

UNITED OVERSEAS BANK (MALAYSIA) BHD
Company No. 199301017069 (271809K)
AND ITS SUBSIDIARY COMPANIES
(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 JUNE 2020

Domiciled in Malaysia
Registered Office:
Level 11, Menara UOB
Jalan Raja Laut,
50350 Kuala Lumpur

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

	Note	Group		Bank	
		30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
ASSETS					
Cash and short-term funds	11	1,655,342	1,330,265	1,655,342	1,330,265
Deposits and placements with financial institutions	12	-	499,864	-	499,864
Securities purchased under resale agreements		969,604	3,568,380	969,604	3,568,380
Financial assets at fair value through profit or loss ("FVTPL")	13	4,516,555	4,206,956	4,516,555	4,206,956
Debt instruments at fair value through other comprehensive income ("FVOCI")	14	22,926,057	20,026,345	22,926,057	20,026,345
Equity instruments at fair value through other comprehensive income ("FVOCI")	15	101,803	133,885	101,803	133,885
Debt Instruments at amortised cost	16	665,559	803,460	665,559	803,460
Loans, advances and financing	17	86,413,017	84,718,431	86,520,501	84,830,743
Derivative financial assets	18	778,977	435,026	778,977	435,026
Other assets	19	674,755	675,453	679,875	680,513
Statutory deposits with Bank Negara Malaysia		73,147	1,722,676	73,147	1,722,676
Investment in subsidiaries		-	-	275,020	235,020
Investment in an associate		10,413	10,317	13,522	13,522
Property, plant and equipment		813,784	746,200	297,725	275,351
Right-of-use assets		16,559	20,771	46,948	60,834
Deferred tax assets		40,518	74,542	40,518	74,542
TOTAL ASSETS		119,656,090	118,972,571	119,561,153	118,897,382
LIABILITIES					
Deposits from customers	20	91,649,212	89,106,710	91,666,436	89,135,199
Deposits and placements of banks and other financial institutions	21	13,811,118	14,177,990	13,811,138	14,178,010
Obligations on securities sold under repurchase agreements		-	313,861	-	313,861
Bills and acceptances payable		156,065	239,535	156,065	239,535
Derivative financial liabilities	18	623,138	516,085	623,138	516,085
Other liabilities	22	1,556,129	1,971,122	1,558,974	1,973,265
Lease liabilities		15,843	19,523	45,303	58,006
Tax payable		180,602	85,864	180,497	85,425
Subordinated bonds	23	630,558	1,612,220	630,558	1,612,220
Deferred tax liabilities		19,609	19,609	-	-
TOTAL LIABILITIES		108,642,274	108,062,519	108,672,109	108,111,606

Company No. 199301017069 (271809K)

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION (cont'd.)
AS AT 30 JUNE 2020**

		Group		Bank	
	Notes	30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK					
Share capital		792,555	792,555	792,555	792,555
Reserves		10,221,261	10,117,497	10,096,489	9,993,221
TOTAL EQUITY		11,013,816	10,910,052	10,889,044	10,785,776
TOTAL LIABILITIES AND EQUITY		119,656,090	118,972,571	119,561,153	118,897,382
COMMITMENTS AND CONTINGENCIES	33	116,992,776	103,186,530	116,689,619	102,834,131

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

UNITED OVERSEAS BANK (MALAYSIA) BHD
(Incorporated in Malaysia)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

Group	Note	Second Quarter Ended		Six Months Ended	
		30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Operating revenue	25	1,363,055	1,553,644	2,977,150	3,084,759
Interest income	26	1,123,598	1,270,099	2,377,211	2,542,361
Interest expense	27	(579,418)	(771,108)	(1,284,149)	(1,534,144)
Net interest income		544,180	498,991	1,093,062	1,008,217
Net income from Islamic					
Banking operations	37	13,168	9,776	31,254	18,595
Other operating income	28	191,553	230,411	497,036	439,815
Operating income		748,901	739,178	1,621,352	1,466,627
Other operating expenses	29	(303,536)	(310,882)	(623,507)	(598,938)
Operating profit before allowances for expected credit losses		445,365	428,296	997,845	867,689
(Allowances for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(35,475)	(73,499)	(133,069)	(92,006)
Other financial assets	30	(20,478)	(6,969)	(16,156)	(15,392)
Commitments and contingencies	30	(2,079)	(2,478)	(4,552)	32,594
		387,333	345,350	844,068	792,885
Share of net profit of an associate		45	61	96	119
Profit before taxation		387,378	345,411	844,164	793,004
Income tax expense		(98,296)	(85,427)	(209,155)	(194,452)
Profit for the period attributable to equity holders of the Bank		289,082	259,984	635,009	598,552
Basic/diluted earnings per share (sen)		61.5	55.3	135.1	127.4

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

Bank	Note	Second Quarter Ended		Six Months Ended	
		30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Operating revenue	25	1,364,128	1,555,062	2,979,409	3,087,641
Interest income	26	1,124,602	1,271,455	2,379,335	2,545,118
Interest expense	27	(579,885)	(771,757)	(1,285,089)	(1,535,369)
Net interest income		544,717	499,698	1,094,246	1,009,749
Net income from Islamic					
Banking operations	37	13,168	9,776	31,254	18,595
Other operating income	28	191,621	230,473	497,171	439,940
Operating income		749,506	739,947	1,622,671	1,468,284
Other operating expenses	29	(304,939)	(312,752)	(626,204)	(601,861)
Operating profit before allowances for expected credit losses		444,567	427,195	996,467	866,423
(Allowances for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(35,480)	(73,581)	(132,914)	(92,078)
Other financial assets	30	(20,478)	(6,969)	(16,156)	(15,392)
Commitments and contingencies	30	(2,079)	(2,478)	(4,552)	32,594
Profit before taxation		386,530	344,167	842,845	791,547
Income tax expense		(97,763)	(84,916)	(208,332)	(193,549)
Profit for the period attributable to equity holders of the Bank		288,767	259,251	634,513	597,998
Basic/diluted earnings per share (sen)		61.4	55.2	135.0	127.2

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

UNITED OVERSEAS BANK (MALAYSIA) BHD
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Profit for the period	289,082	259,984	635,009	598,552
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in debt instruments at fair value through other comprehensive income	122,412	12,311	132,074	82,865
Income tax effect	(29,379)	(2,955)	(31,698)	(19,888)
	93,033	9,356	100,376	62,977
<u>Items that will not be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in equity instruments at fair value through other comprehensive income	(31,503)	18,694	(32,081)	18,889
Income tax effect	7,561	(4,486)	7,700	(4,533)
	(23,942)	14,208	(24,381)	14,356
Total other comprehensive income for the period, net of tax	69,091	23,564	75,995	77,333
Total comprehensive income for the period attributable to equity holders	358,173	283,548	711,004	675,885

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

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Second Quarter		Six Months	
	Ended	Ended	Ended	Ended
Bank	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
Profit for the period	288,767	259,251	634,513	597,998
<i>Other comprehensive income:</i>				
<u>Items that will be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in debt				
instruments at fair value through				
other comprehensive income	122,412	12,311	132,074	82,865
Income tax effect	(29,379)	(2,955)	(31,698)	(19,888)
	93,033	9,356	100,376	62,977
<u>Items that will not be reclassified subsequently</u>				
<u>to income statements:</u>				
Net fair value changes in equity				
instruments at fair value through				
other comprehensive income	(31,503)	18,694	(32,081)	18,889
Income tax effect	7,561	(4,486)	7,700	(4,533)
	(23,942)	14,208	(24,381)	14,356
Total other comprehensive income				
for the period, net of tax	69,091	23,564	75,995	77,333
Total comprehensive income for the				
period attributable to equity				
holders	357,858	282,815	710,508	675,331

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

Company No. 199301017069 (271809K)

UNITED OVERSEAS BANK (MALAYSIA) BHD
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

GROUP	← Non-distributable →			Distributable	Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Retained profits	
2020	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	792,555	184,130	169,736	9,763,631	10,910,052
Profit for the period	-	-	-	635,009	635,009
Other comprehensive income for the period	-	-	75,995	-	75,995
Total comprehensive income for the period	-	-	75,995	635,009	711,004
Dividends paid:					
final dividend for the financial year ended 31 December 2019				(607,240)	(607,240)
Balance as at 30 June 2020	792,555	184,130	245,731	9,791,400	11,013,816

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

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CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

GROUP (cont'd.)	← Non-distributable →			Distributable	Total
	Share capital	Revaluation reserves	Fair value through other comprehensive income reserve	Retained profits	
2019	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	792,555	190,019	92,712	9,035,171	10,110,457
Profit for the period	-	-	-	598,552	598,552
Other comprehensive income for the period	-	-	77,333	-	77,333
Total comprehensive income for the period	-	-	77,333	598,552	675,885
Transactions with owners:					
Dividends paid:					
- final dividend for the financial year ended 31 December 2018				(494,910)	(494,910)
Balance as at 30 June 2019	792,555	190,019	170,045	9,138,813	10,291,432

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

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

BANK	Share	Non-distributable	Distributable	Total
	capital	Fair value through other comprehensive income reserve	Retained profits	
2020	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2020	792,555	162,834	9,830,387	10,785,776
Profit for the period	-	-	634,513	634,513
Other comprehensive income for the period	-	75,995	-	75,995
Total comprehensive income for the period	-	75,995	634,513	710,508
Dividends paid:				
final dividend for the financial year ended 31 December 2019	-	-	(607,240)	(607,240)
Balance as at 30 June 2020	792,555	238,829	9,857,660	10,889,044

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

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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

BANK (cont'd.)

