

OCBC AL-AMIN BANK BERHAD

Registration No. 200801017151 (818444-T)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

Domiciled in Malaysia
Registered Office:
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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 SEPTEMBER 2022

		30 September	31 December
		2022	2021
	Note	RM'000	RM'000
ASSETS			
Cash and cash equivalents	9	2,048,772	2,180,400
Financial assets at fair value through profit or loss ("FVTPL")	10	5,049	10,090
Financial investments at fair value through other comprehensive income ("FVOCI")	11	3,413,589	3,518,894
Financing and advances	12	12,616,456	12,436,450
Derivative financial assets	14	1,495	13,110
Other assets	15	55,387	32,558
Tax recoverable		-	15,575
Property and equipment		3,385	4,375
Right-of-use ("ROU") assets		2,289	2,796
Deferred tax assets		43,081	41,558
Total assets		<u>18,189,503</u>	<u>18,255,806</u>
LIABILITIES			
Deposits from customers	16	12,411,388	12,947,257
Investment accounts due to designated financial institution	17	2,737,770	2,571,103
Deposits and placements of banks and other financial institutions	18	946,818	518,377
Bills and acceptances payable		10,416	12,330
Derivative financial liabilities	14	1,993	13,484
Other liabilities	19	173,409	202,046
Provision for taxation and zakat		16,913	2,644
Subordinated sukuk	20	-	200,000
Total liabilities		<u>16,298,707</u>	<u>16,467,241</u>
EQUITY			
Share capital		555,000	555,000
Reserves		<u>1,335,796</u>	<u>1,233,565</u>
Total equity		<u>1,890,796</u>	<u>1,788,565</u>
Total liabilities and equity		<u>18,189,503</u>	<u>18,255,806</u>
Commitments and contingencies	30	<u>4,045,263</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 SEPTEMBER 2022

	Note	Quarter Ended		Year-To-Date Ended	
		30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Income derived from investment of depositors' funds and others	21	126,917	125,179	361,257	379,009
Income derived from investment of investment account funds	22	26,043	13,629	60,427	37,727
Income derived from investment of shareholder's funds	23	36,023	37,170	105,000	107,951
Impairment allowance and provisions	24	(33,943)	(38,483)	(39,404)	(149,500)
Total distributable income		155,040	137,495	487,280	375,187
Income attributable to depositors	25	(49,150)	(47,974)	(138,349)	(145,165)
Income attributable to investment account holder	26	(18,530)	(9,524)	(43,242)	(26,348)
Total net income		87,360	79,997	305,689	203,674
Operating expenses	27	(43,749)	(44,084)	(128,256)	(128,225)
Profit before taxation and zakat		43,611	35,913	177,433	75,449
Income tax expense	28	(12,707)	(8,694)	(44,694)	(18,320)
Zakat		(12)	(13)	(37)	(38)
Profit for the period		30,892	27,206	132,702	57,091
Items that may be subsequently reclassified to profit or loss					
Fair value reserve (debt instruments)					
- Change in fair value		(4,176)	(9,682)	(39,860)	(36,179)
- Transferred to profit or loss		-	(5,797)	(370)	(17,641)
- Related tax		1,003	3,715	9,656	12,919
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		102	(41)	103	(42)
Other comprehensive expense for the period, net of income tax		(3,071)	(11,805)	(30,471)	(40,943)
Total comprehensive income for the period		27,821	15,401	102,231	16,148
Profit attributable to the owner of the Bank		30,892	27,206	132,702	57,091
Total comprehensive income attributable to the owner of the Bank		27,821	15,401	102,231	16,148
Basic earnings per ordinary share (sen)		16.70	14.71	71.73	30.86

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 SEPTEMBER 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	-	-	-	(39,860)	-	(39,860)
- Transferred to profit or loss	-	-	-	(370)	-	(370)
- Related tax	-	-	-	9,656	-	9,656
Change in ECL reserve	-	-	103	-	-	103
Total other comprehensive income/(expense) for the period	-	-	103	(30,574)	-	(30,471)
Profit for the period	-	-	-	-	132,702	132,702
Total comprehensive income/(expense) for the period	-	-	103	(30,574)	132,702	102,231
At 30 September 2022	<u>555,000</u>	<u>91,000</u>	<u>157</u>	<u>(36,044)</u>	<u>1,280,683</u>	<u>1,890,796</u>
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	-	-	-	(36,179)	-	(36,179)
- Transferred to profit or loss	-	-	-	(17,641)	-	(17,641)
- Related tax	-	-	-	12,919	-	12,919
Change in ECL reserve	-	-	(42)	-	-	(42)
Total other comprehensive expense for the period	-	-	(42)	(40,901)	-	(40,943)
Profit for the period	-	-	-	-	57,091	57,091
Total comprehensive (expense)/income for the period	-	-	(42)	(40,901)	57,091	16,148
At 30 September 2021	<u>555,000</u>	<u>91,000</u>	<u>48</u>	<u>7,039</u>	<u>1,115,079</u>	<u>1,768,166</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 CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2022

