

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 SEPTEMBER 2020

	Note	Group		Bank	
		30-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
ASSETS					
Cash and short-term funds	11	1,988,492	1,330,265	1,988,492	1,330,265
Deposits and placements with financial institutions	12	-	499,864	-	499,864
Securities purchased under resale agreements		2,482,111	3,568,380	2,482,111	3,568,380
Financial assets at fair value through profit or loss ("FVTPL")	13	4,696,732	4,206,956	4,696,732	4,206,956
Debt instruments at fair value through other comprehensive income ("FVOCI")	14	25,794,110	20,026,345	25,794,110	20,026,345
Equity instruments at fair value through other comprehensive income ("FVOCI")	15	102,331	133,885	102,331	133,885
Debt Instruments at amortised cost	16	492,976	803,460	492,976	803,460
Loans, advances and financing	17	87,934,910	84,718,431	88,036,585	84,830,743
Derivative financial assets	18	672,090	435,026	672,090	435,026
Other assets	19	941,320	675,453	947,337	680,513
Statutory deposits with Bank Negara Malaysia		93,858	1,722,676	93,858	1,722,676
Investment in subsidiaries		-	-	325,020	235,020
Investment in an associate		10,444	10,317	13,522	13,522
Property, plant and equipment		857,757	746,200	309,389	275,351
Right-of-use assets		42,049	20,771	67,547	60,834
Deferred tax assets		37,379	74,542	37,379	74,542
TOTAL ASSETS		126,146,559	118,972,571	126,059,479	118,897,382
LIABILITIES					
Deposits from customers	20	94,322,244	89,106,710	94,357,979	89,135,199
Deposits and placements of banks and other financial institutions	21	15,891,280	14,177,990	15,891,300	14,178,010
Obligations on securities sold under repurchase agreements		512,525	313,861	512,525	313,861
Bills and acceptances payable		212,371	239,535	212,371	239,535
Derivative financial liabilities	18	762,802	516,085	762,802	516,085
Other liabilities	22	1,613,660	1,971,122	1,615,928	1,973,265
Lease liabilities		41,667	19,523	61,306	58,006
Tax payable		215,140	85,864	215,077	85,425
Subordinated bonds	23	1,380,030	1,612,220	1,380,030	1,612,220
Deferred tax liabilities		19,609	19,609	-	-
TOTAL LIABILITIES		114,971,328	108,062,519	115,009,318	108,111,606

Company No. 199301017069 (271809K)

UNITED OVERSEAS BANK (MALAYSIA) BHD

(Incorporated in Malaysia)

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

		Group		Bank	
	Notes	30-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-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		10,382,676	10,117,497	10,257,606	9,993,221
TOTAL EQUITY		11,175,231	10,910,052	11,050,161	10,785,776
TOTAL LIABILITIES AND EQUITY		126,146,559	118,972,571	126,059,479	118,897,382
COMMITMENTS AND CONTINGENCIES	33	122,044,905	103,186,530	121,736,239	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 SEPTEMBER 2020

Group	Note	Third Quarter Ended		Nine Months Ended	
		30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Operating revenue	25	1,295,972	1,603,792	4,273,122	4,688,551
Interest income	26	1,040,507	1,279,888	3,417,718	3,822,249
Interest expense	27	(513,062)	(757,943)	(1,797,211)	(2,292,087)
Net interest income		527,445	521,945	1,620,507	1,530,162
Net income from Islamic Banking operations	36	15,083	8,855	46,337	27,450
Other operating income	28	213,437	255,856	710,473	695,671
Operating income		755,965	786,656	2,377,317	2,253,283
Other operating expenses	29	(297,576)	(308,374)	(921,083)	(907,312)
Operating profit before allowances for expected credit losses		458,389	478,282	1,456,234	1,345,971
(Allowances for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(281,477)	(72,783)	(414,546)	(164,789)
Other financial assets	30	6,801	2,090	(9,355)	(13,302)
Commitments and contingencies	30	(5,335)	(2,224)	(9,887)	30,370
		178,378	405,365	1,022,446	1,198,250
Share of net profit of an associate		31	57	127	176
Profit before taxation		178,409	405,422	1,022,573	1,198,426
Income tax expense		(43,024)	(92,458)	(252,179)	(286,910)
Profit for the period attributable to equity holders of the Bank		135,385	312,964	770,394	911,516
Basic/diluted earnings per share (sen)		28.8	66.6	163.9	193.9

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 INCOME STATEMENTS (cont'd.)****FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

Bank	Note	Third Quarter Ended		Nine Months Ended	
		30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Operating revenue	25	1,296,832	1,605,109	4,276,241	4,692,750
Interest income	26	1,041,297	1,281,136	3,420,632	3,826,254
Interest expense	27	(513,315)	(758,647)	(1,798,404)	(2,294,016)
Net interest income		527,982	522,489	1,622,228	1,532,238
Net income from Islamic					
Banking operations	36	15,083	8,855	46,337	27,450
Other operating income	28	213,507	255,926	710,678	695,866
Operating income		756,572	787,270	2,379,243	2,255,554
Other operating expenses	29	(298,847)	(309,660)	(925,051)	(911,521)
Operating profit before allowances for expected credit losses		457,725	477,610	1,454,192	1,344,033
(Allowances for)/write-back of expected credit losses on:					
Loans, advances and financing	30	(281,600)	(72,760)	(414,514)	(164,838)
Other financial assets	30	6,801	2,087	(9,355)	(13,305)
Commitments and contingencies	30	(5,335)	(2,224)	(9,887)	30,370
Profit before taxation		177,591	404,713	1,020,436	1,196,260
Income tax expense		(42,505)	(92,848)	(250,837)	(286,397)
Profit for the period attributable to equity holders of the Bank		135,086	311,865	769,599	909,863
Basic/diluted earnings per share (sen)		28.7	66.4	163.7	193.6

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 COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020**

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Profit for the period	135,385	312,964	770,394	911,516
<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	33,720	12,310	165,794	95,175
Income tax effect	(8,093)	(2,930)	(39,791)	(22,818)
	25,627	9,380	126,003	72,357
<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	530	(99)	(31,551)	18,790
Income tax effect	(127)	24	7,573	(4,510)
	403	(75)	(23,978)	14,280
Total other comprehensive income for the period, net of tax	26,030	9,305	102,025	86,637
Total comprehensive income for the period attributable to equity holders	161,415	322,269	872,419	998,153

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 COMPREHENSIVE INCOME (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2020

Bank	Third Quarter		Nine Months	
	Ended		Ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RM'000	RM'000	RM'000	RM'000
Profit for the period	135,086	311,865	769,599	909,863
<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	33,720	12,310	165,794	95,175
Income tax effect	(8,093)	(2,930)	(39,791)	(22,818)
	25,627	9,380	126,003	72,357
<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	530	(99)	(31,551)	18,790
Income tax effect	(127)	24	7,573	(4,510)
	403	(75)	(23,978)	14,280
Total other comprehensive income for the period, net of tax	26,030	9,305	102,026	86,637
Total comprehensive income for the period attributable to equity holders	161,116	321,170	871,625	996,500

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 SEPTEMBER 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	-	-	-	770,394	770,394
Other comprehensive income for the period	-	-	102,025	-	102,025
Total comprehensive income for the period	-	-	102,025	770,394	872,419
Dividends paid:					
final dividend for the financial year ended 31 December 2019				(607,240)	(607,240)
Balance as at 30 September 2020	792,555	184,130	271,761	9,926,785	11,175,231

