	(370)	(11,844)
- Property and equipment	15	47
Depreciation of equipment	730	875
Depreciation of ROU assets	758	933
Impairment allowance and provisions	18,421	121,951
Finance expense on lease liabilities	31	50
Share-based costs	178	172
Unrealised loss/(gain) on:		
- Financial assets at FVTPL	127	38
- Derivatives	(578)	(291)
Operating profit before changes in working capital	<u>153,340</u>	<u>151,467</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at FVTPL	4,689	(1)
Financing and advances	(406,756)	(334,714)
Derivative financial assets	12,587	9,353
Other assets	1,834	68,243
Deposits from customers	1,144	2,205,920
Investment accounts due to designated financial institution	617,345	252,982
Deposits and placements of banks and other financial institutions	(25,074)	(356,103)
Bills and acceptances payable	10,914	(2,936)
Derivative financial liabilities	(12,551)	(9,369)
Other liabilities	(9,881)	51,088
Cash generated from operations	<u>347,591</u>	<u>2,035,930</u>
Income tax and zakat paid	(6,142)	(14,012)
Net cash generated from operating activities	<u>341,449</u>	<u>2,021,918</u>
Cash flows from investing activities		
Acquisition of financial investments at FVOCI	(2,590,720)	(6,375,000)
Proceeds from disposal of financial investments at FVOCI	3,116,822	5,914,407
Acquisition of equipment	(188)	(559)
Proceeds from disposal of equipment	5	-
Net cash generated from/(used in) investing activities	<u>525,919</u>	<u>(461,152)</u>
Cash flows from financing activity		
Redemption of subordinated sukuk	(200,000)	-
Payment of lease liabilities	(794)	(964)
Net cash used in financing activity	<u>(200,794)</u>	<u>(964)</u>
Net increase in cash and cash equivalents	666,574	1,559,802
Cash and cash equivalents at 1 January	2,180,400	285,723
Cash and cash equivalents at 30 June	<u>2,846,974</u>	<u>1,845,525</u>
Change in liabilities arising from financing activity		
	2022 RM'000	2021 RM'000
At 1 January	2,849	4,523
Payment of lease liabilities	(794)	(964)
Acquisition of new leases and changes in lease terms	(12)	698
Finance expense on lease liabilities	31	50
At 30 June	<u>2,074</u>	<u>4,307</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 2021 and the accompanying explanatory notes to the unaudited condensed interim financial statements.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022

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 a higher profit after tax of RM101.8 million for the financial period ended 30 June 2022, an increase of RM71.9 million against the corresponding period last year. The increase was mainly due to lower impairment allowances of RM105.6 million, lower profit income attributable to depositors of RM8.0 million and higher net income from investment account funds of RM2.4 million partly offset by higher tax of RM22.4 million, lower income from investment of depositors' funds and others of RM19.5 million, lower income from investment of shareholder's funds of RM1.8 million and higher overheads of RM0.4 million.

Allowances decreased by RM105.6 million mainly due lower net expected credit loss ("ECL") Stage 1 and Stage 2 of RM63.4 million and ECL 3 of RM42.3 million partly offset by lower other recoveries of RM0.1 million.

Income from investment of depositors' funds and others decreased by RM19.5 million mainly due to lower gain on disposal of FVOCI of RM10.2 million and lower finance income from FVOCI of RM9.8 million.

Gross financing and advances increased by RM0.4 billion or +3% to RM13.3 billion in the first half of 2022, mainly from drawdown by corporates and non-bank financial institution. Deposits from customers marginally increased over the same period to RM12.9 billion, mainly due to higher deposits from business enterprise of RM0.6 billion and government and statutory bodies of RM0.1 billion partly offset by lower non-bank financial institution deposits of RM0.5 billion and individuals of RM0.2 billion.

The Bank remained well capitalised with Common Equity Tier 1 and Tier 1 capital ratios of 18.734% and Total capital ratio of 19.297%.

ECONOMIC PERFORMANCE AND PROSPECTS

Malaysia's economy grew by 5% in the first quarter of 2022 supported by increases in domestic and external demand, and labour market recovery. With the reopening of international borders, the tourism sector is expected to recover. The economic growth was aided by the National Budget 2022 expansionary measures and resumption of projects with high multiplier effects that helped to sustain the incremental gains, supported by implementation of development programmes under the 12th Malaysia Plan. Lingering down-side risks stem from a weaker-than-expected global growth, an escalation of geopolitical conflicts, and worsening supply chain disruptions.

BNM raised the Overnight Policy Rate twice during the year from 1.75% in January to 2.25% as at 6 July 2022 to reduce the degree of monetary accommodation amid the positive growth prospects for the Malaysian economy.

While some tightening in funding conditions is expected in 2022, banks remain well capitalised with strong liquidity and funding positions to support the economic recovery as we transition to coronavirus endemicity.

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.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

1 BASIS OF PREPARATION (continued)

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

The adoption of the abovementioned amendments to accounting standards did not have any material impact on 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 2023

- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2, *Making Materiality Judgements - Disclosure of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The Bank plans to apply the abovementioned amendments to accounting standards, which are relevant to the Bank 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 MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 2021.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

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 31 December 2021 and for the financial year ended then, 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 2021 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

The Bank redeemed its RM200 million subordinated sukuk on its callable date on 24 May 2022. There were no other issuances, cancellations, repurchases and repayments of debt securities by the Bank during the financial period ended 30 June 2022.