	30 September 2022 RM'000	30 September 2021 RM'000
Cash flows from operating activities		
Profit before income tax expense and zakat	177,433	75,449
<i>Adjustments for:</i>		
Net loss/(gain) from disposal of:		
- Financial assets at FVTPL	206	-
- Financial investments at FVOCI	(370)	(17,641)
- Property and equipment	147	47
Depreciation of equipment	1,086	1,236
Depreciation of ROU assets	1,141	1,392
Impairment allowance and provisions	56,949	164,074
Finance expense on lease liabilities	44	60
Share-based costs	292	254
Unrealised loss/(gain) on:		
- Financial assets at FVTPL	146	51
- Derivatives	92	(630)
Operating profit before changes in working capital	<u>237,166</u>	<u>224,292</u>
<i>Changes in operating assets and operating liabilities:</i>		
Financial assets at FVTPL	4,689	-
Financing and advances	(232,294)	(809,711)
Derivative financial assets	11,523	9,849
Other assets	(22,829)	(35,826)
Deposits from customers	(535,869)	1,501,519
Investment accounts due to designated financial institution	162,015	247,523
Deposits and placements of banks and other financial institutions	428,441	(119,663)
Bills and acceptances payable	(1,914)	(5,677)
Derivative financial liabilities	(11,491)	(9,885)
Other liabilities	(28,414)	1,957
Cash generated from operations	<u>11,023</u>	<u>1,004,378</u>
Income tax and zakat paid	(6,754)	(20,175)
Net cash generated from operating activities	<u>4,269</u>	<u>984,203</u>
Cash flows from investing activities		
Acquisition of financial investments at FVOCI	(4,326,420)	(7,096,000)
Proceeds from disposal of financial investments at FVOCI	4,391,968	7,758,840
Acquisition of equipment	(247)	(569)
Proceeds from disposal of equipment	5	-
Net cash generated from investing activities	<u>65,306</u>	<u>662,271</u>
Cash flows from financing activities		
Redemption of subordinated sukuk	(200,000)	-
Payment of lease liabilities	(1,193)	(1,446)
Net cash used in financing activities	<u>(201,193)</u>	<u>(1,446)</u>
Net increase in cash and cash equivalents	(131,618)	1,645,028
Cash and cash equivalents at 1 January	2,180,400	285,723
Cash and cash equivalents at 30 September	<u>2,048,782</u>	<u>1,930,751</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	(1,193)	(1,446)
Acquisition of new leases and changes in lease terms	634	99
Finance expense on lease liabilities	44	60
At 30 September	<u>2,334</u>	<u>3,236</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 SEPTEMBER 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 RM132.7 million for the financial period ended 30 September 2022, an increase of RM75.6 million against the corresponding period last year. The increase was mainly due to lower impairment allowances of RM110.1 million, lower profit income attributable to depositors of RM6.8 million and higher net income from investment account funds of RM5.8 million partly offset by higher tax of RM26.4 million, lower income from investment of depositors' funds and others of RM17.8 million and lower income from investment of shareholder's funds of RM2.9 million.

Allowances decreased by RM110.1 million mainly due lower net expected credit loss ("ECL") Stage 1 and Stage 2 of RM134.3 million partly offset by higher ECL 3 of RM22.5 million and lower other recoveries of RM1.7 million. Income from investment of depositors' funds and others decreased by RM17.8 million mainly due to lower gain on disposal of FVOCI of RM15.3 million.

Gross financing and advances increased by RM0.2 billion or +1% to RM13.1 billion in the first nine months of 2022, mainly from drawdowns by non-bank financial institution. Deposits from customers decreased by RM0.5 billion or -4% over the same period to RM12.4 billion, mainly due to lower deposits from non-bank financial institution deposits of RM0.5 billion.