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 CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	-	911,516	911,516
Other comprehensive income for the period	-	-	86,637	-	86,637
Total comprehensive income for the period	-	-	86,637	911,516	998,153
Transactions with owners:					
Dividends paid:					
- final dividend for the financial year ended 31 December 2018				(494,910)	(494,910)
Balance as at 30 September 2019	792,555	190,019	179,349	9,451,777	10,613,700

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 SEPTEMBER 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	-	-	769,599	769,599
Other comprehensive income for the period	-	102,026	-	102,026
Total comprehensive income for the period	-	102,026	769,599	871,625
Dividends paid:				
final dividend for the financial year ended 31 December 2019	-	-	(607,240)	(607,240)
Balance as at 30 September 2020	792,555	264,860	9,992,746	11,050,161

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 CHANGES IN EQUITY (cont'd.)
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	909,863	909,863
Other comprehensive income for the period	-	86,637	-	86,637
Total comprehensive income for the period	-	86,637	909,863	996,500
Dividends paid:				
- final dividend for the financial year ended 31 December 2018			(494,910)	(494,910)
Balance as at 30 September 2019	792,555	172,447	9,526,007	10,491,009

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 SEPTEMBER 2020**

	Group		Bank	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	1,022,573	1,198,426	1,020,436	1,196,260
Adjustments for non-operating and non-cash items	(206,936)	(462,504)	(156,311)	(417,303)
Operating profit before working capital changes	815,637	735,922	864,125	778,957
Changes in working capital:				
Net changes in operating assets	(1,641,610)	(4,311,610)	(1,676,891)	(4,404,586)
Net changes in operating liabilities	7,133,319	4,975,626	7,121,847	5,042,827
Tax expense paid	(117,957)	(270,788)	(116,239)	(269,395)
Net cash used from operating activities	6,189,389	1,129,150	6,192,842	1,147,803
Net cash used in investing activities	(5,191,596)	(3,223,273)	(5,195,049)	(3,241,926)
Net cash used in financing activities	(839,430)	(482,201)	(839,430)	(482,201)
Net increase/(decrease) in cash and cash equivalents	158,363	(2,576,324)	158,363	(2,576,324)
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	1,988,492	2,148,391	1,988,492	2,148,391
Analysis of cash and cash equivalents				
Cash and short-term funds	1,988,492	2,148,391	1,988,492	2,148,391
Deposits and placements with financial institutions	-	-	-	-
	1,988,492	2,148,391	1,988,492	2,148,391

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)

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 September 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 September 2020.

6. DEBT AND EQUITY SECURITIES

On 3 August 2020, the Bank issued RM750 million Basel III Tier 2 subordinated bonds (10 years maturity, non-callable 5 years), which bears interest at the rate of 3.00% per annum. The said subordinated bonds were issued out of RM8 billion Medium Term Notes ("MTN") programme. On 8 May 2020, the Bank has fully redeemed its RM1 billion Basel III compliance Tier 2 subordinated bonds issued on 8 May 2015.

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 September 2020.

UNITED OVERSEAS BANK (MALAYSIA) BHD

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EXPLANATORY NOTES

11. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	30-Sep-20	31-Dec-19
	RM'000	RM'000
Cash and balances with banks and other financial institutions	645,185	812,456
Money at call and deposit placements maturing within one month	<u>1,392,025</u>	<u>554,264</u>
	2,037,210	1,366,720
Less: Allowances for ECL	<u>(48,718)</u>	<u>(36,455)</u>
	<u>1,988,492</u>	<u>1,330,265</u>

12. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

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

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

	Group and Bank	
	30-Sep-20	31-Dec-19
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	-	1,094,279
Malaysian Government treasury bills	395,320	99,162
Malaysian Government securities	1,189,476	803,263
Negotiable instruments of deposits	<u>850,327</u>	<u>1,349,708</u>
	<u>2,435,123</u>	<u>3,346,412</u>
Unquoted securities in Malaysia		
Cagamas bonds	296,070	235,551
Private debt securities	<u>1,965,539</u>	<u>624,993</u>
	<u>2,261,609</u>	<u>860,544</u>
	<u>4,696,732</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-Sep-20	31-Dec-19
	RM'000	RM'000
Money market instruments		
Bank Negara Malaysia bills	1,661,213	298,485
Malaysian Government securities	17,769,077	10,795,149
Negotiable instruments of deposits	1,600,425	6,109,376
	<u>21,030,715</u>	<u>17,203,010</u>
Unquoted securities in Malaysia		
Cagamas bonds	1,500,581	1,662,888
Private debt securities	3,262,814	1,160,447
	<u>4,763,395</u>	<u>2,823,335</u>
Total debt instruments at FVOCI	<u>25,794,110</u>	<u>20,026,345</u>

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

	Group and Bank	
	30-Sep-20	31-Dec-19
	RM'000	RM'000
Quoted securities		
Shares of corporations in Malaysia	2,200	2,076
Unquoted securities		
Shares of corporations in Malaysia	100,131	131,809
	<u>102,331</u>	<u>133,885</u>

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

	Group and Bank	
	30-Sep-20	31-Dec-19
	RM'000	RM'000
Private debt securities of companies incorporated In Malaysia		
Unquoted corporate bonds	497,905	811,000
Less: Allowances for ECL	(4,929)	(7,540)
	<u>492,976</u>	<u>803,460</u>

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

	Group		Bank	
	30-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
Overdrafts	2,790,459	3,128,424	2,790,459	3,128,424
Term loans/financing and revolving credits				
- Housing loans/financing	33,221,103	32,518,470	33,221,103	32,518,470
- Syndicated term loans/financing	932,572	933,736	932,572	933,736
- Other term loans/financing	39,825,945	36,690,664	39,928,917	36,804,304
Credit card receivables	2,639,045	2,930,443	2,639,045	2,930,443
Bills receivables	1,467,794	1,337,074	1,467,794	1,337,074
Trust receipts	4,696,809	2,982,465	4,696,809	2,982,465
Claims on customers under acceptance credits	4,348,618	5,877,468	4,348,618	5,877,468
Staff loans	38,294	37,750	38,294	37,750
Others	341	18,640	341	18,640
	89,960,980	86,455,134	90,063,952	86,568,774
Unearned interest/income	(196,000)	(213,946)	(196,000)	(213,946)
Gross loans, advances and financing	89,764,980	86,241,188	89,867,952	86,354,828
Allowances for impairment on loans advances and financing				
-Stage 1- 12 month ECL	(765,738)	(869,349)	(767,035)	(870,677)
-Stage 2- Lifetime ECL non impaired	(726,532)	(367,276)	(726,532)	(367,276)
-Stage 3- Lifetime ECL credit-impaired	(337,800)	(286,132)	(337,800)	(286,132)
Net loans, advances and financing	87,934,910	84,718,431	88,036,585	84,830,743

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

	Group		Bank	
	30-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
Maturing within one year	25,471,675	25,079,072	25,471,675	25,079,072
One year to three years	5,823,050	4,732,853	5,926,022	4,846,493
Three years to five years	6,722,305	5,978,947	6,722,305	5,978,947
Over five years	51,747,950	50,450,316	51,747,950	50,450,316
	89,764,980	86,241,188	89,867,952	86,354,828

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EXPLANATORY NOTES

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

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

	Group		Bank	
	30-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
Domestic non-banking financial institutions				
- Stockbroking companies	25,205	31,643	25,205	31,643
- Others	2,545,362	1,334,225	2,545,362	1,334,225
Domestic business enterprises				
- Small medium enterprises	21,118,637	18,194,120	21,118,637	18,194,120
- Others	15,839,709	17,159,632	15,942,681	17,273,272
Individuals	43,039,411	42,513,659	43,039,411	42,513,659
Foreign entities	7,196,656	7,007,909	7,196,656	7,007,909
	89,764,980	86,241,188	89,867,952	86,354,828