	Share capital	Non-distributable Fair value through other comprehensive income reserve	Distributable Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
2019				
Balance as at 1 January 2019	792,555	85,810	9,111,054	9,989,419
Profit for the period	-	-	597,998	597,998
Other comprehensive income for the period	-	77,333	-	77,333
Total comprehensive income for the period	-	77,333	597,998	675,331
Dividends paid:				
- final dividend for the financial year ended 31 December 2018			(494,910)	(494,910)
Balance as at 30 June 2019	792,555	163,143	9,214,142	10,169,840

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

UNITED OVERSEAS BANK (MALAYSIA) BHD
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**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	Group		Bank	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	844,164	793,004	842,845	791,547
Adjustments for non-operating and non-cash items	(245,328)	(242,425)	(223,206)	(233,899)
Operating profit before working capital changes	598,836	550,579	619,639	557,648
Changes in working capital:				
Net changes in operating assets	1,846,006	1,109,306	1,832,444	1,044,588
Net changes in operating liabilities	1,556,725	1,455,491	1,537,140	1,546,584
Tax expense paid	(104,391)	(195,304)	(103,234)	(193,627)
Net cash used from operating activities	3,897,176	2,920,072	3,885,989	2,955,193
Net cash used in investing activities	(2,483,061)	(2,686,644)	(2,471,874)	(2,721,765)
Net cash used in financing activities	(1,588,902)	(485,000)	(1,588,902)	(485,000)
Net (decrease) in cash and cash equivalents	(174,787)	(251,572)	(174,787)	(251,572)
Cash and cash equivalents at beginning of the period	1,830,129	4,724,715	1,830,129	4,724,715
Cash and cash equivalents at end of the period	1,655,342	4,473,143	1,655,342	4,473,143
Analysis of cash and cash equivalents				
Cash and short-term funds	1,655,342	4,473,143	1,655,342	4,473,143
Deposits and placements with financial institutions	-	-	-	-
	1,655,342	4,473,143	1,655,342	4,473,143

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

1. BASIS OF PREPARATION

The unaudited condensed interim financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB").

The unaudited condensed interim financial statements should be read in conjunction with the audited annual financial statements of the Group and of the Bank for the financial year ended 31 December 2019. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial positions and performance of the Group and of the Bank since the financial year ended 31 December 2019.

The significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2019, except for the adoption of the following MFRS, Amendments to MFRSs, Annual Improvements to MFRSs and IC Interpretation, which are only applicable for financial periods beginning on or after 1 January 2020:

Amendments to MFRS 3 Definition of a Business

Amendments to MFRS 101 and MFRS 108 Definition of Material

Amendments to MFRS 9 and MFRS 139 and MFRS 7 Interest Rate Benchmark Reform

The Conceptual Framework for Financial Reporting

Effective for financial periods beginning on or after 1 January 2021

MFRS 17 Insurance Contracts

Effective for financial periods to be determined by the MASB

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

The Group and the Bank plan to adopt the above pronouncements when they become effective in the respective financial periods. The initial application of the abovementioned pronouncements is not expected to have any significant impact to the financial statements of the Group and of the Bank.

MFRS9 Financial Instruments

The measurement of Expected Credit Loss (ECL) under MFRS9 across all categories of financial assets requires various inputs into the ECL models which can result in different levels of allowance. Elements of the ECL models that would require accounting judgements and estimates would include the Bank's internal grading model, the Bank's criteria for assessment of significant increase in credit rating (SICR) as well as the selection of forward-looking macroeconomic scenarios and their probability weightings. With the sudden onset of the Covid-19 outbreak and the evolving measures to counter the pandemic, judgement has been exercised based on information available on-hand in the determination of the Bank's ECL. As information is still limited and will likely be subject to high level of uncertainties, the Bank will continue to review and monitor closely and shall take appropriate and timely actions to address the situations.

2. AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

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

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

3. COMMENTS ABOUT SEASONAL OR CYCLICAL FACTORS

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

4. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

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

5. CHANGES IN ESTIMATES

There were no significant changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Group and of the Bank for the financial period ended 30 June 2020.

6. DEBT AND EQUITY SECURITIES

There were no issuances of shares and share buy-backs by the Bank during the financial period ended 30 June 2020 except the Bank had redeemed the RM1 billion subordinated bonds on May 8, 2020.

7. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses. There was no change in the valuation of property, plant and equipment that was brought forward from the previous audited financial statements for the financial year ended 31 December 2019.

8. DIVIDENDS

A final single-tier dividend of 129.2 sen in respect of the financial year ended 31 December 2019 amounting to RM 607,240,000 was paid in May 2020.

9. SIGNIFICANT EVENTS SUBSEQUENT TO THE REPORTING DATE

There were no material events subsequent to the end of the reporting date that require disclosure or adjustments to the unaudited condensed interim financial statements.

10. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the financial period ended 30 June 2020.

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EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
Cash and balances with banks and other financial institutions	751,256	812,456
Money at call and deposit placements maturing within one month	945,881	554,264
	<u>1,697,137</u>	<u>1,366,720</u>
Less: Allowances for ECL	(41,795)	(36,455)
	<u>1,655,342</u>	<u>1,330,265</u>

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
Licensed banks	-	500,000
Less: Allowances for ECL	-	(136)
	<u>-</u>	<u>499,864</u>

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

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	-	1,094,279
Malaysian Government treasury bills	1,599,748	99,162
Malaysian Government securities	808,623	803,263
Negotiable instruments of deposits	799,964	1,349,708
	<u>3,208,335</u>	<u>3,346,412</u>
Unquoted securities in Malaysia		
Cagamas bonds	245,510	235,551
Private debt securities	1,062,710	624,993
	<u>1,308,220</u>	<u>860,544</u>
	<u>4,516,555</u>	<u>4,206,956</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

14. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	1,923,679	298,485
Malaysian Government securities	14,843,626	10,795,149
Negotiable instruments of deposits	1,949,892	6,109,376
	<u>18,717,197</u>	<u>17,203,010</u>
Unquoted securities in Malaysia		
Cagamas bonds	1,631,363	1,662,888
Private debt securities	2,577,497	1,160,447
	<u>4,208,860</u>	<u>2,823,335</u>
Total debt instruments at FVOCI	<u>22,926,057</u>	<u>20,026,345</u>

15. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
Quoted securities		
Shares of corporations in Malaysia	1,672	2,076
Unquoted securities		
Shares of corporations in Malaysia	100,131	131,809
	<u>101,803</u>	<u>133,885</u>

16. DEBT INSTRUMENTS AT AMORTISED COST ("AC")

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
Private debt securities of companies incorporated In Malaysia		
Unquoted corporate bonds	678,870	811,000
Less: Allowances for ECL	(13,311)	(7,540)
	<u>665,559</u>	<u>803,460</u>

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES**17. LOANS, ADVANCES AND FINANCING**

	Group		Bank	
	30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
Overdrafts	2,949,310	3,128,424	2,949,310	3,128,424
Term loans/financing and revolving credits				
- Housing loans/financing	32,778,767	32,518,470	32,778,767	32,518,470
- Syndicated term loans/financing	947,885	933,736	947,885	933,736
- Other term loans/financing	38,777,862	36,690,664	38,886,519	36,804,304
Credit card receivables	2,603,365	2,930,443	2,603,365	2,930,443
Bills receivables	669,682	1,337,074	669,682	1,337,074
Trust receipts	5,493,322	2,982,465	5,493,322	2,982,465
Claims on customers under acceptance credits	3,968,840	5,877,468	3,968,840	5,877,468
Staff loans	38,432	37,750	38,432	37,750
Others	5,656	18,640	5,656	18,640
	88,233,121	86,455,134	88,341,778	86,568,774
Unearned interest/income	(220,623)	(213,946)	(220,623)	(213,946)
Gross loans, advances and financing	88,012,498	86,241,188	88,121,155	86,354,828
Allowances for impairment on loans advances and financing				
-Stage 1- 12 month ECL	(872,456)	(869,349)	(873,629)	(870,677)
-Stage 2- Lifetime ECL non credit-impaired	(418,979)	(367,276)	(418,979)	(367,276)
-Stage 3- Lifetime ECL credit-impaired	(308,046)	(286,132)	(308,046)	(286,132)
Net loans, advances and financing	86,413,017	84,718,431	86,520,501	84,830,743

(i) Gross loans, advances and financing by maturity structure:

	Group		Bank	
	30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
Maturing within one year	24,501,635	25,079,072	24,501,635	25,079,072
One year to three years	5,498,400	4,732,853	5,607,057	4,846,493
Three years to five years	5,760,651	5,978,947	5,760,651	5,978,947
Over five years	52,251,812	50,450,316	52,251,812	50,450,316
	88,012,498	86,241,188	88,121,155	86,354,828

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17. LOANS, ADVANCES AND FINANCING (cont'd.)

(ii) Gross loans, advances and financing by type of customers:

	Group		Bank	
	30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
Domestic non-banking financial institutions				
- Stockbroking companies	12,735	31,643	12,735	31,643
- Others	2,576,566	1,334,225	2,576,566	1,334,225
Domestic business enterprises				
- Small medium enterprises	20,674,542	18,194,120	20,674,542	18,194,120
- Others	15,743,551	17,159,632	15,852,208	17,273,272
Individuals	42,581,587	42,513,659	42,581,587	42,513,659
Foreign entities	6,423,517	7,007,909	6,423,517	7,007,909
	88,012,498	86,241,188	88,121,155	86,354,828

(iii) Gross loans, advances and financing by interest/profit rate sensitivity:

	Group		Bank	
	30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
Fixed rate				
- Housing loans/financing	37,590	36,953	37,590	36,953
- Other fixed rate loans /financing	10,075,333	10,668,457	10,075,333	10,668,457
Variable rate				
- Base rate/base lending /financing rate-plus	54,624,411	54,240,190	54,624,411	54,240,190
- Cost-plus	22,820,121	20,905,641	22,928,778	21,019,281
- Other variable rates	455,043	389,947	455,043	389,947
	88,012,498	86,241,188	88,121,155	86,354,828

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17. LOANS, ADVANCES AND FINANCING (cont'd.)

(iv) Gross loans, advances and financing by economic sector:

	Group		Bank	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,723,810	1,489,590	1,723,810	1,489,590
Mining and quarrying	716,430	1,220,610	716,430	1,220,610
Manufacturing	7,203,418	7,124,817	7,203,418	7,124,817
Electricity, gas and water	621,041	239,591	621,041	239,591
Construction	6,971,570	7,047,184	6,971,570	7,047,184
Wholesale, retail trade, restaurants and hotels	11,805,540	11,340,909	11,805,540	11,340,909
Transport, storage and communication	2,392,330	2,001,989	2,392,330	2,001,989
Finance, insurance and business services	4,723,858	3,964,590	4,723,858	3,964,590
Real estate	3,939,855	3,902,845	4,048,512	4,016,485
Community, social and personal services	188,670	182,197	188,670	182,197
Households				
- purchase of residential properties	33,521,055	33,136,223	33,521,055	33,136,223
- purchase of non residential properties	8,743,716	8,799,090	8,743,716	8,799,090
- others	5,461,205	5,791,553	5,461,205	5,791,553
	88,012,498	86,241,188	88,121,155	86,354,828

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17. LOANS, ADVANCES AND FINANCING (cont'd.)