The Bank remained well capitalised with Common Equity Tier 1 and Tier 1 capital ratios of 18.225% and Total capital ratio of 18.786%.

ECONOMIC PERFORMANCE AND PROSPECTS

The Malaysian economy strengthened in the second quarter of 2022 ("2Q 2022"), registering a growth of 8.9% against the previous quarter's 5.0%. This brought the first-half gross domestic product ("GDP") growth to 6.9%. Given this development, the Malaysian Government raised its 2022 economic growth forecast to 6.5% - 7.0%, from its March 2022 forecast of 5.3% - 6.3%. The higher growth in 2Q 2022 reflected normalising of economic activity as the country moved towards endemicity and reopened its international borders.

The Malaysian economy will continue to be supported by firm domestic demand, improving labour market conditions and higher tourist arrivals, along with the continued implementation of multi-year investment projects. However, downside risks to the economy continue to stem from a weaker-than-expected global growth, further escalation of geopolitical conflicts and worsening supply chain disruptions.

During the year, BNM raised the Overnight Policy Rate ("OPR") by a total of 75 basis points to 2.50%. At the current OPR level, the monetary policy remains accommodative and supportive of economic growth amidst inflationary pressures.

While some tightening in funding conditions is expected towards the end of 2022, banks continue to operate with strong capital and liquidity buffers to ensure financial intermediation remains supportive of the economy.

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 SEPTEMBER 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 SEPTEMBER 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 September 2022.

6 DIVIDEND

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

9 CASH AND CASH EQUIVALENTS

	30 September 2022 RM'000	31 December 2021 RM'000
Cash and balances with banks and other financial institutions	173,175	91,971
Deposits and placements with BNM	<u>1,875,607</u>	<u>2,088,429</u>
	2,048,782	2,180,400
Stage 1 ECL allowance	<u>(10)</u>	<u>-</u>
	<u>2,048,772</u>	<u>2,180,400</u>

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

	30 September 2022 RM'000	31 December 2021 RM'000
At fair value		
Islamic Corporate Sukuk	<u>5,049</u>	<u>10,090</u>

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

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

	30 September 2022 RM'000	31 December 2021 RM'000
At fair value		
Malaysian Government Investment Issues	1,749,210	2,078,601
Malaysian Government Islamic Treasury Bills	625,732	546,419
Islamic Corporate Sukuk	365,620	329,410
Islamic Negotiable Instruments of Deposit	648,177	549,495
Cagamas Sukuk	24,850	14,969
	<u>3,413,589</u>	<u>3,518,894</u>

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

	30 September 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	197	-	197	181	-	181
Financial assets derecognised	(55)	-	(55)	(103)	(6)	(109)
Net remeasurement during the period/year	(39)	-	(39)	(107)	(1)	(108)
At 30 September/31 December	<u>157</u>	<u>-</u>	<u>157</u>	<u>54</u>	<u>-</u>	<u>54</u>

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 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 September 2022												
At amortised cost and net of unearned income												
Cash line financing	7,793	4,844	-	-	-	-	491,935	-	-	-	7,839	512,411
Term Financing												
- House financing	-	5,057	-	-	-	-	-	1,617,963	57,778	-	-	1,680,798
- Syndicated term financing	-	-	1,710,649	-	-	-	-	34,076	-	100,180	-	1,844,905
- Hire purchase receivables	-	-	-	-	-	159,862	-	83,074	-	-	-	242,936
- Other term financing	68,098	15,185	3,557,287	-	-	-	-	961,245	75,079	-	-	4,676,894
Bills receivable	-	-	-	3,396	29,468	-	-	-	-	-	-	32,864
Trust receipts	-	-	-	301	-	-	-	-	-	-	-	301
Revolving credit	-	-	3,658,321	-	-	-	-	-	-	-	-	3,658,321
Claims on customers under acceptance credits	-	-	-	306,313	61,250	-	-	-	-	-	-	367,563
Other financing	-	-	82,825	-	-	-	-	-	-	-	-	82,825
Gross financing and advances	75,891	25,086	9,009,082	310,010	90,718	159,862	491,935	2,696,358	132,857	100,180	7,839	13,099,818
ECL allowance												(483,362)
Net financing and advances												12,616,456

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

As at 30 September 2022, the gross exposure and ECL relating to RPSIA financing amounted to RM2,626 million (31 December 2021: RM2,314 million) and RM28 million (31 December 2021: RM36 million) respectively.