6 DIVIDEND

No dividend was proposed in respect of the financial period ended 30 June 2022.

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 2022.

9 CASH AND CASH EQUIVALENTS

	30 June 2022 RM'000	31 December 2021 RM'000
Cash and balances with banks and other financial institutions	102,503	91,971
Deposits and placements with BNM	2,744,471	2,088,429
	<u>2,846,974</u>	<u>2,180,400</u>
Stage 1 ECL allowance	(1)	-
	<u>2,846,973</u>	<u>2,180,400</u>

By geographical distribution determined based on where the credit risk resides

Malaysia	2,772,408	2,117,097
Singapore	41,714	31,306
Other ASEAN countries	1,357	928
Rest of the world	31,494	31,069
	<u>2,846,973</u>	<u>2,180,400</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

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

	30 June 2022	31 December 2021
	RM'000	RM'000
At fair value		
Islamic Corporate Sukuk	5,068	10,090

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

	30 June 2022	31 December 2021
	RM'000	RM'000
At fair value		
Malaysian Government Investment Issues	1,786,222	2,078,601
Malaysian Government Islamic Treasury Bills	263,261	546,419
Islamic Corporate Sukuk	293,684	329,410
Islamic Negotiable Instruments of Deposit	599,055	549,495
Cagamas Sukuk	14,887	14,969
	<u>2,957,109</u>	<u>3,518,894</u>

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

	30 June 2022			31 December 2021		
	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	54	-	54	90	-	90
Transferred to Stage 2	-	-	-	(7)	7	-
New financial assets originated or purchased	61	-	61	181	-	181
Financial assets derecognised	(47)	-	(47)	(103)	(6)	(109)
Net remeasurement during the period/year	(13)	-	(13)	(107)	(1)	(108)
At 30 June/31 December	<u>55</u>	<u>-</u>	<u>55</u>	<u>54</u>	<u>-</u>	<u>54</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (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>			Total RM'000
	Bai' Inah RM'000	Bai' Bithaman Ajil RM'000	Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma Al- Bai RM'000	Ijarah RM'000	Ijarah Muntahiah Bi Al-Tamlik RM'000	Musharakah Mutanaqisah RM'000	Mudharabah RM'000	Others RM'000	
30 June 2022												
At amortised cost and net of unearned income												
Cash line financing	8,221	6,386	-	-	-	-	468,408	-	-	-	6,959	489,974
Term Financing												
- House financing	-	5,355	-	-	-	-	-	1,652,075	59,198	-	-	1,716,628
- Syndicated term financing	-	-	1,985,088	-	-	-	-	51,035	-	100,148	-	2,136,271
- Hire purchase receivables	-	-	-	-	-	171,371	-	91,655	-	-	-	263,026
- Other term financing	75,657	17,099	3,571,863	-	-	-	-	990,496	79,659	-	-	4,734,774
Bills receivable	-	-	-	7,470	37,155	-	-	-	-	-	-	44,625
Trust receipts	-	-	-	304	-	-	-	-	-	-	-	304
Revolving credit	-	-	3,425,886	-	-	-	-	-	-	-	-	3,425,886
Claims on customers under acceptance credits	-	-	-	311,878	56,000	-	-	-	-	-	-	367,878
Other financing	-	-	100,188	-	-	-	-	-	-	-	-	100,188
Gross financing and advances	83,878	28,840	9,083,025	319,652	93,155	171,371	468,408	2,785,261	138,857	100,148	6,959	13,279,554
ECL allowance												(452,641)
Net financing and advances												12,826,913

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 2022, the gross exposure and ECL relating to RPSIA financing amounted to RM3,089 million (31 December 2021: RM2,314 million) and RM37 million (31 December 2021: RM36 million) respectively.

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

12 FINANCING AND ADVANCES (continued)

(i) By type and Shariah contract (continued)

	<i>Sale based contracts</i>					<i>Lease based contracts</i>			<i>Equity based contracts</i>			Total RM'000
	Bai' Inah RM'000	Bai' Bithaman Ajil RM'000	Tawarruq RM'000	Murabahah RM'000	Bai' Dayn RM'000	Ijarah Thumma Al- Bai RM'000	Ijarah RM'000	Ijarah Muntahiah Bi Al-Tamlik RM'000	Musharakah Mutanaqisah RM'000	Mudharabah RM'000	Others RM'000	
31 December 2021												
At amortised cost and net of unearned income												
Cash line financing	8,204	6,575	-	-	-	-	420,011	-	-	-	5,265	440,055
Term Financing												
- House financing	-	5,932	-	-	-	-	-	1,727,134	63,462	-	-	1,796,528
- Syndicated term financing	-	-	2,002,574	-	-	-	-	85,067	-	100,133	-	2,187,774
- Hire purchase receivables	-	-	-	-	-	157,958	-	95,924	-	-	-	253,882
- Other term financing	92,253	20,872	3,476,226	-	-	-	-	1,070,251	84,456	-	-	4,744,058
Bills receivable	-	-	-	15,398	17,278	-	-	-	-	-	-	32,676
Revolving credit	-	-	2,977,897	-	-	-	-	-	-	-	-	2,977,897
Claims on customers under acceptance credits	-	-	-	283,773	59,250	-	-	-	-	-	-	343,023
Other financing	-	-	131,177	-	-	-	-	-	-	-	-	131,177
Gross financing and advances	100,457	33,379	8,587,874	299,171	76,528	157,958	420,011	2,978,376	147,918	100,133	5,265	12,907,070
ECL allowance												(470,620)
Net financing and advances												12,436,450