(v) Movements in impaired loans, advances and financing are as follows:

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
As at 1 January	1,560,810	1,433,152
Classified as impaired during the financial period/year	285,087	805,831
Amount recovered	(130,048)	(278,122)
Reclassified as non-impaired	(95,414)	(240,558)
Amount written off	(80,564)	(159,493)
As at 30 June/31 December	<u>1,539,871</u>	<u>1,560,810</u>
Less: Stage 3-Lifetime ECL credit-impaired	(308,046)	(286,132)
Net impaired loans, advances and financing	<u>1,231,825</u>	<u>1,274,678</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less allowances for ECL on credit-impaired provisions	<u>1.4%</u>	<u>1.5%</u>

(vi) Credit-impaired loans, advances and financing analysed by economic sectors are as follows:

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	2,339	1,109
Mining and quarrying	844	978
Manufacturing	184,281	177,841
Construction	169,163	201,291
Wholesale, retail trade, restaurants and hotels	182,987	176,440
Transport, storage and communication	108,794	101,214
Finance, insurance and business services	18,010	19,803
Real estate	192,528	203,346
Community, social and personal services	37	213
Households		
- purchase of residential properties	514,344	497,044
- purchase of non-residential properties	98,397	82,771
- others	68,147	98,760
	<u>1,539,871</u>	<u>1,560,810</u>

(vii) Credit-impaired loans, advances and financing analysed by geographical distribution are as follows:

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
In Malaysia	<u>1,539,871</u>	<u>1,560,810</u>

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18. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Financial derivatives are instruments whose values change in response to the change in one or more "underlying", such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Group and the Bank customise derivatives to meet specific needs of their customers. The Group and the Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Group and the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases for customers, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The fair values of the derivatives are as follows:

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 30 June 2020			
Foreign exchange contracts			
- forwards	7,828,142	82,133	42,131
- swaps	22,572,372	149,470	150,102
- options	2,344,573	12,932	8,335
Interest rate related contracts			
- swaps	33,016,568	510,061	402,951
- futures	-	-	-
- options	180,000	3,044	391
Equity related contracts			
- options	229,520	6,471	6,489
Commodity related contracts			
- swaps	143,299	4,607	3,746
- futures	29,850	650	148
- options	88,462	9,609	8,845
		<u>778,977</u>	<u>623,138</u>

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18. DERIVATIVES FINANCIAL ASSETS/(LIABILITIES) (cont'd.)

	Group and Bank		
	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 December 2019			
Foreign exchange contracts			
- forwards	7,520,142	54,929	73,643
- swaps	15,828,214	85,128	220,370
- options	2,545,180	13,928	6,357
Interest rate related contracts			
- swaps	26,522,377	222,477	144,710
- options	180,000	3,552	671
Equity related contracts			
- swaps	66,493	2,149	2,149
- options	386,077	8,564	8,609
Commodity related contracts			
- swaps	412,120	34,866	55,387
- futures	44,579	5,643	854
- options	105,794	3,790	3,335
		<u>435,026</u>	<u>516,085</u>

The table above analyses the principal amounts and the positive and negative fair values of the Group's and the Bank's financial derivatives. The notional amounts of these instruments indicate the value of transactions outstanding at the reporting date for both trading and hedging instruments. They do not necessarily indicate the amount of future cash flows or the fair value of the derivatives and therefore, do not represent total amount of risk. The positive and negative fair values represent the favourable and unfavourable fair values respectively of hedging and trading derivatives as a result of fluctuations in the value of the underlying relative to their contractual terms as at reporting date.

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19. OTHER ASSETS

	Group		Bank	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	215,520	251,393	220,490	256,307
Accrued interest/income receivable	220,124	216,811	220,124	216,811
Amount due from subsidiaries	-	-	150	146
Precious metal accounts	241,871	209,442	241,871	209,442
Less: Allowances for ECL	(2,760)	(2,193)	(2,760)	(2,193)
	674,755	675,453	679,875	680,513

20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
	RM'000	RM'000	RM'000	RM'000
Demand deposits	23,969,431	22,242,524	23,986,655	22,271,013
Savings deposits	4,751,140	4,237,973	4,751,140	4,237,973
Fixed deposits	60,535,609	61,564,118	60,535,609	61,564,118
Others	2,393,032	1,062,095	2,393,032	1,062,095
	91,649,212	89,106,710	91,666,436	89,135,199

(i) The maturity structure of fixed deposits is as follows:

	Group		Bank	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
	RM'000	RM'000	RM'000	RM'000
Due within six months	42,190,040	39,164,050	42,190,040	39,164,050
Six months to one year	18,061,866	22,069,344	18,061,866	22,069,344
One year to three years	126,630	137,679	126,630	137,679
Three years to five years	157,073	193,045	157,073	193,045
	60,535,609	61,564,118	60,535,609	61,564,118

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EXPLANATORY NOTES

20. DEPOSITS FROM CUSTOMERS (cont'd.)

(ii) The deposits are sourced from the following customers:

	Group		Bank	
	30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
Business enterprises				
- Subsidiaries	-	-	17,224	28,489
- Related companies	881	4,433	881	4,433
- Others	37,948,661	36,320,318	37,948,661	36,320,318
Individuals	51,563,155	50,828,519	51,563,155	50,828,519
Others	2,136,515	1,953,440	2,136,515	1,953,440
	91,649,212	89,106,710	91,666,436	89,135,199

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
Licensed banks in Malaysia	935,549	2,179,238	935,549	2,179,238
Bank Negara Malaysia	1,089,462	986,627	1,089,462	986,627
Other financial institutions	11,786,107	11,012,125	11,786,127	11,012,145
	13,811,118	14,177,990	13,811,138	14,178,010

22. OTHER LIABILITIES

	Group		Bank	
	30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
Allowances for ECL on commitments and contingencies	115,284	110,732	115,284	110,732
Accrued interest payable	326,803	485,550	326,803	485,550
Accruals and provisions for operational expenses	85,009	176,298	83,850	174,621
Other payables and accruals	924,521	1,073,466	928,525	1,077,286
Deferred income	104,512	125,076	104,512	125,076
	1,556,129	1,971,122	1,558,974	1,973,265

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23. SUBORDINATED BONDS

	Group and Bank	
	30-Jun-20	31-Dec-19
	RM'000	RM'000
<i>At amortised cost</i>		
RM1 billion subordinated bond 2015/2025, at par (Note (a))	-	1,001,694
RM600 million subordinated bond 2018/2028, at par (Note (b))	630,558	610,526
	630,558	1,612,220
Accumulated fair value hedge loss (Note (c))	(30,558)	(12,220)

- (a) On 8 May 2015, the Bank issued RM1 billion Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) (“the Bond 1”).

The Bond 1 bears interest at the rate of 4.65% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 1 may be redeemed at par at the option of the Bank, in part or in whole, on 8 May 2020 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 8 May and 8 November each year commencing 9 November 2015.

The Bond 1 has been rated AA1 by Rating Agency Malaysia Bhd and it qualifies as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

On 8 May 2020, the Bond 1 has been fully redeemed.

- (b) On 25 July 2018, the Bank issued RM600 million Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) (“the Bond 2”).

The Bond 2 bears interest at the rate of 4.80% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.

The Bond 2 may be redeemed at par at the option of the Bank, in part or in whole, on 25 July 2023 or at any interest payment date thereafter.

The interest is payable semi-annually in arrears on 25 January and 25 July each year commencing 25 January 2019.

The Bond 2 has been rated AA1 by Rating Agency Malaysia Bhd and it qualifies as Tier 2 capital for the purpose of determining the Bank's capital adequacy ratio.

- (c) Fair value hedge

The Bank uses fair value hedge to protect changes in fair value of the Bond 2. The Bank primarily uses interest rate swap as hedge of interest rate risk.

As at 30 June 2020, the Bank had an interest rate swap agreement in place with notional amount of RM600 million (31 December 2019: RM600 million) for Bond 2.

For Bond 2, the Bank receives a fixed interest rate of 3.835% per annum and pays variable interests rate of 3-month KLIBOR on the notional amount.

The swap is being used to hedge exposure to changes in fair value of fixed rate of both bonds, which have a fixed rate.

The movements in fair value of the interest rate swap of unrealised loss of RM18,338,000 (31 December 2019: RM10,138,000 unrealised loss) are recognised in trading and investment income during the period. There is no ineffectiveness recognised for this hedge.

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EXPLANATORY NOTES**24 Movements in allowances for ECL****(a) Other financial assets:**

**Cash and short-term funds, Debt instruments at FVOCI,
Debt instruments at AC and Other assets**

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit-impaired RM'000	
Group and Bank				
As at 1 January 2020	54,397	550	39,960	94,907
<u>Movements with profit or loss impact:</u>				
New/additional during the period	16,794	31	-	16,825
Maturity/settlement/reduction during the period	(705)	36	-	(669)
As at 30 June 2020	<u>70,486</u>	<u>617</u>	<u>39,960</u>	<u>111,063</u>
As at 1 January 2019	42,080	574	39,960	82,614
<u>Movements with profit or loss impact:</u>				
New/additional during the year	232,720	208	-	232,928
Maturity/settlement/reduction during the year	(220,412)	(232)	-	(220,644)
Other movement	9	-	-	9
As at 31 December 2019	<u>54,397</u>	<u>550</u>	<u>39,960</u>	<u>94,907</u>

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EXPLANATORY NOTES

24 Movements in allowances for ECL (cont'd.)

(b) Commitments and contingencies

Group and Bank	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit-impaired RM'000	
As at 1 January 2020	78,450	18,299	13,983	110,732
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	10,970	(18,143)	-	(7,173)
Transferred to Stage 2	(10,175)	25,268	-	15,093
Transferred to Stage 3	(9)	(12)	1,170	1,149
New/additional during the period	42,448	8,599	6,659	57,706
Maturity/settlement/reduction during the period	(52,936)	(8,035)	(1,252)	(62,223)
As at 30 June 2020	68,748	25,976	20,560	115,284
As at 1 January 2019	101,107	31,860	15,562	148,529
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	32,690	(41,598)	(75)	(8,983)
Transferred to Stage 2	(26,688)	41,824	-	15,136
Transferred to Stage 3	(1)	(231)	993	761
New/additional during the year	158,929	16,766	144	175,839
Maturity/settlement/reduction during the year	(187,393)	(30,273)	(2,640)	(220,306)
Exchanges differences	(194)	(40)	(1)	(235)
Other movement	-	(9)	-	(9)
As at 31 December 2019	78,450	18,299	13,983	110,732