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

12 FINANCING AND ADVANCES (continued)

	30 September 2022 RM'000	31 December 2021 RM'000
(ii) By type of customer		
Domestic non-bank financial institutions	1,904,713	1,308,700
Domestic business enterprises		
- Small and medium enterprises	2,316,835	2,400,908
- Others	6,756,028	6,769,937
Individuals	1,839,165	1,990,147
Foreign entities	283,077	437,378
	<u>13,099,818</u>	<u>12,907,070</u>
(iii) By profit rate sensitivity		
Fixed rate		
- House financing	76,157	89,219
- Hire purchase receivables	159,862	157,958
- Other fixed rate financing	1,010,428	1,120,979
Variable rate		
- Base rate/Base financing rate plus	3,781,452	3,911,844
- Cost plus	8,053,617	7,596,997
- Other variable rate	18,302	30,073
	<u>13,099,818</u>	<u>12,907,070</u>
(iv) By sector		
Agriculture, hunting, forestry and fishing	1,543,428	1,368,474
Mining and quarrying	142,698	262,199
Manufacturing	1,966,722	1,950,547
Electricity, gas and water	38,780	46,139
Construction	1,016,308	1,031,750
Real estate	1,227,814	1,145,036
Wholesale & retail trade and restaurants & hotels	1,093,440	1,126,089
Transport, storage and communication	774,208	1,167,601
Finance, insurance and business services	2,296,151	1,636,226
Community, social and personal services	1,060,383	1,075,563
Household		
- Purchase of residential properties	1,689,070	1,805,343
- Purchase of non-residential properties	46,745	51,201
- Others	199,403	238,904
Others	4,668	1,998
	<u>13,099,818</u>	<u>12,907,070</u>
(v) By geographical distribution determined based on where the credit risk resides		
Malaysia	12,846,300	12,537,604
Singapore	60,209	68,629
Other ASEAN countries	6,571	56,312
Rest of the world	186,738	244,525
	<u>13,099,818</u>	<u>12,907,070</u>

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

12 FINANCING AND ADVANCES (continued)

	30 September 2022 RM'000	31 December 2021 RM'000
(vi) By residual contractual maturity		
Up to one year	4,797,402	4,349,965
Over one year to three years	643,949	1,114,481
Over three years to five years	3,261,007	2,746,991
Over five years	4,397,460	4,695,633
	<u>13,099,818</u>	<u>12,907,070</u>

13 IMPAIRED FINANCING AND ADVANCES

(a) Movements in credit-impaired financing and advances

	30 September 2022 RM'000	31 December 2021 RM'000
At 1 January	544,552	615,091
Impaired during the period/year	314,199	255,823
Reclassified as non credit-impaired	(29,288)	(24,220)
Amount recovered	(54,198)	(232,996)
Amount written off	(20,947)	(69,146)
At 30 September/31 December	<u>754,318</u>	<u>544,552</u>
Stage 3 ECL allowance	<u>(329,343)</u>	<u>(220,895)</u>
Net impaired financing and advances	<u>424,975</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 September 2022, the credit-impaired RPSIA funded gross exposures and Stage 3 ECL recoverable from the RPSIA holder amounted to RM28 million (31 December 2021: RM38 million) and RM28 million (31 December 2021: RM33 million) respectively.

	30 September 2022 RM'000	31 December 2021 RM'000
(i) By sector		
Agriculture, hunting, forestry and fishing	1,636	2,962
Manufacturing	106,151	31,768
Construction	67,391	61,405
Real estate	38,996	5,631
Wholesale & retail trade and restaurants & hotels	266,207	196,769
Transport, storage and communication	34,358	43,413
Finance, insurance and business services	11,242	16,404
Community, social and personal services	4,325	8,226
Household		
- Purchase of residential properties	191,348	146,915
- Purchase of non-residential properties	2,016	1,137
- Others	30,145	29,922
Others	503	-
	<u>754,318</u>	<u>544,552</u>
(ii) By geographical distribution		
Malaysia	741,943	538,373
Singapore	4,496	6,128
Other ASEAN country	247	51
Rest of the world	7,632	-
	<u>754,318</u>	<u>544,552</u>