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

	Group		Bank	
	30-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
Fixed rate				
- Housing loans/financing	37,619	36,953	37,619	36,953
- Other fixed rate loans /financing	10,489,060	10,668,457	10,489,060	10,668,457
Variable rate				
- Base rate/base lending /financing rate-plus	55,034,557	54,240,190	55,034,557	54,240,190
- Cost-plus	23,487,925	20,905,641	23,590,897	21,019,281
- Other variable rates	715,819	389,947	715,819	389,947
	89,764,980	86,241,188	89,867,952	86,354,828

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EXPLANATORY NOTES

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

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

	Group		Bank	
	30-Sep-20	31-Dec-19	30-Sep-20	31-Dec-19
	RM'000	RM'000	RM'000	RM'000
Agriculture, hunting, forestry and fishing	1,803,712	1,489,590	1,803,712	1,489,590
Mining and quarrying	1,446,462	1,220,610	1,446,462	1,220,610
Manufacturing	7,444,831	7,124,817	7,444,831	7,124,817
Electricity, gas and water	556,611	239,591	556,611	239,591
Construction	7,255,209	7,047,184	7,255,209	7,047,184
Wholesale, retail trade, restaurants and hotels	11,727,330	11,340,909	11,727,330	11,340,909
Transport, storage and communication	2,335,472	2,001,989	2,335,472	2,001,989
Finance, insurance and business services	4,767,251	3,964,590	4,767,251	3,964,590
Real estate	4,043,780	3,902,845	4,146,752	4,016,485
Community, social and personal services	191,061	182,197	191,061	182,197
Households				
- purchase of residential properties	33,959,167	33,136,223	33,959,167	33,136,223
- purchase of non residential properties	8,755,929	8,799,090	8,755,929	8,799,090
- others	5,478,165	5,791,553	5,478,165	5,791,553
	89,764,980	86,241,188	89,867,952	86,354,828

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EXPLANATORY NOTES

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

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

	Group and Bank	
	30-Sep-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	316,397	805,831
Amount recovered	(167,766)	(278,122)
Reclassified as non-impaired	(136,478)	(240,558)
Amount written off	(105,149)	(159,493)
As at 30 September/31 December	<u>1,467,814</u>	<u>1,560,810</u>
Less: Stage 3-Lifetime ECL credit-impaired	(337,800)	(286,132)
Net impaired loans, advances and financing	<u>1,130,014</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>1.3%</u>	<u>1.5%</u>

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

	Group and Bank	
	30-Sep-20	31-Dec-19
	RM'000	RM'000
Agriculture, hunting, forestry and fishing	575	1,109
Mining and quarrying	837	978
Manufacturing	171,596	177,841
Construction	168,803	201,291
Wholesale, retail trade, restaurants and hotels	179,339	176,440
Transport, storage and communication	104,303	101,214
Finance, insurance and business services	14,118	19,803
Real estate	191,077	203,346
Community, social and personal services	-	213
Households		
- purchase of residential properties	469,557	497,044
- purchase of non-residential properties	93,119	82,771
- others	74,490	98,760
	<u>1,467,814</u>	<u>1,560,810</u>

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

	Group and Bank	
	30-Sep-20	31-Dec-19
	RM'000	RM'000
In Malaysia	<u>1,467,814</u>	<u>1,560,810</u>

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EXPLANATORY NOTES

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 September 2020			
Foreign exchange contracts			
- forwards	8,819,187	27,918	115,276
- swaps	25,915,794	129,737	247,169
- options	2,173,509	8,208	2,917
Interest rate related contracts			
- swaps	32,860,152	485,489	386,197
- futures	20,780	-	39
- options	180,000	2,777	280
Equity related contracts			
- options	212,104	4,972	5,163
Commodity related contracts			
- swaps	144,481	6,925	3,923
- futures	27,475	2,887	1,838
- options	107,316	3,177	-
		672,090	762,802

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EXPLANATORY NOTES

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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EXPLANATORY NOTES

19. OTHER ASSETS

	Group		Bank	
	30-Sep-20	31-Dec-19	30-Sep-20	31-Dec-19
	RM'000	RM'000	RM'000	RM'000
Other receivables, deposits and prepayments	314,955	251,393	320,821	256,307
Accrued interest/income receivable	218,134	216,811	218,134	216,811
Amount due from subsidiaries	-	-	150	146
Precious metal accounts	412,010	209,442	412,011	209,442
Less: Allowances for ECL	(3,779)	(2,193)	(3,779)	(2,193)
	941,320	675,453	947,337	680,513

20. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	30-Sep-20	31-Dec-19	30-Sep-20	31-Dec-19
	RM'000	RM'000	RM'000	RM'000
Demand deposits	26,241,167	22,242,524	26,276,902	22,271,013
Savings deposits	5,156,347	4,237,973	5,156,347	4,237,973
Fixed deposits	59,659,141	61,564,118	59,659,141	61,564,118
Others	3,265,589	1,062,095	3,265,589	1,062,095
	94,322,244	89,106,710	94,357,979	89,135,199

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

	Group		Bank	
	30-Sep-20	31-Dec-19	30-Sep-20	31-Dec-19
	RM'000	RM'000	RM'000	RM'000
Due within six months	41,706,521	39,164,050	41,706,521	39,164,050
Six months to one year	17,673,221	22,069,344	17,673,221	22,069,344
One year to three years	125,326	137,679	125,326	137,679
Three years to five years	154,073	193,045	154,073	193,045
	59,659,141	61,564,118	59,659,141	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-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
Business enterprises				
- Subsidiaries	-	-	35,735	28,489
- Related companies	856	4,433	856	4,433
- Others	40,509,136	36,320,318	40,509,136	36,320,318
Individuals	51,246,112	50,828,519	51,246,112	50,828,519
Others	2,566,140	1,953,440	2,566,140	1,953,440
	94,322,244	89,106,710	94,357,979	89,135,199

21. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	30-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
Licensed banks in Malaysia	471,044	2,179,238	471,044	2,179,238
Bank Negara Malaysia	1,048,604	986,627	1,048,604	986,627
Other financial institutions	14,371,632	11,012,125	14,371,652	11,012,145
	15,891,280	14,177,990	15,891,300	14,178,010

22. OTHER LIABILITIES

	Group		Bank	
	30-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
Allowances for ECL on commitments and contingencies	148,799	110,732	148,799	110,732
Accrued interest payable	290,394	485,550	290,394	485,550
Accruals and provisions for operational expenses	97,825	176,298	96,640	174,621
Other payables and accruals	980,768	1,073,466	984,221	1,077,286
Deferred income	95,874	125,076	95,874	125,076
	1,613,660	1,971,122	1,615,928	1,973,265

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EXPLANATORY NOTES

23. SUBORDINATED BONDS

	Group and Bank	
	30-Sep-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))	630,030	610,526
RM750 million subordinated bond 2020/2030, at par (Note (c))	750,000	-
	1,380,030	1,612,220
Accumulated fair value hedge loss (Note (c))	(30,030)	(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) On 3 August 2020, the Bank issued RM750 million Basel III compliant Tier 2 subordinated bonds (10 years maturity, non-callable 5 years) (“the Bond 3”).
- The Bond 3 bears interest at the rate of 3.00% per annum. The coupon rate herein is applicable throughout the tenure of the subordinated bonds.
- The Bond 3 may be redeemed at par at the option of the Bank, in part or in whole, on 1 August 2025 or at any interest payment date thereafter.
- The interest is payable semi-annually in arrears on 3 February and 3 August each year commencing 3 February 2021.
- The Bond 3 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.