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

12 FINANCING AND ADVANCES (continued)

	30 June 2022 RM'000	31 December 2021 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	1,604,541	1,308,700
Domestic business enterprises		
- Small and medium enterprises	2,266,717	2,400,908
- Others	7,192,427	6,769,937
Individuals	1,890,794	1,990,147
Foreign entities	325,075	437,378
	<u>13,279,554</u>	<u>12,907,070</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	78,344	89,219
- Hire purchase receivables	171,371	157,958
- Other fixed rate financing	1,070,097	1,120,979
Variable rate		
- Base rate/Base financing rate plus	3,806,567	3,911,844
- Cost plus	8,131,075	7,596,997
- Other variable rate	22,100	30,073
	<u>13,279,554</u>	<u>12,907,070</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,608,586	1,368,474
Mining and quarrying	179,411	262,199
Manufacturing	1,927,861	1,950,547
Electricity, gas and water	38,421	46,139
Construction	1,083,365	1,031,750
Real estate	1,179,161	1,145,036
Wholesale & retail trade and restaurants & hotels	1,085,547	1,126,089
Transport, storage and communication	1,197,419	1,167,601
Finance, insurance and business services	1,925,218	1,636,226
Community, social and personal services	1,060,574	1,075,563
Household		
- Purchase of residential properties	1,725,126	1,805,343
- Purchase of non-residential properties	50,817	51,201
- Others	213,301	238,904
Others	4,747	1,998
	<u>13,279,554</u>	<u>12,907,070</u>
(v) By geographical distribution determined based on where the credit risk resides		
Malaysia	12,986,607	12,537,604
Singapore	62,189	68,629
Other ASEAN countries	17,519	56,312
Rest of the world	213,239	244,525
	<u>13,279,554</u>	<u>12,907,070</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

12 FINANCING AND ADVANCES (continued)

	30 June 2022 RM'000	31 December 2021 RM'000
(vi) By residual contractual maturity		
Up to one year	5,020,997	4,349,965
Over one year to three years	747,407	1,114,481
Over three years to five years	3,232,007	2,746,991
Over five years	4,279,143	4,695,633
	<u>13,279,554</u>	<u>12,907,070</u>

13 IMPAIRED FINANCING AND ADVANCES

(a) Movements in credit-impaired financing and advances

	30 June 2022 RM'000	31 December 2021 RM'000
At 1 January	544,552	615,091
Impaired during the period/year	103,869	255,823
Reclassified as non credit-impaired	(14,432)	(24,220)
Amount recovered	(36,231)	(232,996)
Amount written off	(17,470)	(69,146)
At 30 June/31 December	<u>580,288</u>	<u>544,552</u>
Stage 3 ECL allowance	<u>(252,768)</u>	<u>(220,895)</u>
Net impaired financing and advances	<u>327,520</u>	<u>323,657</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 2022, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM31 million (31 December 2021: RM38 million) and RM31 million (31 December 2021: RM33 million) respectively.

	30 June 2022 RM'000	31 December 2021 RM'000
(i) By sector		
Agriculture, hunting, forestry and fishing	2,766	2,962
Manufacturing	27,396	31,768
Construction	62,366	61,405
Real estate	35,050	5,631
Wholesale & retail trade and restaurants & hotels	199,383	196,769
Transport, storage and communication	36,874	43,413
Finance, insurance and business services	9,856	16,404
Community, social and personal services	1,384	8,226
Household		
- Purchase of residential properties	172,869	146,915
- Purchase of non-residential properties	1,134	1,137
- Others	30,698	29,922
Others	512	-
	<u>580,288</u>	<u>544,552</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