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

13 IMPAIRED FINANCING AND ADVANCES (continued)

(b) Movements in ECL allowance for financing and advances

	30 September				31 December			
	<i>Non credit-impaired</i>		<i>Credit-impaired</i>		<i>Non credit-impaired</i>		<i>Credit-impaired</i>	
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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	44,987	(42,673)	(2,314)	-	61,447	(58,885)	(2,562)	-
Transferred to Stage 2	(5,695)	10,673	(4,978)	-	(37,805)	39,861	(2,056)	-
Transferred to Stage 3	(149)	(75,479)	75,628	-	(792)	(52,559)	53,351	-
New financial assets originated or purchased	12,399	31,371	-	43,770	21,960	41,134	-	63,094
Financial assets derecognised	(7,133)	(33,714)	(5,959)	(46,806)	(13,070)	(44,519)	(7,416)	(65,005)
Net remeasurement during the period/year	(49,122)	16,151	72,550	39,579	(67,581)	151,005	106,494	189,918
Written-off	-	-	(20,947)	(20,947)	-	-	(69,146)	(69,146)
Other movements	212	2,466	(5,532)	(2,854)	658	313	(7,085)	(6,114)
At 30 September/31 December	<u>26,749</u>	<u>127,270</u>	<u>329,343</u>	<u>483,362</u>	<u>31,250</u>	<u>218,475</u>	<u>220,895</u>	<u>470,620</u>
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
	<u>31,250</u>	<u>218,475</u>	<u>220,895</u>	<u>470,620</u>	<u>66,433</u>	<u>142,125</u>	<u>149,315</u>	<u>357,873</u>
At 30 September/31 December								
Financing and advances	23,195	89,813	329,343	442,351	28,077	187,302	220,895	436,274
Financing related commitments and financial guarantees	3,554	37,457	-	41,011	3,173	31,173	-	34,346
	<u>26,749</u>	<u>127,270</u>	<u>329,343</u>	<u>483,362</u>	<u>31,250</u>	<u>218,475</u>	<u>220,895</u>	<u>470,620</u>

Stage 3 ECL allowance for credit commitments and financial guarantees is disclosed in Note 19.

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

14 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	30 September 2022			31 December 2021		
	Contract or underlying principal amount RM'000	Fair value		Contract or underlying principal amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading						
Foreign exchange derivatives						
- Forwards	167,354	481	232	229,582	485	78
- Swaps	60,521	-	746	189,321	412	633
Profit rate derivatives						
- Swaps	59,409	1,014	1,015	422,913	12,213	12,773
	<u>287,284</u>	<u>1,495</u>	<u>1,993</u>	<u>841,816</u>	<u>13,110</u>	<u>13,484</u>

15 OTHER ASSETS

	30 September 2022 RM'000	31 December 2021 RM'000
Profit receivable	24,606	22,960
Other receivables, deposits and prepayments	4,018	7,830
Amount due from immediate holding company	26,752	1,751
Amount due from ultimate holding company	11	7
Amount due from related company	-	10
	<u>55,387</u>	<u>32,558</u>

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

16 DEPOSITS FROM CUSTOMERS

	30 September 2022 RM'000	31 December 2021 RM'000
(a) By type of deposit		
Savings deposits		
- Tawarruq	700,944	657,831
- Qard	220,373	247,485
Demand deposits		
- Tawarruq	1,491,329	1,244,828
- Qard	4,810,706	4,746,350

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

16 DEPOSITS FROM CUSTOMERS (continued)

	30 September 2022 RM'000	31 December 2021 RM'000
(a) By type of deposit (continued)		
Term deposits		
- Tawarruq	4,792,437	5,106,494
- Qard	16,954	2,614
Short-term deposits		
- Tawarruq	378,645	941,655
	<u>12,411,388</u>	<u>12,947,257</u>
(b) By type of customer		
Government and statutory bodies	111,223	164,344
Non-bank financial institutions	1,335,533	1,854,337
Business enterprises	6,582,599	6,260,133
Individuals	4,020,943	4,289,423
Foreign entities	274,754	264,812
Others	86,336	114,208
	<u>12,411,388</u>	<u>12,947,257</u>
(c) By residual maturity for term deposits and short-term deposits		
Up to six months	3,663,782	5,317,638
Over six months to one year	1,517,791	728,232
Over one year to three years	5,300	4,730
Over three years to five years	1,163	163
	<u>5,188,036</u>	<u>6,050,763</u>

17 INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTION

	30 September 2022 RM'000	31 December 2021 RM'000
Mudharabah RPSIA		
Licensed bank	2,765,887	2,603,872
Amount receivable from immediate holding company under RPSIA	(28,117)	(32,769)
	<u>2,737,770</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 SEPTEMBER 2022 (continued)

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	30 September 2022 RM'000	31 December 2021 RM'000
Non-Mudharabah		
Licensed banks	942,776	512,743
Other financial institutions	4,042	5,634
	<u>946,818</u>	<u>518,377</u>

Included in the above are deposits and placements of its immediate holding company of RM901 million (2021: RM490 million), which are unsecured and profit-bearing.