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EXPLANATORY NOTES

23. SUBORDINATED BONDS (cont'd)

(d) 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 September 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 RM17,810,000 (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>	
Group and Bank	12-month ECL RM'000	Lifetime ECL non impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
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	71,337	35	-	71,372
Maturity/settlement/reduction during the period	(63,165)	1,148	-	(62,017)
Exchanges differences	-	-	-	-
Reclassification	-	-	-	-
<u>Movements without profit or loss impact:</u>				
Reclassification/Amounts written off	-	-	-	-
Other movements	6,908	-	-	6,908
As at 30 September 2020	<u>69,477</u>	<u>1,733</u>	<u>39,960</u>	<u>111,170</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
	12-month ECL	Lifetime ECL	Lifetime ECL	
	RM'000	non impaired	credit-impaired	RM'000
		RM'000	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	16,626	(28,391)	-	(11,765)
Transferred to Stage 2	(19,638)	48,741	-	29,103
Transferred to Stage 3	(9)	(12)	1,170	1,149
New/additional during the period	87,624	24,742	6,659	119,025
Maturity/settlement/reduction during the period	(84,646)	(41,293)	(1,686)	(127,625)
Exchanges differences	-	-	-	-
Reclassification	-	-	-	-
<u>Movements without profit or loss impact:</u>				
Reclassification/Amounts written off	-	-	-	-
Other movements	12,613	15,567	-	28,180
As at 30 September 2020	91,020	37,653	20,126	148,799
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 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	42,381	(105,826)	(3,148)	(66,593)
Transferred to Stage 2	(57,220)	204,844	(8,684)	138,940
Transferred to Stage 3	(129)	(18,107)	73,312	55,076
New/additional during the period	283,625	363,119	153,434	800,178
Maturity/settlement/reduction during the period	(355,203)	(66,751)	(62,012)	(483,966)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(94,017)	(94,017)
Other movements	(17,065)	(18,023)	(7,217)	(42,305)
As at 30 September 2020	765,738	726,532	337,800	1,830,070
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	Lifetime ECL	
	RM'000	non impaired	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	42,381	(105,826)	(3,148)	(66,593)
Transferred to Stage 2	(57,220)	204,844	(8,684)	138,940
Transferred to Stage 3	(129)	(18,107)	73,312	55,076
New/additional during the period	283,594	363,119	153,434	800,147
Maturity/settlement/reduction during the period	(355,203)	(66,751)	(62,012)	(483,966)
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(94,017)	(94,017)
Other movements	(17,065)	(18,023)	(7,217)	(42,305)
As at 30 September 2020	767,035	726,532	337,800	1,831,367
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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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

	Third Quarter		Nine Months	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
Group	RM'000	RM'000	RM'000	RM'000
Interest income from loans, advances and financing	813,171	1,017,742	2,695,225	3,087,998
Interest income from impaired loans, advances and financing	11,618	23,668	47,334	55,269
Money at call and deposit placements with financial institutions	34,718	24,651	123,488	128,466
Financial assets at FVTPL	19,983	48,696	74,337	90,660
Debt instruments at FVOCI	174,999	174,194	487,145	470,015
Debt instruments at AC	7,199	826	25,912	6,598
	1,061,688	1,289,777	3,453,441	3,839,006
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	1,456	(4,323)	8,518	(1,939)
- Debt instruments at FVOCI	(22,637)	(5,566)	(44,241)	(14,818)
	1,040,507	1,279,888	3,417,718	3,822,249
Bank				
Interest income from loans, advances and financing	813,962	1,018,986	2,698,140	3,091,999
Interest income from impaired loans, advances and financing	11,618	23,668	47,334	55,269
Money at call and deposit placements with financial institutions	34,718	24,655	123,488	128,470
Financial assets at FVTPL	19,983	48,696	74,337	90,660
Debt instruments at FVOCI	174,999	174,194	487,145	470,015
Debt instruments at AC	7,199	826	25,912	6,598
	1,062,479	1,291,025	3,456,356	3,843,011
Amortisation of premium less accretion of discount on:				
- Financial assets at FVTPL	1,456	(4,323)	8,518	(1,939)
- Debt instruments at FVOCI	(22,638)	(5,566)	(44,242)	(14,818)
	1,041,297	1,281,136	3,420,632	3,826,254

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27. INTEREST EXPENSE

Group	Third Quarter		Nine Months	
	Ended		Ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	483,642	669,193	1,630,741	2,051,630
Deposits and placements of banks and other financial institutions	17,965	68,373	120,260	176,881
Subordinated bonds	8,481	17,973	35,963	54,256
Lease liabilities	641	211	951	650
Others	2,333	2,193	9,296	8,670
	513,062	757,943	1,797,211	2,292,087
Bank				
Deposits from customers	483,711	669,543	1,631,203	2,052,316
Deposits and placements of banks and other financial institutions	17,965	68,373	120,260	176,881
Subordinated bonds	8,481	17,973	35,963	54,256
Lease liabilities	825	565	1,682	1,893
Others	2,333	2,193	9,296	8,670
	513,315	758,647	1,798,404	2,294,016

28. OTHER OPERATING INCOME

Group	Third Quarter		Nine Months	
	Ended		Ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	72,036	78,428	187,716	204,636
Guarantee fees	20,971	23,411	48,785	60,882
Service charges and fees	43,542	60,692	124,433	165,183
Less: Fee expenses	(12,864)	(16,514)	(41,511)	(49,797)
	30,678	44,178	82,922	115,386
Commitment fees	8,367	9,007	25,019	29,337
Arrangement and participation fees	176	2,483	2,931	5,337
	132,228	157,507	347,373	415,578

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28. OTHER OPERATING INCOME (cont'd.)

Group (cont'd.)	Third Quarter Ended		Nine Months Ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	6,020	4,366	43,321	13,775
Unrealised gain/(loss) on financial assets at FVTPL	2,735	(2,093)	(4,629)	192
Gain from trading derivatives	26,462	22,430	3,341	2,521
Unrealised (loss)/gain from trading derivatives	(28,671)	(5,736)	67,516	33,823
Unrealised gain/(loss) on fair value hedge	528	(2,799)	(17,810)	(12,709)
(Loss) from sale of precious metal	(4,532)	(3,224)	(2,987)	(4,206)
Unrealised gain from sale of precious metal	5,794	3,358	5,517	430
Gain from sale/recovery of debt instruments at FVOCI	36,364	37,245	134,290	80,550
Gross dividends from:				
- Equity instruments at FVOCI	459	813	959	822
	45,159	54,360	229,518	115,198
<u>Other income</u>				
Foreign exchange gain, net	31,550	40,216	121,596	154,257
Rental income from operating leases	15	14	48	57
Gain on disposal of property, plant and equipment	-	-	-	3
Others	4,485	3,759	11,938	10,578
	36,050	43,989	133,582	164,895
	213,437	255,856	710,473	695,671

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28. OTHER OPERATING INCOME (cont'd.)