13 IMPAIRED FINANCING AND ADVANCES (continued)

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

	30 June 2022 RM'000	31 December 2021 RM'000
(ii) By geographical distribution determined based on where the credit risk resides		
Malaysia	573,157	538,373
Singapore	2,849	6,128
Other ASEAN country	271	51
Rest of the world	4,011	-
	<u>580,288</u>	<u>544,552</u>
(iii) By collateral type		
Property	315,788	272,995
Stocks and shares	-	36,328
Machinery	33	2,211
Secured - others	23,118	32,739
Unsecured - corporate and other guarantees	142,635	80,116
Unsecured - clean	98,714	120,163
	<u>580,288</u>	<u>544,552</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (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>	30 June 2022	<i>Non credit-impaired</i>		<i>Credit-impaired</i>	31 December 2021
	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
At 1 January	31,250	218,475	220,895	470,620	66,433	142,125	149,315	357,873
Transferred to Stage 1	21,053	(20,097)	(956)	-	61,447	(58,885)	(2,562)	-
Transferred to Stage 2	(3,061)	5,228	(2,167)	-	(37,805)	39,861	(2,056)	-
Transferred to Stage 3	(66)	(16,074)	16,140	-	(792)	(52,559)	53,351	-
New financial assets originated or purchased	7,722	23,624	-	31,346	21,960	41,134	-	63,094
Financial assets derecognised	(4,602)	(23,326)	(5,166)	(33,094)	(13,070)	(44,519)	(7,416)	(65,005)
Net remeasurement during the period/year	(22,570)	(19,081)	45,329	3,678	(67,581)	151,005	106,494	189,918
Written-off	-	-	(17,470)	(17,470)	-	-	(69,146)	(69,146)
Other movements	62	1,336	(3,837)	(2,439)	658	313	(7,085)	(6,114)
At 30 June/31 December	29,788	170,085	252,768	452,641	31,250	218,475	220,895	470,620
At 1 January								
- Financing and advances	28,077	187,302	220,895	436,274	60,564	116,381	149,315	326,260
- Financing related commitments and financial guarantees	3,173	31,173	-	34,346	5,869	25,744	-	31,613
	31,250	218,475	220,895	470,620	66,433	142,125	149,315	357,873
At 30 June/31 December								
- Financing and advances	26,328	143,691	252,768	422,787	28,077	187,302	220,895	436,274
- Financing related commitments and financial guarantees	3,460	26,394	-	29,854	3,173	31,173	-	34,346
	29,788	170,085	252,768	452,641	31,250	218,475	220,895	470,620

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (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>	Stage 3	
	Stage 1 and 2 RM'000	Stage 3 RM'000	Made during the period RM'000	Written off RM'000
30 June 2022				
Agriculture, hunting, forestry and fishing	26,451	25	-	-
Mining and quarrying	2,642	8,517	442	21
Manufacturing	35,500	-	-	-
Electricity, gas and water	867	-	-	-
Construction	43,674	51,832	1,088	166
Real estate	8,165	-	-	-
Wholesale & retail trade and restaurants & hotels	19,727	87,553	40,342	4,221
Transport, storage and communication	7,601	31,816	428	-
Finance, insurance and business services	8,117	1,444	4,958	4,557
Community, social and personal services	3,675	609	1,802	8
Household				
- Purchase of residential properties	24,048	48,778	16,784	6,569
- Purchase of non-residential properties	1,452	122	96	-
- Others	17,954	22,072	3,665	1,928
	199,873	252,768	69,605	17,470
31 December 2021				
Agriculture, hunting, forestry and fishing	27,729	142	245	41
Mining and quarrying	3,335	-	-	-
Manufacturing	40,028	9,334	5,362	1,708
Electricity, gas and water	784	-	-	-
Construction	46,658	51,219	86,974	34,816
Real estate	10,730	-	-	-
Wholesale & retail trade and restaurants & hotels	32,964	58,004	26,127	5,404
Transport, storage and communication	8,020	33,579	2,468	1,412
Finance, insurance and business services	10,740	1,788	7,591	2,562
Community, social and personal services	4,822	152	12	10
Household				
- Purchase of residential properties	38,046	43,031	33,099	8,313
- Purchase of non-residential properties	1,337	37	46	-
- Others	24,488	23,609	22,829	14,880
Others	44	-	-	-
	249,725	220,895	184,753	69,146

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (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>	30 June 2022	<i>Non credit- impaired</i>	<i>Credit- impaired</i>	31 December 2021
	Stage 1 and 2	Stage 3	Total	Stage 1 and 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Malaysia	175,097	251,569	426,666	221,839	219,433	441,272
Singapore	1,173	286	1,459	1,273	1,411	2,684
Other ASEAN countries	7	47	54	724	51	775
Rest of the world	23,596	866	24,462	25,889	-	25,889
	199,873	252,768	452,641	249,725	220,895	470,620

14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	30 June 2022			31 December 2021		
	Contract or underlying principal amount	Fair value		Contract or underlying principal amount	Fair value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	94,361	390	148	229,582	485	78
- Swaps	21,981	-	55	189,321	412	633
Profit rate derivatives						
- Swaps	60,577	711	730	422,913	12,213	12,773
	176,919	1,101	933	841,816	13,110	13,484

15 OTHER ASSETS

	30 June 2022	31 December 2021
	RM'000	RM'000
Profit receivable	20,981	22,960
Other receivables, deposits and prepayments	5,216	7,830
Amount due from immediate holding company	4,518	1,751
Amount due from ultimate holding company	9	7
Amount due from related company	2	10
	30,726	32,558

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 2022 (continued)

16 DEPOSITS FROM CUSTOMERS

	30 June 2022 RM'000	31 December 2021 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	748,606	657,831
- Qard	229,807	247,485
Demand deposits		
- Tawarruq	1,547,140	1,244,828
- Qard	5,185,510	4,746,350
Term deposits		
- Tawarruq	4,766,453	5,106,494
- Qard	22,199	2,614
Short-term deposits		
- Tawarruq	448,686	941,655
	<u>12,948,401</u>	<u>12,947,257</u>
(b) By type of customer		
Government and statutory bodies	314,631	164,344
Non-bank financial institutions	1,386,887	1,854,337
Business enterprises	6,907,815	6,260,133
Individuals	4,045,612	4,289,423
Foreign entities	205,345	264,812
Others	88,111	114,208
	<u>12,948,401</u>	<u>12,947,257</u>
(c) By residual maturity for term deposits and short-term deposits		
Up to six months	3,224,583	5,317,638
Over six months to one year	1,864,983	728,232
Over one year to three years	146,609	4,730
Over three years to five years	1,163	163
	<u>5,237,338</u>	<u>6,050,763</u>