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EXPLANATORY NOTES

24 Movements in allowances for ECL (cont'd.)

(c) Loans, advances and financing

Group	Stage 1	Stage 2	Stage 3	Total ECL RM'000
	12-month ECL RM'000	Lifetime ECL non credit- impaired RM'000	Lifetime ECL credit-impaired RM'000	
As at 1 January 2020	869,349	367,276	286,132	1,522,757
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	30,340	(65,603)	(2,810)	(38,073)
Transferred to Stage 2	(32,141)	120,413	(5,488)	82,784
Transferred to Stage 3	(125)	(13,054)	57,991	44,812
New/additional during the period	194,554	63,688	84,366	342,608
Maturity/settlement/reduction during the period	(189,521)	(53,741)	(37,669)	(280,931)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(69,028)	(69,028)
Other movements	-	-	(5,448)	(5,448)
As at 30 June 2020	872,456	418,979	308,046	1,599,481
As at 1 January 2019	797,395	362,169	212,674	1,372,238
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	43,278	(136,731)	(7,005)	(100,458)
Transferred to Stage 2	(62,901)	235,776	(14,701)	158,174
Transferred to Stage 3	(583)	(53,267)	177,925	124,075
New/additional during the year	370,574	62,989	168,365	601,928
Maturity/settlement/reduction during the year	(277,976)	(103,645)	(100,221)	(481,842)
Exchanges differences	(438)	(15)	-	(453)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(145,329)	(145,329)
Other movements	-	-	(5,576)	(5,576)
As at 31 December 2019	869,349	367,276	286,132	1,522,757

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EXPLANATORY NOTES

24 Movements in allowances for ECL (cont'd.)
(c) Loans, advances and financing (cont'd')

Bank	Stage 1	Stage 2	Stage 3	Total ECL
	12-month ECL	Lifetime ECL non credit- impaired	Lifetime ECL credit-impaired	
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	870,677	367,276	286,132	1,524,085
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	30,340	(65,603)	(2,810)	(38,073)
Transferred to Stage 2	(32,141)	120,413	(5,488)	82,784
Transferred to Stage 3	(125)	(13,054)	57,991	44,812
New/additional during the period	194,399	63,688	84,366	342,453
Maturity/settlement/reduction during the period	(189,521)	(53,741)	(37,669)	(280,931)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(69,028)	(69,028)
Other movements	-	-	(5,448)	(5,448)
As at 30 June 2020	873,629	418,979	308,046	1,600,654
As at 1 January 2019	798,668	362,169	212,674	1,373,511
<u>Movements with profit or loss impact:</u>				
Transferred to Stage 1	43,278	(136,731)	(7,005)	(100,458)
Transferred to Stage 2	(62,901)	235,776	(14,701)	158,174
Transferred to Stage 3	(583)	(53,267)	177,925	124,075
New/additional during the year	370,086	62,989	168,365	601,440
Maturity/settlement/reduction during the year	(277,433)	(103,645)	(100,221)	(481,299)
Exchanges differences	(438)	(15)	-	(453)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(145,329)	(145,329)
Other movements	-	-	(5,576)	(5,576)
As at 31 December 2019	870,677	367,276	286,132	1,524,085

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EXPLANATORY NOTES

25. OPERATING REVENUE

Operating revenue of the Group and the Bank comprise interest income, commission income, trading and investment income and other income derived from banking operations.

26. INTEREST INCOME

	Second Quarter		Six Months	
	Ended		Ended	
Group	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
Interest income from loans, advances and financing	900,745	1,020,162	1,882,054	2,070,256
Interest income from impaired loans, advances and financing	9,297	16,510	35,716	31,601
Money at call and deposit placements with financial institutions	35,508	47,833	88,770	103,815
Financial assets at FVTPL	25,253	35,548	54,354	41,964
Debt instruments at FVOCI	157,113	156,782	312,146	295,821
Debt instruments at AC	8,077	2,700	18,713	5,772
	1,135,993	1,279,535	2,391,753	2,549,229
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	2,741	(2,082)	7,062	2,384
- Debt instruments at FVOCI	(15,136)	(7,354)	(21,604)	(9,252)
	1,123,598	1,270,099	2,377,211	2,542,361
Bank				
Interest income from loans, advances and financing	901,749	1,021,518	1,884,178	2,073,013
Interest income from impaired loans, advances and financing	9,297	16,510	35,716	31,601
Money at call and deposit placements with financial institutions	35,508	47,833	88,770	103,815
Financial assets at FVTPL	25,253	35,548	54,354	41,964
Debt instruments at FVOCI	157,113	156,782	312,146	295,821
Debt instruments at AC	8,077	2,700	18,713	5,772
	1,136,997	1,280,891	2,393,877	2,551,986
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	2,741	(2,082)	7,062	2,384
- Debt instruments at FVOCI	(15,136)	(7,354)	(21,604)	(9,252)
	1,124,602	1,271,455	2,379,335	2,545,118

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EXPLANATORY NOTES

27. INTEREST EXPENSE

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	532,738	697,907	1,147,099	1,382,437
Deposits and placements of banks and other financial institutions	33,481	52,172	102,295	108,508
Subordinated bonds	10,234	18,056	27,482	36,283
Lease liabilities	148	224	310	439
Others	2,817	2,749	6,963	6,477
	579,418	771,108	1,284,149	1,534,144
Bank				
Deposits from customers	532,931	698,112	1,147,492	1,382,773
Deposits and placements of banks and other financial institutions	33,481	52,172	102,295	108,508
Subordinated bonds	10,234	18,056	27,482	36,283
Lease liabilities	422	668	857	1,328
Others	2,817	2,749	6,963	6,477
	579,885	771,757	1,285,089	1,535,369

28. OTHER OPERATING INCOME

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	49,528	71,184	115,680	126,208
Guarantee fees	13,017	19,130	27,814	37,471
Service charges and fees	33,597	54,733	80,891	104,491
Less: Fee expenses	(11,950)	(16,595)	(28,647)	(33,283)
	21,647	38,138	52,244	71,208
Commitment fees	8,175	8,785	16,652	20,330
Arrangement and participation fees	680	987	2,755	2,854
	93,047	138,224	215,145	258,071

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EXPLANATORY NOTES

28. OTHER OPERATING INCOME (cont'd.)

Group (cont'd.)	Second Quarter Ended		Six Months Ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	15,311	326	37,301	9,409
Unrealised (loss)/gain on financial assets at FVTPL	(4,433)	(135)	(7,364)	2,285
(Loss)/gain from trading derivatives	(18,663)	212	(23,121)	(19,909)
Unrealised gain from trading derivatives	8,613	10,655	96,187	39,559
Unrealised (loss) on fair value hedge	(2,850)	(7,269)	(18,338)	(9,910)
Gain/(loss) from sale of precious metal	685	(1,303)	1,545	(982)
Unrealised (loss) from sale of precious metal	(92)	(1,966)	(277)	(2,928)
Gain from sale/recovery of debt instruments at FVOCI	38,285	38,483	97,926	43,305
Gross dividends from:				
- Equity instruments at FVOCI	500	-	500	9
	37,356	39,003	184,359	60,838
<u>Other income</u>				
Foreign exchange gain, net	57,434	49,690	90,046	114,041
Rental income from operating leases	15	22	33	43
Gain on disposal of property, plant and equipment	-	3	-	3
Others	3,701	3,469	7,453	6,819
	61,150	53,184	97,532	120,906
	191,553	230,411	497,036	439,815

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EXPLANATORY NOTES**28. OTHER OPERATING INCOME (cont'd.)**

Bank	Second Quarter Ended		Six Months Ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
<u>Fee income</u>				
Commission	49,528	71,184	115,680	126,208
Guarantee fees	13,017	19,130	27,814	37,471
Service charges and fees	33,680	54,817	81,059	104,659
Less: Fee expenses	(11,950)	(16,594)	(28,647)	(33,282)
	21,730	38,223	52,412	71,377
Commitment fees	8,175	8,785	16,652	20,330
Arrangement and participation fees	680	987	2,755	2,854
	93,130	138,309	215,313	258,240
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	15,311	326	37,301	9,409
Unrealised (loss)/gain on financial assets at FVTPL	(4,433)	(135)	(7,364)	2,285
(Loss)/gain from from trading derivatives	(18,663)	212	(23,121)	(19,909)
Unrealised gain from trading derivatives	8,613	10,655	96,187	39,559
Unrealised (loss) on fair value hedge	(2,850)	(7,269)	(18,338)	(9,910)
Gain/(loss) from sale of precious metal	685	(1,303)	1,545	(982)
Unrealised (loss) from sale of previous metal	(92)	(1,966)	(277)	(2,928)
Gain from sale/recovery of debt instruments at FVOCI	38,285	38,483	97,926	43,305
Gross dividends from:				
- Equity instruments at FVOCI	500	-	500	9
	37,356	39,003	184,359	60,838
<u>Other income</u>				
Foreign exchange gain, net	57,434	49,689	90,046	114,040
Gain on disposal of property, plant and equipment	-	3	-	3
Loss on liquidation of subsidiaries	-	-	-	-
Others	3,701	3,469	7,453	6,819
	61,135	53,161	97,499	120,862
	191,621	230,473	497,171	439,940

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EXPLANATORY NOTES

29. OTHER OPERATING EXPENSES

Group	Second Quarter Ended		Six Months Ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Personnel expenses	186,369	211,790	393,437	409,285
Establishment related expenses	81,869	59,862	161,063	118,823
Promotion and marketing related expenses	5,237	11,475	15,118	18,866
General administrative expenses	30,061	27,755	53,889	51,964
	303,536	310,882	623,507	598,938
<u>Personnel expenses</u>				
Wages, salaries and bonus	147,411	163,791	311,987	318,792
Defined contribution plan	22,220	25,661	47,702	50,666
Other employee benefits	16,738	22,338	33,748	39,827
	186,369	211,790	393,437	409,285
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	18,726	17,796	36,807	33,833
Depreciation of right-of-use assets	4,235	3,757	8,392	7,120
Information technology costs	35,520	13,385	70,219	24,868
Repair and maintenance	10,263	11,567	21,098	28,028
Short term lease expenses	316	407	343	1,130
Others	12,809	12,950	24,204	23,844
	81,869	59,862	161,063	118,823
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	5,237	11,475	15,118	18,866
<u>General administrative expenses</u>				
Fees and commissions paid	6,299	8,474	12,290	15,734
Others	23,762	19,281	41,599	36,230
	30,061	27,755	53,889	51,964

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29. OTHER OPERATING EXPENSES (cont'd.)