Bank	Third Quarter		Nine Months	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RM'000	RM'000	RM'000	RM'000
<u>Fee income</u>				
Commission	72,036	78,428	187,716	204,636
Guarantee fees	20,971	23,411	48,785	60,882
Service charges and fees	43,627	60,776	124,686	165,435
Less: Fee expenses	(12,864)	(16,515)	(41,511)	(49,797)
	30,763	44,261	83,175	115,638
Commitment fees	8,367	9,007	25,019	29,337
Arrangement and participation fees	176	2,483	2,931	5,337
	132,313	157,590	347,626	415,830
<u>Trading and Investment income</u>				
Gain from sale of financial assets at FVTPL	6,020	4,366	43,321	13,775
Unrealised gain/(loss) on financial assets at FVTPL	2,735	(2,093)	(4,629)	192
Gain from trading derivatives	26,462	22,430	3,341	2,521
Unrealised (loss)/gain from trading derivatives	(28,671)	(5,736)	67,516	33,823
Unrealised gain/(loss) on fair value hedge	528	(2,799)	(17,810)	(12,709)
(Loss) from sale of precious metal	(4,532)	(3,224)	(2,987)	(4,206)
Unrealised gain from sale of precious metal	5,794	3,358	5,517	430
Gain from sale/recovery of debt instruments at FVOCI	36,364	37,245	134,290	80,550
Gross dividends from:				
- Equity instruments at FVOCI	459	813	959	822
	45,159	54,360	229,518	115,198
<u>Other income</u>				
Foreign exchange gain, net	31,550	40,217	121,596	154,257
Gain on disposal of property, plant and equipment	-	-	-	3
Loss on liquidation of subsidiaries	-	-	-	-
Others	4,485	3,759	11,938	10,578
	36,035	43,976	133,534	164,838
	213,507	255,926	710,678	695,866

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EXPLANATORY NOTES

29. OTHER OPERATING EXPENSES

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Personnel expenses	178,370	192,163	571,807	601,448
Establishment related expenses	82,571	79,481	243,634	198,304
Promotion and marketing related expenses	5,287	9,955	20,405	28,821
General administrative expenses	31,348	26,775	85,237	78,739
	297,576	308,374	921,083	907,312
<u>Personnel expenses</u>				
Wages, salaries and bonus	139,193	148,227	451,180	467,019
Defined contribution plan	21,999	23,321	69,701	73,987
Other employee benefits	17,178	20,615	50,926	60,442
	178,370	192,163	571,807	601,448
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	19,414	17,512	56,221	51,345
Depreciation of right-of-use assets	3,698	3,941	12,090	11,061
Information technology costs	37,264	34,651	107,483	59,519
Repair and maintenance	10,787	10,686	31,885	38,714
Short term lease expenses	166	182	509	1,312
Others	11,242	12,509	35,446	36,353
	82,571	79,481	243,634	198,304
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	5,287	9,955	20,405	28,821
<u>General administrative expenses</u>				
Fees and commissions paid	10,174	7,678	22,464	23,412
Others	21,174	19,097	62,773	55,327
	31,348	26,775	85,237	78,739

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EXPLANATORY NOTES

29. OTHER OPERATING EXPENSES (cont'd.)

Bank	Third Quarter Ended		Nine Months Ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RM'000	RM'000	RM'000	RM'000
Personnel expenses	177,590	191,123	568,962	597,999
Establishment related expenses	84,715	81,886	250,735	206,205
Promotion and marketing related expenses	5,281	9,956	20,382	28,738
General administrative expenses	31,261	26,695	84,972	78,579
	298,847	309,660	925,051	911,521
<u>Personnel expenses</u>				
Wages, salaries and bonus	138,430	147,392	448,802	464,211
Defined contribution plan	21,885	23,195	69,347	73,580
Other employee benefits	17,275	20,536	50,813	60,208
	177,590	191,123	568,962	597,999
<u>Establishment related expenses</u>				
Depreciation of property, plant and equipment	16,364	14,664	47,194	42,805
Depreciation of right-of-use assets	8,589	8,937	27,110	26,085
Information technology costs	37,264	34,651	107,483	59,519
Repair and maintenance	10,388	10,399	31,144	38,007
Short term lease expenses	166	182	509	1,312
Rental of premises	-	-	-	-
Others	11,944	13,053	37,295	38,477
	84,715	81,886	250,735	206,205
<u>Promotion and marketing related expenses</u>				
Advertisement and publicity	5,281	9,956	20,382	28,738
<u>General administrative expenses</u>				
Fees and commissions paid	10,119	7,610	22,248	23,287
Others	21,142	19,085	62,724	55,292
	31,261	26,695	84,972	78,579

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EXPLANATORY NOTES

30. ALLOWANCES FOR EXPECTED CREDIT LOSSES

Group	Third Quarter Ended		Nine Months Ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
a Loans, advances and financing				
- Stage 1 ECL	(89,653)	50,756	(86,546)	62,484
- Stage 2 ECL	325,576	(12,938)	377,279	(2,212)
- Stage 3 ECL	56,512	66,587	152,902	143,177
	292,435	104,405	443,635	203,449
Credit-impaired loans, advances and financing				
- written off	6,281	9,027	24,980	32,681
- recovered	(17,239)	(40,649)	(54,069)	(71,341)
	281,477	72,783	414,546	164,789
b Other financial assets				
Placement with banks and other financial institutions, and other assets	1,034	2,635	6,802	688
Debt instruments measured at FVOCI	547	870	5,164	(4,030)
Debt instruments measured at AC	(8,382)	(5,595)	(2,611)	16,644
	(6,801)	(2,090)	9,355	13,302
c Commitments and contingencies				
- Stage 1 ECL	9,659	4,273	(43)	(15,105)
- Stage 2 ECL	(3,890)	(2,835)	3,787	(13,764)
- Stage 3 ECL	(434)	786	6,143	(1,501)
	5,335	2,224	9,887	(30,370)
Bank				
a Loans, advances and financing				
- Stage 1 ECL	(89,529)	50,731	(86,577)	62,533
- Stage 2 ECL	325,576	(12,938)	377,279	(2,212)
- Stage 3 ECL	56,512	66,587	152,902	143,177
	292,559	104,380	443,604	203,498
Credit-impaired loans, advances and financing				
- written off	6,281	9,029	24,980	32,681
- recovered	(17,240)	(40,649)	(54,070)	(71,341)
	281,600	72,760	414,514	164,838
b Other financial assets				
Placement with banks and other financial institutions, and other assets	1,034	2,638	6,802	691
Debt instruments measured at FVOCI	547	870	5,164	(4,030)
Debt instruments measured at AC	(8,382)	(5,595)	(2,611)	16,644
	(6,801)	(2,087)	9,355	13,305
c Commitments and contingencies				
- Stage 1 ECL	9,659	4,273	(43)	(15,104)
- Stage 2 ECL	(3,890)	(2,835)	3,787	(13,765)
- Stage 3 ECL	(434)	786	6,143	(1,501)
	5,335	2,224	9,887	(30,370)

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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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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 September 2020							
Operating income	1,167,754	847,978	354,793	25,048	2,395,573	(18,256)	2,377,317
Other operating expenses	(558,280)	(195,850)	(58,416)	(126,839)	(939,385)	18,302	(921,083)
Allowances for expected credit losses	(196,754)	(236,944)	-	(63)	(433,761)	(27)	(433,788)
Share of net profit of an associate	-	-	-	127	127	-	127
Profit before taxation	412,720	415,184	296,377	(101,727)	1,022,554	19	1,022,573
Income tax expense							(252,179)
							<u>770,394</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 September 2020							
Inter-segment operating income	401,509	(62,291)	(355,154)	34,192	18,256	(18,256)	-
Total depreciation	19,091	6,153	3,429	54,595	83,268	(14,957)	68,311
As at 30 September 2020							
Gross loans, advances and financing	55,108,529	34,406,575	-	352,848	89,867,952	(102,972)	89,764,980
Deposits from customers	65,576,352	28,779,336	-	2,291	94,357,979	(35,735)	94,322,244