19 OTHER LIABILITIES

	30 September 2022 RM'000	31 December 2021 RM'000
Profit payable	28,690	33,284
Other payables and accruals	40,007	63,885
Amount due to immediate holding company	73,461	85,739
Amount due to ultimate holding company	-	669
Equity compensation benefits	1,175	841
Lease liabilities	2,334	2,849
Provision for financing related commitments and financial guarantees	27,742	14,779
	<u>173,409</u>	<u>202,046</u>

The amount due to ultimate and immediate holding companies are unsecured, profit free and repayable on demand. Provision for commitments and contingencies comprises Stage 3 ECL allowance for credit commitments and financial guarantees. Stage 1 and 2 ECL allowances for credit commitments and financial guarantees are included in ECL allowance in Note 12 and the related movements are disclosed in Note 13(b).

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

	Quarter Ended		Year-To-Date Ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Income derived from investment of:				
(i) Term deposits	45,695	47,247	131,573	148,474
(ii) Other deposits	81,222	77,932	229,684	230,535
	<u>126,917</u>	<u>125,179</u>	<u>361,257</u>	<u>379,009</u>

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

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

	Quarter Ended		Year-To-Date Ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
(i) Income derived from investment of term deposits				
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	32,878	33,106	94,868	103,038
- Recoveries from credit-impaired financing	1,293	764	4,067	1,974
- Discount unwind from credit-impaired financing	535	516	1,771	1,884
Financial assets at FVTPL	18	36	86	115
Financial investments at FVOCI	6,913	8,243	20,813	27,297
Deposits and placements with banks and other financial institutions	4,007	2,443	9,628	7,506
	<u>45,644</u>	<u>45,108</u>	<u>131,233</u>	<u>141,814</u>
Other trading income				
Net loss from sale of financial assets at FVTPL	-	-	(65)	-
Unrealised loss on financial assets at FVTPL	(6)	(3)	(46)	(16)
Other operating income				
Net gain from sale of financial investments at FVOCI	-	1,937	145	6,115
Others	57	205	306	561
	<u>45,695</u>	<u>47,247</u>	<u>131,573</u>	<u>148,474</u>
(ii) Income derived from investment of other deposits				
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	58,438	54,609	165,518	159,949
- Recoveries from credit-impaired financing	2,299	1,262	7,200	3,088
- Discount unwind from credit-impaired financing	950	850	3,079	2,895
Financial assets at FVTPL	33	62	151	180
Financial investments at FVOCI	12,287	13,596	36,349	42,349
Deposits and placements with banks and other financial institutions	7,125	4,029	16,885	11,696
	<u>81,132</u>	<u>74,408</u>	<u>229,182</u>	<u>220,157</u>
Other trading income				
Net loss on financial assets at FVTPL	-	-	(116)	-
Unrealised loss on financial assets at FVTPL	(11)	(8)	(83)	(28)
Other operating income				
Net gain from sale of financial investments at FVOCI	-	3,195	175	9,531
Others	101	337	526	875
	<u>81,222</u>	<u>77,932</u>	<u>229,684</u>	<u>230,535</u>

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

22 INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT FUNDS

	Quarter Ended		Year-To-Date Ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	25,210	11,421	57,485	30,349
- Recoveries from credit-impaired financing	-	2,144	-	6,926
Deposits and placements with banks and other financial institutions	833	64	2,942	452
	<u>26,043</u>	<u>13,629</u>	<u>60,427</u>	<u>37,727</u>