17 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	30 June 2022 RM'000	31 December 2021 RM'000
Mudharabah RPSIA		
Licensed bank	3,221,218	2,603,872
Amount receivable from immediate holding company under RPSIA	(30,642)	(32,769)
	<u>3,190,576</u>	<u>2,571,103</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 2022 (continued)

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 June 2022 RM'000	31 December 2021 RM'000
Non-Mudharabah		
Licensed banks	488,726	512,743
Other financial institutions	4,577	5,634
	<u>493,303</u>	<u>518,377</u>

Included in the above are deposits and placements of its immediate holding company of RM448 million (2021: RM490 million), which are unsecured and profit-bearing.

19 OTHER LIABILITIES

	30 June 2022 RM'000	31 December 2021 RM'000
Profit payable	24,125	33,284
Other payables and accruals	42,776	63,885
Amount due to immediate holding company (a)	93,122	85,739
Amount due to ultimate holding company (a)	689	669
Equity compensation benefits	1,040	841
Lease liabilities	2,074	2,849
Provision for commitments and contingencies	27,742	14,779
	<u>191,568</u>	<u>202,046</u>

(a) The amount due to ultimate and immediate holding companies 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. This Murabahah subordinated sukuk qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank. The subordinated sukuk was redeemed in full on its callable date on 24 May 2022.

21 INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	<u>Quarter Ended</u>		<u>Year-To-Date Ended</u>	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Income derived from investment of:				
(i) Term deposits	42,506	50,556	85,878	101,227
(ii) Other deposits	76,808	78,469	148,462	152,603
	<u>119,314</u>	<u>129,025</u>	<u>234,340</u>	<u>253,830</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

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

	Quarter Ended		Year-To-Date Ended	
	30 June	30 June	30 June	30 June
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(i) Income derived from investment of term deposits				
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	30,148	33,973	61,990	69,932
- Recoveries from credit-impaired financing	2,045	634	2,774	1,210
- Discount unwind from credit-impaired financing	564	479	1,236	1,368
Financial assets at FVTPL	32	39	68	79
Financial investments at FVOCI	7,100	9,849	13,900	19,054
Deposits and placements with banks and other financial institutions	3,067	2,889	5,621	5,063
	<u>42,956</u>	<u>47,863</u>	<u>85,589</u>	<u>96,706</u>
Other trading income				
Net loss on financial assets at FVTPL	(65)	-	(65)	-
Unrealised loss on financial assets at FVTPL	(42)	(5)	(40)	(13)
Other operating income				
Net (loss)/gain from sale of financial investments at FVOCI	(432)	2,523	145	4,178
Others	89	175	249	356
	<u>42,506</u>	<u>50,556</u>	<u>85,878</u>	<u>101,227</u>
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	54,479	52,729	107,080	105,340
- Recoveries from credit-impaired financing	3,696	984	4,901	1,826
- Discount unwind from credit-impaired financing	1,018	744	2,129	2,045
Financial assets at FVTPL	58	60	118	118
Financial investments at FVOCI	12,828	15,287	24,062	28,753
Deposits and placements with banks and other financial institutions	5,541	4,485	9,760	7,667
	<u>77,620</u>	<u>74,289</u>	<u>148,050</u>	<u>145,749</u>
Other trading income				
Net loss on financial assets at FVTPL	(116)	-	(116)	-
Unrealised loss on financial assets at FVTPL	(76)	(8)	(72)	(20)
Other operating income				
Net (loss)/gain from sale of financial investments at FVOCI	(780)	3,915	175	6,336
Others	160	273	425	538
	<u>76,808</u>	<u>78,469</u>	<u>148,462</u>	<u>152,603</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

22 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	17,198	10,294	32,275	18,928
- Recoveries from credit-impaired financing	-	2,333	-	4,782
Deposits and placements with banks and other financial institutions	863	249	2,109	388
	18,061	12,876	34,384	24,098

23 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUND

	Quarter Ended		Year-To-Date Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	11,730	10,762	23,719	22,300
- Recoveries from credit-impaired financing	796	201	1,071	386
- Discount unwind from credit-impaired financing	219	152	472	437
Financial assets at FVTPL	12	12	26	25
Financial investments at FVOCI	2,762	3,120	5,322	6,073
Deposits and placements with banks and other financial institutions	1,193	915	2,155	1,613
	16,712	15,162	32,765	30,834
Other trading income				
Net loss on financial assets at FVTPL	(25)	-	(25)	-
Unrealised loss on financial assets at FVTPL	(16)	(2)	(15)	(5)
Other operating income				
Commission	7,025	7,147	14,363	17,931
Service charges and fees	5,009	4,826	9,119	10,945
Net (loss)/gain from sale of financial investments at FVOCI	(168)	799	50	1,330
Others	34	56	94	114
Other trading income				
Net trading (loss)/gain				
- Foreign currency	(859)	148	(975)	596
- Derivatives	7,342	4,365	13,023	8,745
- Revaluation of derivatives	377	(59)	578	291
	35,431	32,442	68,977	70,781