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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
For period ended 30 September 2019							
Operating income	1,088,711	852,170	202,100	128,226	2,271,207	(17,924)	2,253,283
Other operating expenses	(554,795)	(195,724)	(61,382)	(114,013)	(925,914)	18,602	(907,312)
Allowances for expected credit losses	(5,291)	(142,462)	-	(29)	(147,782)	61	(147,721)
Share of net profit of an associate	-	-	-	176	176	-	176
Profit before taxation	<u>528,625</u>	<u>513,984</u>	<u>140,718</u>	<u>14,360</u>	<u>1,197,687</u>	<u>739</u>	<u>1,198,426</u>
Income tax expense							<u>(286,910)</u>
							<u>911,516</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 September 2019							
Inter-segment operating income	279,762	165,539	(597,925)	170,548	17,924	(17,924)	-
Total depreciation	16,908	5,863	3,567	51,029	77,367	(14,961)	62,406
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-Sep-20	31-Dec-19	30-Sep-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	455,891	353,866	264,860	162,834
Regulatory adjustments applied in the calculation of CET1 Capital	(407,689)	(374,785)	(567,471)	(438,805)
Total CET1/Tier 1 Capital	9,997,147	10,535,267	9,713,090	10,346,971
<u>Tier 2 Capital</u>				
Tier 2 Capital instruments	1,350,000	1,600,000	1,350,000	1,600,000
Loan/financing loss provision				
- Surplus eligible provisions over expected losses	309,709	309,252	310,250	309,953
- General provisions	29,417	25,764	18,703	15,472
Regulatory adjustments applied in the calculation of Tier 2 Capital	82,858	85,508	-	-
Total Tier 2 Capital	1,771,984	2,020,524	1,678,953	1,925,425
Total Capital	11,769,131	12,555,791	11,392,043	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-Sep-20	31-Dec-19	30-Sep-20	31-Dec-19
CET1/Tier 1 Capital	16.145%	17.073% *	15.881%	16.959% *
Total Capital	19.007%	20.347% *	18.626%	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-Sep-20 RM'000	31-Dec-19 RM'000	30-Sep-20 RM'000	31-Dec-19 RM'000
Total RWA for credit risk	54,838,411	54,113,926	54,071,563	53,407,386
Total RWA for market risk	1,459,596	2,011,892	1,459,596	2,011,892
Total RWA for operational risk	5,623,381	5,581,210	5,630,536	5,590,647
	61,921,388	61,707,028	61,161,695	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 September 2020	Principal amount RM'000	Group Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,608,966	2,533,250	1,794,178
Transaction-related contingent items	5,848,243	2,900,676	1,882,158
Short-term self-liquidating trade-related contingencies	384,506	86,698	59,151
Foreign exchange related contracts			
- not more than one year	36,553,235	614,844	146,035
- more than one year to less than five years	355,255	26,870	14,356
Interest rate related contracts			
- not more than one year	7,563,090	108,103	33,882
- more than one year to less than five years	23,864,284	1,138,358	541,072
- five years and above	1,633,558	239,759	124,327
Equity related contracts			
- not more than one year	212,104	-	-
- more than one year to less than five years	-	-	-
Commodity related contracts			
- not more than one year	250,028	21,795	16,170
- more than one year to less than five years	29,244	1,998	206
Undrawn credit facility			
- not more than one year	18,956,793	887,989	160,388
- more than one year	6,272,413	4,290,591	2,961,479
- unconditionally cancellable	15,603,035	6,132,179	828,939
Other commitments	1,910,151	429,445	374,183
Total	122,044,905	19,412,555	8,936,524

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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 September 2020	Principal amount RM'000	Bank Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	2,608,966	2,533,250	1,794,178
Transaction-related contingent items	5,848,243	2,900,676	1,882,158
Short-term self-liquidating trade-related contingencies	384,506	86,698	59,151
Foreign exchange related contracts			
- not more than one year	36,553,235	614,844	146,035
- more than one year to less than five years	355,255	26,870	14,356
Interest rate related contracts			
- not more than one year	7,563,090	108,103	33,882
- more than one year to less than five years	23,864,284	1,138,358	541,072
- five years and above	1,633,558	239,759	124,327
Equity related contracts			
- not more than one year	212,104	-	-
- more than one year to less than five years	-	-	-
Commodity related contracts			
- not more than one year	250,028	21,795	16,170
- more than one year to less than five years	29,244	1,998	206
Undrawn credit facility			
- not more than one year	18,956,793	887,990	160,389
- more than one year	6,272,413	4,290,591	2,961,479
- unconditionally cancellable	15,603,035	6,132,179	828,939
Other commitments	1,601,485	120,778	65,516
Total	121,736,239	19,103,889	8,627,858

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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. PERFORMANCE REVIEW

For the nine months ended 30 September 2020, the Group recorded a profit before taxation of RM1,022.6 million, a decrease of 14.7% or RM175.9 million compared to same period last year. The decrease was mainly due to higher impairment provision set aside for non-impaired assets.

Total operating income increased by 5.5% or RM124.0 million to RM2,377.3 million mainly from higher net interest income, other operating income and net income from Islamic Banking operations. Other operating income increased 2.1% or RM14.8 million to RM710.5 million mainly due to higher trading and investment income, partly offset by lower net foreign exchange gain and lower fee income.

Expenses increased by 1.5% or RM13.8 million to RM921.1 million driven by higher investment in information technology costs, partly offset by lower staff expenses.

Total allowance for expected credit losses increased by RM286.1 million mainly due to higher non-impaired expected credit loss on loans, advances and financing this year due to additional provision was set aside pre-emptively for non-impaired assets in view of Covid-19 impact, coupled with last year write-back of expected credit loss on commitments and contingencies.

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35. 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 resulted in the steepest quarterly GDP decline on record in the second quarter, which was even steeper compared to the height of the Asian Financial Crisis. Economic activity has recovered from the trough in April this year with recent indicators signalling some improvement in labour market conditions, consumer spending, and trade activity. The government's fiscal stimulus packages, alongside monetary and financial measures, have also supported the economic recovery. However, the pace of recovery is uneven across sectors with some industries still operating below pre-pandemic levels. As such, the growth outlook remains subject to downside risks particularly from the uncertainties surrounding the spread of the pandemic domestically and globally. This uncertainty may weigh on household spending and business investments.

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 has increased the fiscal package to RM305 billion or 21% of GDP to preserve the people's welfare and support businesses. In addition, the banking sector has committed to help households and businesses who require assistance once the moratorium ended on 30 September 2020. 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.

Despite the challenging conditions, we continue to strengthen our ability, resilience and agility in supporting our stakeholders in these transformational times.

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36. ISLAMIC BANKING OPERATIONS

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

	Note	30-Sep-20 RM'000	31-Dec-19 RM'000
Assets			
Cash and short-term funds	a	329,222	48,626
Debt instruments at fair value through other comprehensive income ("FVOCI")	b	647,423	1,652,244
Financing, advances and others	c	6,442,747	4,353,177
Other assets	d	19,916	12,044
Derivative financial assets	f	569	2,637
Statutory deposits with Bank Negara Malaysia		7,000	90,000
Plant and equipment		5,402	6,030
Deferred tax assets		6,506	5,026
Total assets		7,458,785	6,169,784
Liabilities and Islamic Banking funds			
Deposits from customers	g	3,860,569	4,277,118
Investment accounts due to designated financial institution	h	1,391,819	373,047
Deposits and placements of banks and other financial institutions	i	1,677,590	973,886
Bills and acceptances payable		4,024	802
Derivative financial liabilities	f	989	3,057
Other liabilities	j	56,950	79,696
Tax Payable		6,656	4,406
Total liabilities		6,998,597	5,712,012
Capital fund		450,000	450,000
Reserves		10,188	7,772
Islamic Banking funds	k	460,188	457,772
Total liabilities and Islamic Banking funds		7,458,785	6,169,784
Commitments and contingencies	s	1,481,809	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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36. ISLAMIC BANKING OPERATIONS (cont'd.)

CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 SEPTEMBER 2020

	Note	Third Quarter ended		Nine months ended	
		30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Income derived from depositors' funds	l	44,055	62,962	149,543	174,316
Income derived from investment of Islamic Banking funds	m	4,808	4,998	15,459	15,526
Income derived from investment of Investment Account funds	n	12,384	4,345	21,991	8,811
(Allowances for)/write back of expected credit losses:					
Financing, advances and others	q	(10,793)	(3,936)	(16,479)	7,669
Other financial assets	q	(199)	(489)	169	(843)
Commitment and contingencies	q	(3,023)	(629)	(2,657)	(437)
Total attributable income		47,232	67,251	168,026	205,042
Income attributable to depositors	o	(36,257)	(59,975)	(123,063)	(164,155)
Income attributable to Investment Account holder	p	(9,907)	(3,475)	(17,593)	(7,048)
Total net income		1,068	3,801	27,370	33,839
Other operating expenses	r	(6,578)	(5,144)	(22,901)	(23,540)
Profit before taxation		(5,510)	(1,343)	4,469	10,299
Income tax income		1,329	312	(1,077)	(2,489)
Profit after taxation		(4,181)	(1,031)	3,392	7,810
Other comprehensive income:					
<u>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</u>					
Net fair value change in debt instruments at fair value through other comprehensive income		(1,001)	713	(1,284)	872
Income tax effect		240	(148)	308	(186)
Total other comprehensive income for the period, net of tax		(761)	565	(976)	686
Total comprehensive income for the period		(4,942)	(466)	2,416	8,496

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

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

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

	Third Quarter ended		Nine months ended	
	30-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
	RM'000	RM'000	RM'000	RM'000
Income derived from depositors' funds	44,055	62,962	149,543	174,316
Income derived from investment of Islamic Banking funds	4,808	4,998	15,459	15,526
Income derived from investment of Investment Account funds	12,384	4,345	21,991	8,811
Income attributable to depositors	(36,257)	(59,975)	(123,063)	(164,155)
Income attributable to Investment Account holder	(9,907)	(3,475)	(17,593)	(7,048)
Net income from Islamic Banking operations reported in the income statements of the Group and Bank	15,083	8,855	46,337	27,450

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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36. ISLAMIC BANKING OPERATIONS (cont'd.)

**CONDENSED INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN ISLAMIC BANKING FUNDS
FOR THE PERIOD ENDED 30 SEPTEMBER 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	-	-	3,392	3,392
Other comprehensive income	-	(976)	-	(976)
Total comprehensive income	-	(976)	3,392	2,416
At 30 September 2020	450,000	194	9,994	460,188

	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	-	-	7,810	7,810
Other comprehensive income	-	686	-	686
Total comprehensive income	-	686	7,810	8,496
At 30 September 2019	450,000	680	3,332	454,012

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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36. ISLAMIC BANKING OPERATIONS (cont'd.)

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

	30-Sep-20	30-Sep-19
	RM'000	RM'000
Profit before taxation	4,469	10,299
Adjustments for non-operating and non-cash items	17,040	(19,114)
Operating profit before working capital changes	21,509	(8,815)
Changes in working capital:		
Net changes in operating assets	(2,031,341)	(1,475,518)
Net changes in operating liabilities	1,284,335	1,936,845
Net cash (used in)/ generated from operating activities	(725,497)	452,512
Net cash generated from/ (used in) investing activities	1,006,093	(1,468,450)
Net increase/ (decrease) in cash and cash equivalents	280,596	(1,015,938)
Cash and cash equivalents at beginning of the period	48,626	2,709,957
Cash and cash equivalents at end of the period	329,222	1,694,019
Analysis of cash and cash equivalents		
Cash and short term funds	329,222	1,694,019

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

a. Cash and short-term funds

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Cash and balances with banks and other financial institutions	191,412	49,723
Money at call and deposit placements maturing within one month	139,000	-
Less: Allowances for ECL	(1,190)	(1,097)
	<u>329,222</u>	<u>48,626</u>

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

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Money market instruments		
Government Islamic investment	647,423	1,353,781
Malaysia Government treasury bills	-	298,463
	<u>647,423</u>	<u>1,652,244</u>

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

c. Financing, advances and others

(i) Financing by type of Shariah contract:

30 September 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	2,435,453	-	-	2,435,456
- Others term financing	3,926,453	-	-	3,926,453
Trust receipt	-	38,867	-	38,867
Claim on customers under acceptance credit	-	115,831	2,516	118,347
Gross financing, advances and others	6,361,906	154,698	2,516	6,519,123
Allowances for ECL on financing, advances and others				
Stage 1 - 12 month ECL				(23,590)
Stage 2 - Lifetime ECL non impaired				(39,644)
Stage 3 - Lifetime ECL credit impaired				(13,142)
Net financing, advances and others				6,442,747

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36. 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 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 September 2020, the gross exposure and expected credit loss relating to RSIA financing amounted to RM1,308,167,288 (31 December 2019: RM312,736,235) and RM24,181,485 (31 December 2019: RM21,952,739) respectively.

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

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

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

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Maturing within one year	760,051	435,011
One year to three years	132,477	93,178
Three years to five years	1,196,236	85,695
Over five years	4,430,359	3,784,501
	<u>6,519,123</u>	<u>4,398,385</u>

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

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Domestic non-banking financial institutions		
- Others	1,013,656	5,613
Domestic business enterprises		
- Small medium enterprises	1,615,032	1,086,860
- Others	1,231,311	1,024,355
Individuals	2,528,534	2,164,280
Foreign entities	130,590	117,277
	<u>6,519,123</u>	<u>4,398,385</u>

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

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Fixed rate		
- Other fixed rate financing	1,404,491	249,104
Variable rates		
- Base rate/base financing rate-plus	3,621,773	3,055,449
- Cost-plus	1,492,859	1,093,832
	<u>6,519,123</u>	<u>4,398,385</u>

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36. ISLAMIC BANKING OPERATIONS (cont'd.)

EXPLANATORY NOTES

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

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

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Agriculture	510,279	358,038
Mining and quarrying	101,919	-
Manufacturing	469,212	373,749
Electricity, gas and water	57,996	60,891
Construction	338,032	279,199
Wholesale, retail trade, restaurants and hotels	750,058	589,499
Transport, storage and communication	110,265	92,738
Finance, insurance and business services	1,183,035	132,355
Real estate	312,536	207,671
Community, social and personal services	26,668	22,052
Households		
- purchase of residential properties	2,442,695	2,083,372
- purchase of non residential properties	137,024	139,166
- others	79,404	59,655
	<u>6,519,123</u>	<u>4,398,385</u>

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

	30-Sep-20	31-Dec-19
	RM'000	RM'000
As at 1 January	38,486	12,704
Classified as impaired during the period	19,947	36,469
Amount recovered	(486)	(1,637)
Reclassified as non credit impaired	(1,082)	(9,050)
Amount written off	(609)	-
As at 30 September / 31 December	<u>56,256</u>	<u>38,486</u>
Allowance for ECL on credit impaired	(13,142)	(7,115)
Net impaired financing, advances and others	<u>43,114</u>	<u>31,371</u>

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

0.7%

0.7%

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36. 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-Sep-20	31-Dec-19
	RM'000	RM'000
Manufacturing	-	642
Construction	4,387	654
Wholesale, retail trade, restaurants and hotels	8,271	5,028
Households		
- purchase of residential properties	43,062	31,563
- purchase of non-residential properties	536	499
- others	-	100
	56,256	38,486

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

	30-Sep-20	31-Dec-19
	RM'000	RM'000
In Malaysia	56,256	38,486

d. Other assets

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Other receivables, deposits and prepayments	18,265	558
Profit receivables	1,660	11,488
Less: Allowances for ECL	(9)	(2)
	19,916	12,044