Bank	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	185,275	210,719	391,372	406,876
Establishment related expenses	84,511	62,827	166,020	124,319
Promotion and marketing related expenses	5,225	11,463	15,101	18,782
General administrative expenses	29,928	27,743	53,711	51,884
	304,939	312,752	626,204	601,861
<u>Personnel expenses</u>				
Wages, salaries and bonus	146,603	162,926	310,372	316,819
Defined contribution plan	22,098	25,535	47,462	50,385
Other employee benefits	16,574	22,258	33,538	39,672
	185,275	210,719	391,372	406,876
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	15,704	14,957	30,830	28,141
Depreciation of right-of-use assets	9,299	8,771	18,521	17,148
Information technology costs	35,520	13,385	70,219	24,868
Repair and maintenance	10,109	11,319	20,756	27,608
Short term lease expenses	316	407	343	1,130
Rental of premises	-	-	-	-
Others	13,563	13,988	25,351	25,424
	84,511	62,827	166,020	124,319
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	5,225	11,463	15,101	18,782
<u>General administrative expenses</u>				
Fees and commissions paid	6,174	8,469	12,129	15,677
Others	23,754	19,274	41,582	36,207
	29,928	27,743	53,711	51,884

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EXPLANATORY NOTES**30. ALLOWANCES FOR EXPECTED CREDIT LOSSES**

Group	Second Quarter		Six Months	
	Ended		Ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
a	Loans, advances and financing			
- Stage 1 ECL	(24,468)	11,166	3,107	11,728
- Stage 2 ECL	24,313	15,081	51,703	10,726
- Stage 3 ECL	39,200	47,852	96,390	76,590
	39,045	74,099	151,200	99,044
	Credit-impaired loans, advances and financing			
- written off	10,085	15,946	18,699	23,654
- recovered	(13,655)	(16,546)	(36,830)	(30,692)
	35,475	73,499	133,069	92,006
b	Other financial assets			
Placement with banks and other financial institutions, and other assets	10,259	4,168	5,768	(1,947)
Debt instruments measured at FVOCI	4,188	(15,149)	4,617	(4,900)
Debt instruments measured at AC	6,031	17,950	5,771	22,239
	20,478	6,969	16,156	15,392
c	Commitments and contingencies			
- Stage 1 ECL	(3,544)	6,786	(9,702)	(19,378)
- Stage 2 ECL	5,607	(4,366)	7,677	(10,929)
- Stage 3 ECL	16	58	6,577	(2,287)
	2,079	2,478	4,552	(32,594)
	Bank			
a	Loans, advances and financing			
- Stage 1 ECL	(24,463)	11,250	2,952	11,802
- Stage 2 ECL	24,313	15,081	51,703	10,726
- Stage 3 ECL	39,200	47,852	96,390	76,590
	39,050	74,183	151,045	99,118
	Credit-impaired loans, advances and financing			
- written off	10,085	15,944	18,699	23,652
- recovered	(13,655)	(16,546)	(36,830)	(30,692)
	35,480	73,581	132,914	92,078
b	Other financial assets			
Placement with banks and other financial institutions, and other assets	10,259	4,168	5,768	(1,947)
Debt instruments measured at FVOCI	4,188	(15,149)	4,617	(4,900)
Debt instruments measured at AC	6,031	17,950	5,771	22,239
	20,478	6,969	16,156	15,392
c	Commitments and contingencies			
- Stage 1 ECL	(3,545)	6,786	(9,702)	(19,377)
- Stage 2 ECL	5,608	(4,366)	7,677	(10,930)
- Stage 3 ECL	16	58	6,577	(2,287)
	2,079	2,478	4,552	(32,594)

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EXPLANATORY NOTES

31. SEGMENT INFORMATION

Operating Segments

The following segment information has been prepared in accordance with MFRS 8 *Operating Segments*, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and assess its performance. The Group's businesses are organised into the following four segments based on the types of products and services that it provides.

Retail

The Retail segment covers Personal Financial Services, Business and Private Banking. Personal Financial Services serves the individual customers, offers a wide range of products and services, including deposits, loans, credit and debit cards, insurance products, and also provides an extended range of financial services, including wealth management to wealthy and affluent customers. Private Banking is an integral part of the Group, dedicated to providing high-net-worth clients with financial and portfolio planning services. We are focused on helping our clients achieve sustainable growth and legacy solutions of their wealth for future generations via bespoke wealth management and credit advisory. Business Banking serves small enterprises, offers a range of products and services, including deposits, loans, trade, foreign exchange and insurance products.

Wholesale Banking ("WB")

The WB segment encompasses Commercial Banking, Corporate Banking, Financial Institutions Group ("FIG"), Multinational Corporates (MNC), Investment Banking and Transaction Banking. Commercial Banking serves the medium and large enterprises, while Corporate Banking serves large local corporations, government-linked companies and agencies. FIG serves financial institutions as well as non-bank financial institutions. Commercial Banking, Corporate Banking, MNC and FIG provide customers with a broad range of products and services that include current accounts, deposits, lending, trade finance, structured finance, cash management and cross-border payments. Investment Banking provides services that include principal advisor, lead manager and facility agent for the arrangement of both syndicated loans and Private Debt Securities. Transaction Banking provides trade finance and cash management services.

Global Markets ("GM")

The GM segment provides a comprehensive range of treasury products and services, including foreign exchange, money market, fixed income, derivatives, commodities, gold products, as well as an array of structured products. It is a player in Malaysian Ringgit treasury instruments in the region. It also engages in proprietary investment activities and management of excess liquidity and capital funds.

Others

Other segments include corporate support functions and decisions not attributable to business segments mentioned above and property-related activities.

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 June 2020							
Operating income	752,055	566,921	268,649	45,507	1,633,132	(11,780)	1,621,352
Other operating expenses	(373,438)	(133,095)	(41,042)	(88,045)	(635,620)	12,113	(623,507)
Allowances for expected credit losses	(46,884)	(106,683)	-	(50)	(153,617)	(160)	(153,777)
Share of net profit of an associate	-	-	-	96	96	-	96
Profit before taxation	<u>331,733</u>	<u>327,143</u>	<u>227,607</u>	<u>(42,492)</u>	<u>843,991</u>	<u>173</u>	<u>844,164</u>
Income tax expense							<u>(209,155)</u>
							<u>635,009</u>

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31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Other information							
For period ended 30 June 2020							
Inter-segment operating income	250,196	(47,946)	(235,519)	45,049	11,780	(11,780)	-
Total depreciation	12,322	4,099	2,271	36,595	55,287	(10,088)	45,199
As at 30 June 2020							
Gross loans, advances and financing	54,212,968	33,110,383	-	797,804	88,121,155	(108,657)	88,012,498
Deposits from customers	65,184,203	26,479,841	-	2,392	91,666,436	(17,224)	91,649,212

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
For period ended 30 June 2019							
Operating income	700,898	551,157	128,436	97,984	1,478,475	(11,848)	1,466,627
Other operating expenses	(375,509)	(130,664)	(29,967)	(75,281)	(611,421)	12,483	(598,938)
Allowances for expected credit losses	(34,586)	(40,274)	-	(38)	(74,898)	94	(74,804)
Share of net profit of an associate	-	-	-	119	119	-	119
Profit before taxation	<u>290,803</u>	<u>380,219</u>	<u>98,469</u>	<u>22,784</u>	<u>792,275</u>	<u>729</u>	<u>793,004</u>
Income tax expense							<u>(194,452)</u>
							<u>598,552</u>

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EXPLANATORY NOTES

31. SEGMENT INFORMATION (cont'd.)

Operating segments (cont'd.)

Group (cont'd.)	Retail RM'000	WB RM'000	GM RM'000	Others RM'000	Total segments RM'000	Eliminations RM'000	Total RM'000
Other information							
For period ended 30 June 2019							
Inter-segment operating income	173,780	111,243	(398,870)	125,695	11,848	(11,848)	-
Total depreciation	10,971	3,842	2,322	33,804	50,939	(9,986)	40,953
As at 31 December 2019							
Gross loans, advances and financing	54,342,979	31,690,124	-	321,725	86,354,828	(113,640)	86,241,188
Deposits from customers	63,708,604	25,414,849	-	11,747	89,135,200	(28,490)	89,106,710

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EXPLANATORY NOTES

32. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY

The capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia ("BNM")'s Capital Adequacy Framework (Capital Components) issued on 2 February 2018 and Basel II – Risk-Weighted Assets ("RWA") issued on 2 February 2018 and Capital Adequacy Framework (Basel II - Risk-Weighted Assets) issued on 3 May 2019.

	Group		Bank	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/</u>				
<u>Tier 1 Capital</u>				
Paid-up share capital	792,555	792,555	792,555	792,555
Retained profits	9,156,390	9,763,631	9,223,146	9,830,387
Other reserves	429,862	353,866	238,829	162,834
Regulatory adjustments applied in the calculation of CET1 Capital	(388,275)	(374,785)	(498,088)	(438,805)
Total CET1/Tier 1 Capital	9,990,532	10,535,267	9,756,442	10,346,971
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	600,000	1,600,000	600,000	1,600,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	310,412	309,252	310,982	309,953
- General provisions	29,282	25,764	19,041	15,472
Regulatory adjustments applied in the calculation of Tier 2 Capital	82,858	85,508	-	-
Total Tier 2 Capital	1,022,552	2,020,524	930,023	1,925,425
Total Capital	11,013,084	12,555,791	10,686,465	12,272,396

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32. CAPITAL MANAGEMENT AND CAPITAL ADEQUACY (cont'd.)

(a) The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	30-Jun-20	31-Dec-19	30-Jun-20	31-Dec-19
CET1/Tier 1 Capital	16.107%	17.073% *	15.914%	16.959% *
Total Capital	17.756%	20.347% *	17.431%	20.115% *

* The CET1/Tier 1 Capital and Total Capital ratios were before payment of dividend. The CET1/Tier 1 Capital would be 16.089% and 19.363% for the Group and 15.964% and 19.120% for the Bank, net of proposed dividend.