23 INCOME DERIVED FROM INVESTMENT OF SHAREHOLDER'S FUND

	Quarter Ended		Year-To-Date Ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Finance income and hibah				
Financing and advances				
- Finance income earned other than recoveries	12,925	11,360	36,644	33,660
- Recoveries from credit-impaired financing	508	262	1,579	648
- Discount unwind from credit-impaired financing	210	177	682	614
Financial assets at FVTPL	7	13	33	38
Financial investments at FVOCI	2,717	2,829	8,039	8,902
Deposits and placements with banks and other financial institutions	1,576	838	3,731	2,451
	<u>17,943</u>	<u>15,479</u>	<u>50,708</u>	<u>46,313</u>
Other trading income				
Net loss on financial assets at FVTPL	-	-	(25)	-
Unrealised loss on financial assets at FVTPL	(2)	(2)	(17)	(7)
Other operating income				
Commission	7,526	8,864	21,889	26,795
Service charges and fees	4,142	7,513	13,261	18,458
Net gain from sale of financial investments at FVOCI	-	665	50	1,995
Others	22	70	116	184
Other trading income				
Net trading gain/(loss)				
- Foreign currency	1,675	335	700	931
- Derivatives	5,387	3,907	18,410	12,652
- Revaluation of derivatives	(670)	339	(92)	630
	<u>36,023</u>	<u>37,170</u>	<u>105,000</u>	<u>107,951</u>

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

24 IMPAIRMENT ALLOWANCE AND PROVISIONS

	Quarter Ended		Year-To-Date Ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Financing and advances				
Stage 1 and Stage 2 ECL net write-back/(charge) during the period	45,854	(25,239)	95,706	(38,775)
Stage 3 ECL				
- Made during the period	(91,962)	(34,051)	(161,567)	(139,734)
- Written back during the period	10,215	15,940	26,640	27,138
Credit-impaired financing recovered	4,585	3,640	17,545	14,574
Recovery from RPSIA holder*	(2,524)	-	(4,652)	-
Financial investments at FVOCI				
Stage 1 and Stage 2 ECL net (charge)/write-back during the period	(102)	41	(103)	42
Other assets				
Stage 1 ECL net charge during the period	(9)	-	(10)	-
Commitments and contingencies				
Net write-back/(charge) during the period	-	1,186	(12,963)	(12,745)
	<u>(33,943)</u>	<u>(38,483)</u>	<u>(39,404)</u>	<u>(149,500)</u>

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

25 INCOME ATTRIBUTABLE TO DEPOSITORS

	Quarter Ended		Year-To-Date Ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Deposits from customers				
- Non-Mudharabah	46,709	44,007	129,484	134,347
Deposits and placements of banks and other financial institutions				
- Non-Mudharabah	2,429	1,539	5,060	3,579
Subordinated sukuk	-	2,419	3,761	7,180
Lease liabilities	12	9	44	59
	<u>49,150</u>	<u>47,974</u>	<u>138,349</u>	<u>145,165</u>

26 INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDER

	Quarter Ended		Year-To-Date Ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Investment accounts due to designated financial institution				
- Mudharabah	18,530	9,524	43,242	26,348

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

27 OPERATING EXPENSES

	Quarter Ended		Year-To-Date Ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Personnel expenses				
Wages, salaries and bonus	4,631	5,443	12,912	14,515
Employees Provident Fund contributions	728	819	2,112	2,452
Share-based costs	114	82	292	254
Others	664	740	2,034	2,363
	<u>6,137</u>	<u>7,084</u>	<u>17,350</u>	<u>19,584</u>
Establishment expenses				
Depreciation of equipment	356	361	1,086	1,236
Depreciation of ROU assets	383	459	1,141	1,392
Rental of premises	3	2	8	7
Repair and maintenance	140	97	496	298
Information technology costs	143	159	425	489
Hire of equipment	20	9	62	66
Others	493	605	1,519	1,790
	<u>1,538</u>	<u>1,692</u>	<u>4,737</u>	<u>5,278</u>
Marketing expenses				
Advertising and business promotion	51	36	210	139
Transport and travelling	27	18	57	40
Others	1	-	5	1
	<u>79</u>	<u>54</u>	<u>272</u>	<u>180</u>
General administrative expenses				
Shared service fees to immediate holding company	27,898	26,480	81,722	78,713
IT and transaction processing fees to related companies	5,287	5,525	15,524	16,221
Others	2,810	3,249	8,651	8,249
	<u>35,995</u>	<u>35,254</u>	<u>105,897</u>	<u>103,183</u>
Total operating expenses	<u>43,749</u>	<u>44,084</u>	<u>128,256</u>	<u>128,225</u>