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

24 IMPAIRMENT ALLOWANCE AND PROVISIONS

	Quarter Ended		Year-To-Date Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Financing and advances				
Stage 1 and Stage 2 ECL net write back/(charge) during the period	19,518	(31,670)	49,852	(13,536)
Stage 3 ECL				
- Made during the period	(50,299)	(84,279)	(69,605)	(105,683)
- Written back during the period	12,071	4,390	16,425	11,198
Credit-impaired financing recovered	6,827	5,786	12,960	10,934
Recovery from RPSIA holder*	(2,128)	-	(2,128)	-
Financial investments at FVOCI				
Stage 1 and Stage 2 ECL net (charge)/write back during the period	(17)	24	(1)	1
Other assets				
Stage 1 ECL net charge during the period	(1)	-	(1)	-
Commitments and contingencies				
Net charge during the period	-	(13,931)	(12,963)	(13,931)
	<u>(14,029)</u>	<u>(119,680)</u>	<u>(5,461)</u>	<u>(111,017)</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 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Deposits from customers				
- Non-Mudharabah	41,551	46,212	82,775	90,340
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	1,108	726	2,631	2,040
Subordinated sukuk	1,394	2,394	3,761	4,761
Lease liabilities	14	27	32	50
	<u>44,067</u>	<u>49,359</u>	<u>89,199</u>	<u>97,191</u>

26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	12,954	8,978	24,712	16,824

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

27 OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Personnel expenses				
Wages, salaries and bonus	4,866	6,029	8,281	9,072
Employees Provident Fund contributions	767	874	1,384	1,633
Share-based costs	89	69	178	172
Others	610	768	1,370	1,623
	<u>6,332</u>	<u>7,740</u>	<u>11,213</u>	<u>12,500</u>
Establishment expenses				
Depreciation of equipment	369	493	730	875
Depreciation of ROU assets	374	467	758	933
Rental of premises	2	3	5	5
Repair and maintenance	188	3	356	201
Information technology costs	147	161	282	330
Hire of equipment	19	29	42	57
Others	458	581	1,026	1,185
	<u>1,557</u>	<u>1,737</u>	<u>3,199</u>	<u>3,586</u>
Marketing expenses				
Advertising and business promotion	59	40	159	103
Transport and travelling	17	12	30	22
Others	2	-	4	1
	<u>78</u>	<u>52</u>	<u>193</u>	<u>126</u>
General administrative expenses				
Shared service fees to immediate holding company	27,856	27,067	53,824	52,233
IT and transaction processing fees to related companies	5,143	5,346	10,237	10,696
Others	3,344	3,097	5,841	5,000
	<u>36,343</u>	<u>35,510</u>	<u>69,902</u>	<u>67,929</u>
Total operating expenses	<u>44,310</u>	<u>45,039</u>	<u>84,507</u>	<u>84,141</u>

28 INCOME TAX EXPENSE/(WRITE BACK)

	Quarter Ended		Year-To-Date Ended	
	30 June 2022 RM'000	30 June 2021 RM'000	30 June 2022 RM'000	30 June 2021 RM'000
Malaysian income tax				
- Current period charge/(write back)	18,000	(7,630)	37,079	13,471
- Prior periods	(1)	-	(7,046)	-
Deferred tax				
- Origination and reversal of temporary differences	(1,210)	(3,989)	1,954	(3,845)
	<u>16,789</u>	<u>(11,619)</u>	<u>31,987</u>	<u>9,626</u>

29 CAPITAL COMMITMENTS

	30 June 2022 RM'000	31 December 2021 RM'000
Capital expenditure in respect of equipment		
- Contracted but not provided for	42	189

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (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 2022			31 December 2021		
	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	45,645	45,645	37,705	45,544	45,544	48,007
Transaction-related contingent items	439,148	222,759	144,628	365,589	186,069	123,248
Short-term self-liquidating trade-related contingencies	60,933	12,187	7,975	50,783	10,386	6,243
Foreign exchange related contracts						
- Up to one year	116,342	964	513	373,353	1,885	729
- Over one year to five years	-	-	-	45,550	4,157	1,423
Profit rate related contracts						
- Five years and above	60,577	8,327	1,173	422,913	42,616	35,303
Formal standby facilities and credit lines						
- Original maturity up to one year	69,000	51,750	58,106	3,000	2,250	1,983
- Original maturity over one year	509,226	402,799	272,263	600,269	473,790	361,156
Other unconditionally cancellable commitments	2,489,352	163,388	27,739	2,201,807	173,996	31,304
	3,790,223	907,819	550,102	4,108,808	940,693	609,396

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 2022 RM'000	31 December 2021 RM'000
Aggregate value of outstanding credit exposures with connected parties[^]		
Credit facility and leasing (except guarantee)	103,709	103,466
Commitments and contingencies*	196,959	195,784
	300,668	299,250
Credit-impaired or in default	-	-
Outstanding credit exposures to connected parties		
As a proportion of total credit exposures	2.14%	2.18%

[^] 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 2022 (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.