(b) Analysis of gross RWA in the various categories of risk-weights is as follows:

	Group		Bank	
	30-Jun-20 RM'000	31-Dec-19 RM'000	30-Jun-20 RM'000	31-Dec-19 RM'000
Total RWA for credit risk	54,868,663	54,113,926	54,144,343	53,407,386
Total RWA for market risk	1,523,505	2,011,892	1,523,505	2,011,892
Total RWA for operational risk	5,632,248	5,581,210	5,640,111	5,590,647
	62,024,416	61,707,028	61,307,959	61,009,925

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EXPLANATORY NOTES

33. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

As at 30 June 2020	Principal amount RM'000	Group Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,520,519	2,441,810	1,712,621
Transaction-related contingent items	5,732,609	2,847,433	1,804,726
Short-term self-liquidating trade-related contingencies	309,038	64,696	44,378
Foreign exchange related contracts			
- not more than one year	32,441,754	639,241	167,581
- more than one year to less than five years	303,333	28,251	19,268
Interest rate related contracts			
- not more than one year	8,542,915	145,182	48,043
- more than one year to less than five years	23,073,515	1,112,373	536,765
- five years and above	1,580,138	246,465	154,799
Equity related contracts			
- not more than one year	222,490	-	-
- more than one year to less than five years	7,030	-	-
Commodity related contracts			
- not more than one year	180,514	18,101	11,631
- more than one year to less than five years	81,097	18,086	1,913
Undrawn credit facility			
- not more than one year	17,929,038	858,076	155,392
- more than one year	6,755,851	4,604,055	3,124,014
- unconditionally cancellable	16,280,454	6,402,806	849,800
Other commitments	1,032,481	347,604	347,604
Total	116,992,776	19,774,179	8,978,535

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EXPLANATORY NOTES

33. COMMITMENTS AND CONTINGENCIES (cont'd.)

As at 31 December 2019	Principal amount RM'000	Group Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,705,659	2,620,287	1,696,912
Transaction-related contingent items	6,107,043	3,042,267	2,036,302
Short-term self-liquidating trade-related contingencies	389,829	89,824	52,267
Foreign exchange related contracts			
- not more than one year	25,342,582	475,949	139,178
- more than one year to less than five years	550,954	39,829	24,345
Interest rate related contracts			
- not more than one year	10,034,013	133,368	60,810
- more than one year to less than five years	15,392,386	713,544	405,647
- five years and above	1,275,978	165,528	112,757
Equity related contracts			
- not more than one year	369,983	516	82
- more than one year to less than five years	82,587	-	-
Commodity related contracts			
- not more than one year	486,130	74,099	44,693
- more than one year to less than five years	76,363	9,471	1,217
Undrawn credit facility			
- not more than one year	17,191,093	879,668	175,675
- more than one year	7,483,692	5,148,254	3,548,768
- unconditionally cancellable	15,140,365	6,088,783	782,891
Other commitments	557,873	414,807	404,191
Total	103,186,530	19,896,194	9,485,735

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33. COMMITMENTS AND CONTINGENCIES (cont'd.)

As at 30 June 2020	Principal amount RM'000	Bank Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,520,519	2,441,810	1,712,621
Transaction-related contingent items	5,732,609	2,847,433	1,804,726
Short-term self-liquidating trade-related contingencies	309,038	64,696	44,378
Foreign exchange related contracts			
- not more than one year	32,441,754	639,241	167,581
- more than one year to less than five years	303,333	28,251	19,268
Interest rate related contracts			
- not more than one year	8,542,915	145,182	48,043
- more than one year to less than five years	23,073,515	1,112,373	536,765
- five years and above	1,580,138	246,465	154,799
Equity related contracts			
- not more than one year	222,490	-	-
- more than one year to less than five years	7,030	-	-
Commodity related contracts			
- not more than one year	180,514	18,101	11,631
- more than one year to less than five years	81,097	18,086	1,913
Undrawn credit facility			
- not more than one year	17,929,038	858,076	155,392
- more than one year	6,755,851	4,604,055	3,124,014
- unconditionally cancellable	16,280,454	6,402,806	849,800
Other commitments	729,324	44,448	44,448
Total	116,689,619	19,471,023	8,675,379

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33. COMMITMENTS AND CONTINGENCIES (cont'd.)

As at 31 December 2019	Principal amount RM'000	Bank Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,705,659	2,620,287	1,696,912
Transaction-related contingent items	6,107,043	3,042,267	2,036,302
Short-term self-liquidating trade-related contingencies	389,829	89,824	52,267
Foreign exchange related contracts			
- not more than one year	25,342,582	475,949	139,178
- more than one year to less than five years	550,954	39,829	24,345
Interest rate related contracts			
- not more than one year	10,034,013	133,368	60,810
- more than one year to less than five years	15,392,386	713,544	405,647
- five years and above	1,275,978	165,528	112,757
Equity related contracts			
- not more than one year	369,983	516	82
- more than one year to less than five years	82,587	-	-
Commodity related contracts			
- not more than one year	486,130	74,099	44,693
- more than one year to less than five years	76,363	9,471	1,217
Undrawn credit facility			
- not more than one year	17,191,093	879,668	175,675
- more than one year	7,483,692	5,148,254	3,548,768
- unconditionally cancellable	15,140,365	6,088,783	782,891
Other commitments	205,474	62,407	51,791
Total	102,834,131	19,543,794	9,133,335

Disclosure of the principal amount and credit equivalent of the commitments and contingencies are as per BNM's Risk Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3).

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34. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group and Bank	
	30-Jun-20	31-Dec-19
Outstanding credit exposures with connected parties (RM'000)	1,683,105	1,103,846
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.910%	1.278%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	0.000%	0.000%

The credit exposures above are derived based on Bank Negara Malaysia's revised guidelines on Credit Transaction and Exposure with Connected Parties.

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35. PERFORMANCE REVIEW

For the six months ended 30 June 2020, the Group recorded a profit before taxation of RM844.2 million, an increase of 6.5% or RM51.2 million compared to same period last year.

Total operating income increased by 10.5% or RM154.7 million to RM1,621.4 million mainly from higher net interest income, other operating income and net income from Islamic Banking operations. Other operating income increased 13.0% or RM57.2 million to RM497.0 million mainly due to higher trading and investment income, partly offset by lower net foreign exchange gain and lower fee income.

Expenses increased by 4.1% or RM24.6 million to RM623.5 million driven by higher investment in information technology costs, partly offset by lower staff expenses.

Total allowance for expected credit losses increased by RM79.0 million mainly due to higher expected credit loss on loans, advances and financing this year coupled with last year write-back of expected credit loss on commitments and contingencies.

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36. PROSPECTS FOR 2020

Lingering risks related to the COVID-19 outbreak, trade disputes and geopolitical tensions are expected to weigh on global growth in the year ahead. The escalation of COVID-19 has heightened risks across major economies. From our perspective, the US, large parts of Europe and many other major economies are expected to be in contraction for 2020 while China will record a recessionary growth rate. Central banks and governments have responded aggressively to tackle the negative impact brought about by COVID-19.

We expect Malaysia's gross domestic product (GDP) to contract in 2020 in tandem with our expectations for negative global growth. The unprecedented outbreak of COVID-19 and the ensuing movement control order has significantly affected business activity, tourism, hospitality and consumer spending. International and domestic travel restrictions severely affected the transport and storage sectors which came to a complete halt during the initial phases of the movement control order. The effects have been widely felt across the domestic economy as global recession emerges. This will weigh on near term growth prospects as private sector activity weakens particularly in the first half of 2020. There are tentative signs of recovery since the relaxation of movement restrictions to allow most business activities to resume. Economic activity is expected to gradually pick up in 2H 2020 with the support from fiscal, monetary and financial measures and progress in transport-related projects by the public sector. However, the growth outlook is subject to significant downside risks mainly from the uncertainties surrounding the spread of the pandemic and the duration of containment measures globally. This uncertainty may result in delays in household spending and business investments. The risks of commodity supply shocks also remain.

The overall impact on Malaysia's economy will depend on the duration and severity of the COVID-19 outbreak as well as policy responses from Malaysia's authorities and global policy responses. Malaysia announced a sizeable relief package worth RM295 billion or 20 per cent of its GDP in response to COVID-19 to preserve people's welfare, support businesses and strengthen the economy as the global pandemic worsens. We expect the economy to recover once uncertainties related to COVID-19 abate. We remain optimistic that Malaysia's underlying strengths, including its strategic geographical location, significant natural resources, diversified economic structure, improved external position, favourable demographics, robust macro policies and resilient institutions will support the country's growth over the long term.

Against the macro uncertainties ahead, we continue to stay vigilant and keep our balance sheet strong as well as continue to strengthen business continuity management so that we can remain committed to support our stakeholders through to better times.

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37. ISLAMIC BANKING OPERATIONS

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

	Note	30-Jun-20 RM'000	31-Dec-19 RM'000
Assets			
Cash and short-term funds	a	193,406	48,626
Debt instruments at fair value through other comprehensive income ("FVOCI")	b	522,705	1,652,244
Financing, advances and others	c	6,003,634	4,353,177
Other assets	d	7,136	12,044
Derivative financial assets	f	780	2,637
Statutory deposits with Bank Negara Malaysia		5,000	90,000
Plant and equipment		5,614	6,030
Deferred tax assets		5,425	5,026
Total assets		6,743,700	6,169,784
Liabilities and Islamic Banking funds			
Deposits from customers	g	4,421,274	4,277,118
Investment accounts due to designated financial institution	h	1,374,777	373,047
Deposits and placements of banks and other financial institutions	i	428,311	973,886
Bills and acceptances payable		255	802
Derivative financial liabilities	f	1,630	3,057
Other liabilities	j	45,179	79,696
Tax Payable		7,144	4,406
Total liabilities		6,278,570	5,712,012
Capital fund		450,000	450,000
Reserves		15,130	7,772
Islamic Banking funds	k	465,130	457,772
Total liabilities and Islamic Banking funds		6,743,700	6,169,784
Commitments and contingencies	s	1,461,555	1,597,453

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

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37. ISLAMIC BANKING OPERATIONS (cont'd.)**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020**