28 INCOME TAX EXPENSE

	Quarter Ended		Year-To-Date Ended	
	30 September 2022 RM'000	30 September 2021 RM'000	30 September 2022 RM'000	30 September 2021 RM'000
Malaysian income tax				
- Current period charge	6,528	14,913	43,607	28,384
- Prior periods	-	-	(7,046)	-
Deferred tax				
- Origination and reversal of temporary differences	6,179	(6,219)	8,133	(10,064)
	<u>12,707</u>	<u>8,694</u>	<u>44,694</u>	<u>18,320</u>

29 CAPITAL COMMITMENTS

	30 September 2022 RM'000	31 December 2021 RM'000
Capital expenditure in respect of equipment		
- Contracted but not provided for	38	189

NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS - 30 SEPTEMBER 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 September 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	46,252	46,252	71,318	45,544	45,544	48,007
Transaction-related contingent items	441,207	224,705	128,812	365,589	186,069	123,248
Short-term self-liquidating trade-related contingencies	94,340	21,059	15,023	50,783	10,386	6,243
Foreign exchange related contracts						
- Up to one year	227,875	1,125	812	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	59,409	8,183	1,196	422,913	42,616	35,303
Formal standby facilities and credit lines						
- Original maturity up to one year	-	-	-	3,000	2,250	1,983
- Original maturity over one year	642,096	502,734	347,796	600,269	473,790	361,156
Other unconditionally cancellable commitments	2,534,084	161,903	27,586	2,201,807	173,996	31,304
	4,045,263	965,961	592,543	4,108,808	940,693	609,396

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

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

(a) 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. Negotiable Instruments of Deposits	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.

(b) Financial instruments carried at fair value

	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
30 September 2022				
Financial assets at fair value				
Financial assets at FVTPL	5,049	-	-	5,049
Financial investments at FVOCI	2,765,412	648,177	-	3,413,589
Derivative financial assets	172	1,142	181	1,495
	<u>2,770,633</u>	<u>649,319</u>	<u>181</u>	<u>3,420,133</u>
Financial liabilities at fair value				
Derivative financial liabilities	99	1,891	3	1,993
	<u>99</u>	<u>1,891</u>	<u>3</u>	<u>1,993</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 SEPTEMBER 2022 (continued)

31 FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

(b) Financial instruments carried at fair value (continued)

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

	30 September 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	145	35
At 30 September/31 December	<u>181</u>	<u>36</u>
Financial liabilities at fair value		
At 1 January	1	4
Unrealised loss/(gain) recognised in profit or loss	2	(3)
At 30 September/31 December	<u>3</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 September 2022 RM'000	31 December 2021 RM'000			
Asset					
Derivative financial assets	<u>181</u>	<u>36</u>	Hedge for trading	Option pricing model	Standard deviation
Liability					
Derivative financial liabilities	<u>3</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.

32 CAPITAL ADEQUACY

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

	30 September 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	54,956	85,530
Regulatory adjustment	(104,266)	(1,465)
	<u>1,755,481</u>	<u>1,787,046</u>

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

32 CAPITAL ADEQUACY (continued)

	30 September 2022 RM'000	31 December 2021 RM'000
Tier 2 capital		
Stage 1 and 2 ECL and qualifying regulatory reserves under the Standardised Approach	2,455	3,199
Surplus eligible provisions over expected losses	51,630	52,650
Subordinated sukuk	-	200,000
	<u>54,085</u>	<u>255,849</u>
Capital base	<u>1,809,566</u>	<u>2,042,895</u>
	30 September 2022	31 December 2021
Before the effects of PSIA		
CET 1/Tier 1 capital ratio	15.540%	16.290%
Total capital ratio	<u>16.019%</u>	<u>18.622%</u>
After the effects of PSIA		
CET 1/Tier 1 capital ratio	18.225%	18.179%
Total capital ratio	<u>18.786%</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 September 2022, credit risks relating to RPSIA assets excluded from the total capital ratio calculation amounted to RM1,664 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 September 2022	31 December 2021
After the effects of PSIA		
CET 1/Tier 1 capital ratio	17.906%	16.790%
Total capital ratio	<u>18.468%</u>	<u>19.393%</u>

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

	30 September 2022 RM'000	31 December 2021 RM'000
Total RWA for credit risk	8,801,489	9,030,867
Total RWA for market risk	9,556	6,578
Total RWA for operational risk	821,340	792,879
	<u>9,632,385</u>	<u>9,830,324</u>