	Note	30 June 2022 RM'000	31 December 2021 RM'000
Cash and cash equivalents *		2,819,036	2,151,731
Financial assets at FVTPL	10	5,068	10,090
Financial investments at FVOCI	11	2,957,109	3,518,894
Financing and advances	12	12,826,913	12,436,450
Derivative financial assets	14	1,101	13,110
Other assets	15	30,726	32,103
Contingent liabilities and credit commitments		3,613,304	3,266,992
		<u>22,253,257</u>	<u>21,429,370</u>

* Excluding cash in hand

Credit quality analysis

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

	30 June 2022				31 December 2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Cash and cash equivalents	2,819,036	-	-	2,819,036	2,151,731	-	-	2,151,731
Financial assets at FVTPL*								
Investment grade (AAA)	-	-	-	5,068	-	-	-	10,090

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

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

32 CREDIT RISK (continued)

Credit quality analysis (continued)

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

	30 June 2022				31 December 2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial investments at FVOCI								
Government (AAA to BBB)	161,999	-	-	161,999	270,339	-	-	270,339
Government and Central Bank (unrated)	1,887,484	-	-	1,887,484	2,354,681	-	-	2,354,681
Investment grade (AAA to BBB)	173,263	-	-	173,263	205,624	-	-	205,624
Unrated	714,257	20,106	-	734,363	667,898	20,352	-	688,250
	2,937,003	20,106	-	2,957,109	3,498,542	20,352	-	3,518,894
Contingent liabilities and credit commitments (excluding derivative financial assets)								
Pass	2,406,964	1,105,930	-	3,512,894	2,210,971	936,141	-	3,147,112
Special mention	-	40,195	-	40,195	-	53,460	-	53,460
Credit-impaired	-	-	60,215	60,215	-	-	66,420	66,420
	2,406,964	1,146,125	60,215	3,613,304	2,210,971	989,601	66,420	3,266,992

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (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 2022				31 December 2021			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Neither past due nor credit-impaired								
(i) By internal grading								
Pass	9,794,466	1,960,772	-	11,755,238	9,159,134	1,639,501	-	10,798,635
Special mention	-	707,878	-	707,878	-	1,291,644	-	1,291,644
	<u>9,794,466</u>	<u>2,668,650</u>	<u>-</u>	<u>12,463,116</u>	<u>9,159,134</u>	<u>2,931,145</u>	<u>-</u>	<u>12,090,279</u>
Past due but not credit-impaired								
(ii) By period overdue								
Less than 2 months	-	26,093	-	26,093	-	12,704	-	12,704
2 months to less than 3 months	-	10,184	-	10,184	-	9,810	-	9,810
	<u>-</u>	<u>36,277</u>	<u>-</u>	<u>36,277</u>	<u>-</u>	<u>22,514</u>	<u>-</u>	<u>22,514</u>
Credit-impaired								
Past due	-	-	158,935	158,935	-	-	176,459	176,459
Not past due	-	-	168,585	168,585	-	-	147,198	147,198
	<u>-</u>	<u>-</u>	<u>327,520</u>	<u>327,520</u>	<u>-</u>	<u>-</u>	<u>323,657</u>	<u>323,657</u>
Total	<u>9,794,466</u>	<u>2,704,927</u>	<u>327,520</u>	<u>12,826,913</u>	<u>9,159,134</u>	<u>2,953,659</u>	<u>323,657</u>	<u>12,436,450</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 2022 (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 2022 and 31 December 2021, 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:

	30 June 2022 RM'000	31 December 2021 RM'000
Fair value of collateral held against the covered portion of credit-impaired financing and advances	458,049	425,194
Covered portion of credit-impaired financing and advances	338,939	344,274
Uncovered portion of credit-impaired financing and advances	241,349	200,278
	580,288	544,552

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

32 CREDIT RISK (continued)

Credit quality analysis (continued)

	30 June 2022					31 December 2021				
	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	-	2,049,483	-	-	-	-	2,625,019	-	-	-
Foreign government	-	-	-	-	-	-	-	-	-	-
Public sector	-	243,349	-	-	-	-	263,582	-	-	-
Banking institutions	-	399,312	-	756	300,000	-	299,745	-	12,171	-
Non-bank financial institutions	-	214,631	-	5	3,765	-	264,720	-	5	6,693
Business enterprises	5,068	50,334	21,586	340	3,215,199	10,090	65,828	10,005	934	3,160,228
Individuals	-	-	14,691	-	94,340	-	-	12,509	-	100,071
	5,068	2,957,109	36,277	1,101	3,613,304	10,090	3,518,894	22,514	13,110	3,266,992
(iii) By geographical distribution										
Malaysia	5,068	2,957,109	34,924	1,101	3,601,154	10,090	3,518,894	22,031	13,105	3,251,800
Singapore	-	-	558	-	1,824	-	-	483	-	1,166
Other ASEAN countries	-	-	-	-	8,235	-	-	-	5	10,705
Rest of the world	-	-	795	-	2,091	-	-	-	-	3,321
	5,068	2,957,109	36,277	1,101	3,613,304	10,090	3,518,894	22,514	13,110	3,266,992

* 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 2022 (continued)

32 CREDIT RISK (continued)

Credit quality analysis (continued)