	Note	Second Quarter ended		Six months ended	
		30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Income derived from depositors' funds	l	47,261	55,512	105,488	111,354
Income derived from investment of Islamic Banking funds	m	4,997	5,281	10,651	10,528
Income derived from investment of Investment Account funds	n	5,351	3,414	9,607	4,466
(Allowances for)/write back of expected credit losses:					
Financing, advances and others	q	858	(4,248)	(5,686)	11,605
Other financial assets	q	355	(600)	368	(354)
Commitment and contingencies	q	(530)	(233)	366	192
Total attributable income		58,292	59,126	120,794	137,791
Income attributable to depositors	o	(40,160)	(51,699)	(86,806)	(104,180)
Income attributable to Investment Account holder	p	(4,281)	(2,732)	(7,686)	(3,573)
Total net income		13,851	4,695	26,302	30,038
Other operating expenses	r	(9,074)	(9,254)	(16,323)	(18,396)
Profit before taxation		4,777	(4,559)	9,979	11,642
Income tax income		(1,153)	1,092	(2,406)	(2,801)
Profit after taxation		3,624	(3,467)	7,573	8,841

Other comprehensive income:

Other comprehensive income to bereclassified to profit or loss in subsequent periods:

Net fair value change in debt instruments at fair value through other comprehensive income		(347)	155	(283)	159
Income tax effect		83	(37)	68	(38)
Total other comprehensive income for the period, net of tax		(264)	118	(215)	121
Total comprehensive income for the period		3,360	(3,349)	7,358	8,962

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37. ISLAMIC BANKING OPERATIONS (cont'd.)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME (cont'd.)
FOR THE PERIOD ENDED 30 JUNE 2020

Net income from Banking operations as reported in the income statements of the Group and Bank is derived as follows:

	Second Quarter		Six months	
	ended		ended	
	30-Jun-20	31-Mar-19	30-Jun-20	31-Mar-19
	RM'000	RM'000	RM'000	RM'000
Income derived from depositors' funds	47,261	55,512	105,488	111,354
Income derived from investment of Islamic Banking funds	4,997	5,281	10,651	10,528
Income derived from investment of Investment Account funds	5,351	3,414	9,607	4,466
Income attributable to depositors	(40,160)	(51,699)	(86,806)	(104,180)
Income attributable to Investment Account holder	(4,281)	(2,732)	(7,686)	(3,573)
Net income from Islamic Banking operations reported in the income statements of the Group and Bank	13,168	9,776	31,254	18,595

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

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37. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 30 JUNE 2020**

	Capital fund RM'000	Fair value through other comprehensive RM'000	Accumulated profit RM'000	Total RM'000
2020				
At 1 January 2020	450,000	1,170	6,602	457,772
Profit for the period	-	-	7,573	7,573
Other comprehensive income	-	(215)	-	(215)
Total comprehensive income	-	(215)	7,573	7,358
At 30 June 2020	450,000	955	14,175	465,130

	Capital fund RM'000	Fair value through other comprehensive RM'000	Accumulated profit/ (losses) RM'000	Total RM'000
2019				
At 1 January 2019	450,000	(6)	(4,478)	445,516
Profit for the period	-	-	8,841	8,841
Other comprehensive income	-	121	-	121
Total comprehensive income	-	121	8,841	8,962
At 30 June 2019	450,000	115	4,363	454,478

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

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37. ISLAMIC BANKING OPERATIONS (cont'd.)

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

	30-Jun-20	30-Jun-19
	RM'000	RM'000
Profit before taxation	9,979	11,642
Adjustments for non-operating and non-cash items	3,303	(1,363)
Operating profit before working capital changes	13,282	10,279
Changes in working capital:		
Net changes in operating assets	(1,563,644)	(1,028,143)
Net changes in operating liabilities	563,820	836,110
Net cash used in operating activities	(986,542)	(181,754)
Net cash generated from investing activities	1,131,322	(318,485)
Net increase/ (decrease) in cash and cash equivalents	144,780	(500,239)
Cash and cash equivalents at beginning of the period	48,626	2,709,957
Cash and cash equivalents at end of the period	193,406	2,209,718
Analysis of cash and cash equivalents		
Cash and short term funds	193,406	2,209,718

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

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

a. Cash and short-term funds

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Cash and balances with banks and other financial institutions	150,411	49,723
Money at call and deposit placements maturing within one month	44,000	-
Less: Allowances for ECL	(1,005)	(1,097)
	<u>193,406</u>	<u>48,626</u>

b. Debt Instruments at Fair Value Through Other Comprehensive Income ("FVOCI")

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Money market instruments		
Government Islamic investment	522,705	1,353,781
Malaysia Government treasury bills	-	298,463
	<u>522,705</u>	<u>1,652,244</u>

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

c. Financing, advances and others

(i) Financing by type of Shariah contract:

30 June 2020

	Sale based contracts			Total RM'000
	<i>Tawarruq</i> RM'000	<i>Murabahah</i> RM'000	<i>Bai Al-Dayn</i> RM'000	
Term financing and revolving credits				
- Housing financing	2,285,358	-	-	2,285,361
- Others term financing	3,672,174	-	-	3,672,174
Trust receipt	-	37,594	-	37,594
Claim on customers under acceptance credit	-	55,515	839	56,354
Gross financing, advances and others	5,957,532	93,109	839	6,051,483
Allowances for ECL on financing, advances and others				
Stage 1 - 12 month ECL				(12,317)
Stage 2 - Lifetime ECL non credit-impaired				(26,448)
Stage 3 - Lifetime ECL credit impaired				(9,084)
Net financing, advances and others				6,003,634

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37. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

c. Financing, advances and others (cont'd)

(i) Financing by type of Shariah contract (cont'd):

31 December 2019

	Sale based contracts			Total RM'000
	<i>Tawarruq</i> RM'000	<i>Murabahah</i> RM'000	<i>Bai Al-Dayn</i> RM'000	
Term financing and revolving credits				
- Housing financing	2,074,390	-	-	2,074,390
- Others term financing	2,255,435	-	-	2,255,435
Trust receipt		1,579		1,579
Claim on customers under acceptance credit	-	65,293	1,688	66,981
Gross financing, advances and others	4,329,825	66,872	1,688	4,398,385
Allowances for ECL on financing, advances and others				
Stage 1 - 12 month ECL				(10,763)
Stage 2 - Lifetime ECL non credit-impaired				(27,330)
Stage 3 - Lifetime ECL credit impaired				(7,115)
Net financing, advances and others				4,353,177

Included in financing and advances are specific business ventures funded by the Restricted Specific Investment Account ("RSIA") arrangement between Islamic Banking and Conventional Bank. The Conventional Bank, being the RSIA depositor, is exposed to the risks and rewards of the business venture and accounts for the expected credit loss ("ECL") allowances arising thereon.

As at 30 June 2020, the gross exposure and expected credit loss relating to RSIA financing amounted to RM1,328,227,048 (31 December 2019: RM312,736,235) and RM20,222,819 (31 December 2019: RM21,952,739) respectively.

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

c. Financing, advances and others (cont'd)

(ii) Gross financing, advances and others by maturity structure:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Maturing within one year	631,674	435,011
One year to three years	98,000	93,178
Three years to five years	177,107	85,695
Over five years	5,144,702	3,784,501
	<u>6,051,483</u>	<u>4,398,385</u>

(iii) Gross financing, advances and others by type of customers:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Domestic non-banking financial institutions		
- Others	1,008,955	5,613
Domestic business enterprises		
- Small medium enterprises	1,492,282	1,086,860
- Others	1,048,609	1,024,355
Individuals	2,377,564	2,164,280
Foreign entities	124,073	117,277
	<u>6,051,483</u>	<u>4,398,385</u>

(iv) Gross financing, advances and others by profit rate sensitivity:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Fixed rate		
- Other fixed rate financing	1,334,963	249,104
Variable rates		
- Base rate/base financing rate-plus	3,390,056	3,055,449
- Cost-plus	1,326,464	1,093,832
	<u>6,051,483</u>	<u>4,398,385</u>

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37. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

c. Financing, advances and others (cont'd.)

(v) Gross financing, advances and others by economic sectors:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Agriculture	510,889	358,038
Mining and quarrying	97,389	-
Manufacturing	393,463	373,749
Electricity, gas and water	59,049	60,891
Construction	286,303	279,199
Wholesale, retail trade, restaurants and hotels	676,943	589,499
Transport, storage and communication	96,145	92,738
Finance, insurance and business services	1,161,316	132,355
Real estate	240,070	207,671
Community, social and personal services	28,280	22,052
Households		
- purchase of residential properties	2,293,055	2,083,372
- purchase of non residential properties	130,932	139,166
- others	77,649	59,655
	6,051,483	4,398,385

(vi) Movements in impaired financing, advances and others are as follows:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
As at 1 January	38,486	12,704
Classified as impaired during the period	19,299	36,469
Amount recovered	(151)	(1,637)
Reclassified as non credit impaired	(1,052)	(9,050)
Amount written off	(609)	-
As at 30 June / 31 December	55,973	38,486
Allowance for ECL on credit impaired	(9,084)	(7,115)
Net impaired financing, advances and others	46,889	31,371

Ratio of net impaired financing, advances and others
to gross financing, advances and others
less allowances for ECL on credit impaired

0.8%

0.7%

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37. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

c. Financing, advances and others (cont'd.)

(vii) Impaired financing, advances and others analysed by economic sectors are as follows:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Manufacturing	-	642
Construction	4,380	654
Wholesale, retail trade, restaurants and hotels	8,232	5,028
Households		
- purchase of residential properties	42,725	31,563
- purchase of non-residential properties	536	499
- others	100	100
	55,973	38,486

(viii) Impaired financing, advances and others analysed by geographical distribution are as follows:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
In Malaysia	55,973	38,486

d. Other assets

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Other receivables, deposits and prepayments	552	558
Profit receivables	6,593	11,488
Less: Allowances for ECL	(9)	(2)
	7,136	12,044

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

e. Movements in loss allowances for expected credit losses

(a) Other financial assets:

Cash and short term funds and debt instruments at FVOCI and other assets

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2020	1,434	1	-	1,435
<u>Movements with P&L impact:</u>				
New/additional during the period	80	1	-	81
Maturity/settlement/reduction during the period	(450)	1	-	(449)
As at 30 June 2020	<u>1,064</u>	<u>3</u>	<u>-</u>	<u>1,067</u>

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2019	1,317	1	-	1,318
<u>Movements with P&L impact:</u>				
New/additional during the year	6,921	-	-	6,921
Maturity/settlement/reduction during the year	(6,804)	-	-	(6,804)
As at 31 December 2019	<u>1,434</u>	<u>1</u>	<u>-</u>	<u>1,435</u>

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

e. Movements in loss allowances for expected credit losses (cont'd)

(b) Contingent liabilities and commitments

	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2020	3,133	2,568	-	5,701
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	328	(329)	-	(329)
Transferred to Stage 2	(33)	339	-	339
New/additional during the period	2,701	114	-	114
Maturity/settlement/reduction during the period	(3,037)	(449)	-	(449)
As at 30 June 2020	<u>3,092</u>	<u>2,243</u>	<u>-</u>	<u>5,376</u>
	12 months ECL RM'000	Lifetime (not credit impaired) ECL RM'000	Lifetime (credit impaired) ECL RM'000	Total RM'000
As at 1 January 2019	1,997	205	-	2,202
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	66	(139)	-	(73)
Transferred to Stage 2	(58)	2,675	-	2,617
New/additional during the year	11,441	111	-	11,552
Maturity/settlement/reduction during the year	(10,313)	(284)	-	(10,597)
As at 31 December 2019	<u>3,133</u>	<u>2,568</u>	<u>-</u>	<u>5,701</u>

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES**

f. Financial Derivatives

Financial derivatives are instruments whose values change in response to the change in one or more "underlying", such as foreign exchange rate, security price and credit index. They include forwards, swaps, futures, options and credit derivatives. In the normal course of business, the Bank customise derivatives to meet specific needs of their customers. The Bank also transact in these derivatives for proprietary trading purposes as well as to manage its assets/liabilities and structural positions. While the Bank also enter into other foreign exchange forward contracts with the intention to reduce the foreign exchange risk of expected sales and purchases for customers, these other contracts are not designated as hedge relationships and are measured at fair value through profit or loss.

The fair value of the derivatives are as follows:

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 30 June 2020			
Foreign exchange contracts			
- forwards	175,226	<u>780</u>	<u>1,630</u>

	Contract or underlying principal amount RM'000	Positive fair value RM'000	Negative fair value RM'000
As at 31 December 2019			
Foreign exchange contracts			
- forwards	153,257	<u>2,637</u>	<u>3,057</u>

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

g. Deposits from customers

(i) By type of deposits:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits		
- Qard	208,683	232,527
Savings deposits		
- Qard	31,513	25,256
Fixed deposits		
- Tawarruq	4,135,779	4,003,585
Other deposits		
- Tawarruq	45,299	15,750
	<u>4,421,274</u>	<u>4,277,118</u>

(ii) The maturity structure of fixed deposits is as follows:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Due within six months	3,365,481	1,863,323
Six months to one year	508,438	1,878,402
One year to three years	105,001	90,001
Three years to five years	156,859	171,859
	<u>4,135,779</u>	<u>4,003,585</u>

(iii) The deposits are sourced from the following customers:

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Business enterprises	1,089,709	1,187,459
Individuals	2,907,445	2,207,545
Others	424,120	882,114
	<u>4,421,274</u>	<u>4,277,118</u>

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h. Investment accounts due to designated financial institutions

	30-Jun-20	31-Dec-19
	RM'000	RM'000
<u>Mudharabah RSIA</u>		
Licensed bank	1,395,000	395,000
Amount receivable from Conventional Bank	(20,223)	(21,953)
	<u>1,374,777</u>	<u>373,047</u>

i. Deposits and placements of banks and other financial institutions

	30-Jun-20	31-Dec-19
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Other financial institutions	<u>428,311</u>	<u>973,886</u>

j. Other liabilities

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Allowance for ECL for commitment and contingencies	5,335	5,701
Accrued profit payable	38,333	73,954
Accruals and provisions for operational expenses	1,511	41
	<u>45,179</u>	<u>79,696</u>

k. Islamic Banking funds

	30-Jun-20	31-Dec-19
	RM'000	RM'000
Capital fund	450,000	450,000
Fair value through other comprehensive income reserve	955	1,170
Accumulated profit	14,175	6,602
	<u>465,130</u>	<u>457,772</u>

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

l. Income derived from depositors' funds

	Second Quarter ended		Six months ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	40,785	35,989	84,227	68,349
Money at call and deposit placements with financial institutions	95	16,979	1,584	37,967
FVOCI securities	4,839	426	13,685	778
	45,719	53,394	99,496	107,094
<u>Other operating income</u>				
Trading income	196	272	638	560
Commission income	738	1,259	2,159	2,314
Fee income	595	578	3,166	1,371
Others	13	9	29	15
	47,261	55,512	105,488	111,354

m. Income derived from investment of Islamic Banking funds

	Second Quarter ended		Six months ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	4,291	3,425	8,514	6,466
Money at call and deposit placements with financial institutions	14	1,616	159	3,587
FVOCI securities	515	39	1,378	72
	4,820	5,080	10,051	10,125
<u>Other operating income</u>				
Trading income	22	25	64	52
Commission income	80	120	218	219
Fee income	74	56	315	131
Others	1	-	3	1
	4,997	5,281	10,651	10,528

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

n. Income derived from investment of Investment Account funds

	Second Quarter ended		Six months ended	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
Financing, advances and others	4,964	1,743	8,688	2,596
Money at call and deposit placements with financial institutions	257	1,671	789	1,870
FVOCI securities	130	-	130	-
	5,351	3,414	9,607	4,466

o. Income attributable to depositors

	Second Quarter ended		Six months ended	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors from non-mudharabah fund	40,160	51,699	86,806	104,180

p. Income attributable to Investment Account holder

	Second Quarter ended		Six months ended	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositor from mudharabah fund	4,281	2,732	7,686	3,573

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

q. Allowance for impairment on financing, advances and others and other financial assets

	Second Quarter ended		Six months ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Allowances for/ (writeback of) impairment on financing, advances and others				
Stage 1 ECL	133	776	1,554	(5,319)
Stage 2 ECL	(3,190)	1,632	(882)	(8,892)
Stage 3 ECL	467	2,035	3,284	2,814
Recovery from RSIA holder*	1,732	(195)	1,730	(208)
	(858)	4,248	5,686	(11,605)
Other financial assets				
Stage 1 ECL	(357)	601	(370)	355
Stage 2 ECL	2	(1)	2	(1)
	(355)	600	(368)	354
Commitment and contingencies				
Stage 1 ECL	528	(167)	(41)	(507)
Stage 2 ECL	2	400	(325)	315
Recovery from RSIA holder*	-	-	-	-
	530	233	(366)	(192)
Total	(683)	5,081	4,952	(11,443)

*The RSIA holder is the Conventional Banking

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EXPLANATORY NOTES

r. Other operating expenses	Second Quarter ended		Six months ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Personnel expenses	780	452	1,405	1,110
Establishment related expenses	645	646	1,272	893
Promotion and marketing related expenses	17	38	28	83
General administrative expenses	7,632	8,118	13,618	16,310
	9,074	9,254	16,323	18,396
Personnel expenses				
- Wages, salaries and bonus	661	374	1,166	787
- Defined contribution plan	106	60	187	126
- Other employee benefits	13	18	52	197
	780	452	1,405	1,110
Establishment related expenses				
- Depreciation of property, plant and equipment	216	229	431	289
- Repair and maintenance	-	-	-	1
- Rental of premises	-	-	-	-
- Information technology costs	211	99	405	182
- Others	218	318	436	421
	645	646	1,272	893
Promotion and marketing related expenses				
- Advertisement and publicity	17	38	28	83
General administrative expenses				
- Fees and commissions paid	2,450	95	2,561	194
- Management fee	5,112	7,893	10,921	15,924
- Others	70	130	136	192
	7,632	8,118	13,618	16,310

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37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES

s. Commitments and contingencies

The off-balance sheet exposures and their related counterparty credit risk are as follows:

	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 30 June 2020			
Direct credit substitutes	26,781	26,781	34,119
Transaction-related contingent items	51,682	26,176	29,183
Short-term self-liquidating trade-related contingencies	3,101	620	499
Foreign exchange related contracts			
- less than one year	175,226	3,016	1,174
Undrawn credit facility			
- less than one year	231,214	4,354	1,994
- more than one year	822,168	565,580	179,888
- unconditionally cancellable	151,383	-	-
Total	1,461,555	626,527	246,857
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
As at 31 December 2019			
Direct credit substitutes	11,874	11,874	6,968
Transaction-related contingent items	54,306	27,278	31,581
Short-term self-liquidating trade-related contingencies	3,259	652	359
Foreign exchange related contracts			
- less than one year	153,257	2,277	1,049
Undrawn credit facility			
- less than one year	212,341	2,119	789
- more than one year	950,177	637,296	210,473
- unconditionally cancellable	212,239	-	-
Total	1,597,453	681,496	251,219

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES**

t. Capital management and capital adequacy

The capital adequacy ratios of Islamic Banking window are computed in accordance with the BNM Capital Adequacy Framework for Islamic Banking (Capital Components) and Basel II - Risk-weighted Assets Framework for Islamic Banking.

	30-Jun-20	31-Dec-19
	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1")/Tier 1 Capital</u>		
Capital fund	450,000	450,000
Accumulated profit	6,602	6,602
Other reserves	955	1,170
Regulatory adjustments applied in the calculation of CET1 Capital	(6,087)	(5,698)
Total CET1/Tier 1 Capital	451,470	452,074
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	10,105	12,873
- General provisions	148	94
Total Tier 2 Capital	10,253	12,967
Total Capital	461,723	465,041

(a) The capital adequacy ratios are as follows:

	30-Jun-20	31-Dec-19
Before the effects of PSIA		
CET1/Tier 1 Capital	12.910%	16.543%
Total Capital	13.204%	17.018%
After the effects of PSIA		
CET1/Tier 1 Capital	16.682%	20.346%
Total Capital	17.061%	20.930%

In accordance with BNM's Guidelines on the Investment Account, the credit risk and market risks weighted assets funded by the RSIA which qualify as risk absorbent are excluded from the calculation of capital adequacy ratio. As at 30 June 2020, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM790,783,000 (31 December 2019: RM510,781,000).

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**37. ISLAMIC BANKING OPERATIONS (cont'd.)
EXPLANATORY NOTES**

(b) Analysis of gross risk-weighted assets ("RWA") in the various categories of risk-weights is as follows:

	30-Jun-20 RM'000	31-Dec-19 RM'000
Total RWA for credit risk	2,625,485	2,153,038
Total RWA for market risk	1,986	2,366
Total RWA for operational risk	78,898	66,532
	<u>2,706,369</u>	<u>2,221,936</u>