	30 June 2022					31 December 2021				
	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	-	-	-	-	24,896	-	-	-	-	19,366
Mining and quarrying	-	-	-	-	33,039	-	-	-	-	31,690
Manufacturing	-	999	501	289	776,413	-	999	4,521	37	761,550
Electricity, gas and water	-	59,546	-	1	111,534	-	75,355	-	-	3,783
Construction	-	-	5,439	-	794,480	-	-	848	-	758,133
Real estate	-	-	4,506	-	390,630	-	-	448	798	453,280
Wholesale & retail trade and restaurants & hotels	-	-	4,988	43	417,303	-	-	3,268	98	404,119
Transport, storage and communication	-	20,106	-	-	311,542	-	20,352	289	-	289,997
Finance, insurance and business services	-	613,942	6,152	761	635,596	-	564,464	631	12,176	423,445
Community, social and personal services	5,068	179,139	-	-	6,957	10,090	232,704	-	-	14,546
Household										
- Purchase of residential properties	-	-	12,209	-	83,687	-	-	8,517	-	87,054
- Others	-	-	2,482	2	10,653	-	-	3,992	-	13,017
Others	-	2,083,377	-	5	16,574	-	2,625,020	-	1	7,012
	5,068	2,957,109	36,277	1,101	3,613,304	10,090	3,518,894	22,514	13,110	3,266,992
(v) By residual contractual maturity										
Up to one year	-	1,253,733	4,264	390	2,641,012	5,012	1,646,118	3,008	840	2,121,597
Over one year to five years	5,068	1,446,371	5,704	-	497,833	5,078	1,665,955	4,320	57	562,353
Over five years	-	257,005	26,309	711	474,459	-	206,821	15,186	12,213	583,042
	5,068	2,957,109	36,277	1,101	3,613,304	10,090	3,518,894	22,514	13,110	3,266,992

* 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 2022 (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:

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

Financial instruments carried at fair value

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
30 June 2022				
Financial assets at fair value				
Financial assets at FVTPL	5,068	-	-	5,068
Financial investments at FVOCI	2,358,054	599,055	-	2,957,109
Derivative financial assets	57	749	295	1,101
	<u>2,363,179</u>	<u>599,804</u>	<u>295</u>	<u>2,963,278</u>
Financial liabilities at fair value				
Derivative financial liabilities	44	889	-	933
	<u>44</u>	<u>889</u>	<u>-</u>	<u>933</u>
31 December 2021				
Financial assets at fair value				
Financial assets at FVTPL	10,090	-	-	10,090
Financial investments at FVOCI	2,969,399	549,495	-	3,518,894
Derivative financial assets	82	12,992	36	13,110
	<u>2,979,571</u>	<u>562,487</u>	<u>36</u>	<u>3,542,094</u>
Financial liabilities at fair value				
Derivative financial liabilities	17	13,466	1	13,484
	<u>17</u>	<u>13,466</u>	<u>1</u>	<u>13,484</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (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 2022 RM'000	31 December 2021 RM'000
Financial assets at fair value		
At 1 January	36	1
Unrealised gain recognised in profit or loss	259	35
At 30 June/31 December	<u>295</u>	<u>36</u>
Financial liabilities at fair value		
At 1 January	1	4
Unrealised loss recognised in profit or loss	(1)	(3)
At 30 June/31 December	<u>-</u>	<u>1</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 2022 RM'000	31 December 2021 RM'000			
Asset					
Derivative financial assets	<u>295</u>	<u>36</u>	Hedge for trading	Option pricing model	Standard deviation
Liability					
Derivative financial liabilities	<u>-</u>	<u>1</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 2022 RM'000	31 December 2021 RM'000
Common Equity Tier 1 ("CET 1") capital		
Paid-up ordinary share capital	555,000	555,000
Retained earnings	1,249,791	1,147,981
Other reserves	58,129	85,530
Regulatory adjustment	(75,165)	(1,465)
	<u>1,787,755</u>	<u>1,787,046</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 JUNE 2022 (continued)

34 CAPITAL ADEQUACY (continued)

	30 June 2022 RM'000	31 December 2021 RM'000
Tier 2 capital		
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	2,530	3,199
Surplus eligible provisions over expected losses	51,152	52,650
Subordinated sukuk	-	200,000
	<u>53,682</u>	<u>255,849</u>
Capital base	<u>1,841,437</u>	<u>2,042,895</u>
	30 June 2022	31 December 2021
Before the effects of PSIA		
CET 1/Tier 1 capital ratio	15.578%	16.290%
Total capital ratio	<u>16.046%</u>	<u>18.622%</u>
After the effects of PSIA		
CET 1/Tier 1 capital ratio	18.734%	18.179%
Total capital ratio	<u>19.297%</u>	<u>20.782%</u>

The Bank has redeemed in full its Murabahah subordinated sukuk which qualifies as Tier 2 capital for the purpose of determining the capital adequacy ratio of the Bank on its callable date on 24 May 2022.

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 2022, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM1,933 million (31 December 2021: RM1,140 million).

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

	30 June 2022	31 December 2021
After the effects of PSIA		
CET 1/Tier 1 capital ratio	18.054%	16.790%
Total capital ratio	<u>18.616%</u>	<u>19.393%</u>

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

	30 June 2022 RM'000	31 December 2021 RM'000
Total RWA for credit risk	8,727,724	9,030,867
Total RWA for market risk	7,427	6,578
Total RWA for operational risk	807,463	792,879
	<u>9,542,614</u>	<u>9,830,324</u>