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36. 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, Debt instruments at FVOCI
and Other assets**

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 months ECL RM'000	Lifetime ECL non impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
As at 1 January 2020	1,434	1	-	1,435
<u>Movements with P&L impact:</u>				
New/additional during the period	209	1	-	210
Maturity/settlement/reduction during the period	(382)	3	-	(379)
As at 30 September 2020	<u>1,261</u>	<u>5</u>	<u>-</u>	<u>1,266</u>
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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36. ISLAMIC BANKING OPERATIONS (cont'd.)
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e. Movements in loss allowances for expected credit losses (cont'd)

(b) Contingent liabilities and commitments

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL RM'000	Lifetime ECL non impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
As at 1 January 2020	3,133	2,568	-	5,701
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	367	(393)	-	(26)
Transferred to Stage 2	(530)	1,316	-	786
New/additional during the period	5,737	392	-	6,129
Maturity/settlement/reduction during the period	(3,308)	(924)	-	(4,232)
As at 30 September 2020	5,399	2,959	-	8,358
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	3,133	2,568	-	5,701

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36. ISLAMIC BANKING OPERATIONS (cont'd.)
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e. Movements in loss allowances for expected credit losses (cont'd)

(c) Financing, advances and others

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL RM'000	Lifetime ECL non impaired RM'000	Lifetime ECL credit-impaired RM'000	Total ECL RM'000
As at 1 January 2020	10,763	27,330	7,115	45,208
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	741	(4,903)	-	(4,162)
Transferred to Stage 2	(1,376)	10,180	(105)	8,699
Transferred to Stage 3	-	(1,206)	1,709	503
New/additional during the period	50,047	10,871	8,630	69,548
Maturity/settlement/reduction during the period	(46,709)	(6,571)	(2,600)	(55,880)
	2,703	8,371	7,634	18,708
<u>Movements without profit or loss impact:</u>				
Amounts written off	-	-	(790)	(790)
Other movements	10,124	3,943	(817)	13,250
As at 30 September 2020	<u>23,590</u>	<u>39,644</u>	<u>13,142</u>	<u>77,166</u>
As at 1 January 2019	13,706	15,449	1,633	30,788
<u>Movements with P&L impact:</u>				
Transferred to Stage 1	499	(6,297)	-	(5,798)
Transferred to Stage 2	(952)	29,735	(1,134)	27,649
Transferred to Stage 3	(23)	(1,649)	6,405	4,733
New/additional during the year	45,739	489	3,462	49,690
Maturity/settlement/reduction during the year	(48,206)	(10,397)	(2,496)	(61,099)
	(2,943)	11,881	6,237	15,175
Other movements	-	-	(755)	(755)
As at 31 December 2019	<u>10,763</u>	<u>27,330</u>	<u>7,115</u>	<u>45,208</u>

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**36. 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 September 2020			
Foreign exchange contracts - forwards	220,676	569	989

	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	2,637	3,057

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

g. Deposits from customers

(i) By type of deposits:

	30-Sep-20	31-Dec-19
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Demand deposits		
- Qard	357,338	232,527
Savings deposits		
- Qard	35,430	25,256
Fixed deposits		
- Tawarruq	3,450,151	4,003,585
Other deposits		
- Tawarruq	17,650	15,750
	<u>3,860,569</u>	<u>4,277,118</u>

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

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Due within six months	2,070,582	1,863,323
Six months to one year	1,117,710	1,878,402
One year to three years	108,000	90,001
Three years to five years	153,859	171,859
	<u>3,450,151</u>	<u>4,003,585</u>

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

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Business enterprises	1,215,987	1,187,459
Individuals	2,250,080	2,207,545
Others	394,502	882,114
	<u>3,860,569</u>	<u>4,277,118</u>

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

h. Investment accounts due to designated financial institutions

	30-Sep-20	31-Dec-19
	RM'000	RM'000
<u>Mudharabah RSIA</u>		
Licensed bank	1,416,000	395,000
Amount receivable from Conventional Bank	(24,181)	(21,953)
	<u>1,391,819</u>	<u>373,047</u>

i. Deposits and placements of banks and other financial institutions

	30-Sep-20	31-Dec-19
	RM'000	RM'000
<u>Non-Mudharabah fund</u>		
Other financial institutions	<u>1,677,590</u>	<u>973,886</u>

j. Other liabilities

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Allowance for ECL for commitment and contingencies	8,358	5,701
Accrued profit payable	46,316	73,954
Accruals and provisions for operational expenses	2,276	41
	<u>56,950</u>	<u>79,696</u>

k. Islamic Banking funds

	30-Sep-20	31-Dec-19
	RM'000	RM'000
Capital fund	450,000	450,000
Fair value through other comprehensive income reserve	194	1,170
Accumulated profit	9,994	6,602
	<u>460,188</u>	<u>457,772</u>

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

l. Income derived from depositors' funds

	Third Quarter ended		Nine months ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	38,146	40,120	122,373	108,469
Money at call and deposit placements with financial institutions	743	13,339	2,327	51,306
FVOCI securities	3,626	7,882	17,311	8,660
	42,515	61,341	142,011	168,435
<u>Other operating income</u>				
Trading income	179	134	817	694
Commision income	1,051	975	3,210	3,289
Fee income	286	502	3,452	1,873
Others	24	10	53	25
	44,055	62,962	149,543	174,316

m. Income derived from investment of Islamic Banking funds

	Third Quarter ended		Nine months ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
<u>Finance income and hibah</u>				
Financing, advances and others	4,164	3,190	12,678	9,656
Money at call and deposit placements with financial institutions	81	1,064	240	4,651
FVOCI securities	395	615	1,773	687
	4,640	4,869	14,691	14,994
<u>Other operating income</u>				
Trading income	19	11	83	63
Commision income	115	77	333	296
Fee income	31	40	346	171
Others	3	1	6	2
	4,808	4,998	15,459	15,526

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

n. Income derived from investment of Investment Account funds

	Third Quarter ended		Nine months ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Financing, advances and others	12,063	3,604	20,751	7,398
Money at call and deposit placements with financial institutions	243	741	1,032	1,413
FVOCI securities	78	-	208	-
	12,384	4,345	21,991	8,811

o. Income attributable to depositors

	Third Quarter ended		Nine months ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Income attributable to depositors from non-mudharabah fund	36,257	59,975	123,063	164,155

p. Income attributable to Investment Account holder

	Third Quarter ended		Nine months ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Income attributable to depositor from mudharabah fund	9,907	3,475	17,593	7,048

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

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

	Third Quarter ended		Nine months ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Allowances for/ (writeback of) impairment on financing, advances and others				
Stage 1 ECL	1,149	2,657	2,703	(2,662)
Stage 2 ECL	9,253	19,431	8,371	10,539
Stage 3 ECL	4,350	1,471	7,634	4,285
Recovery from RSIA holder*	(3,959)	(19,623)	(2,229)	(19,831)
	10,793	3,936	16,479	(7,669)
Other financial assets				
Stage 1 ECL	197	488	(173)	843
Stage 2 ECL	2	1	4	-
	199	489	(169)	843
Commitment and contingencies				
Stage 1 ECL	2,307	354	2,266	(153)
Stage 2 ECL	716	2,357	391	2,672
Recovery from RSIA holder*	-	(2,082)	-	(2,082)
	3,023	629	2,657	437
Total	14,015	5,054	18,967	(6,389)

*The RSIA holder is the Conventional Banking

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

r. Other operating expenses

	Third Quarter ended		Nine months ended	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Personnel expenses	617	473	2,022	1,583
Establishment related expenses	527	966	1,799	1,859
Promotion and marketing related expenses	5	152	33	235
General administrative expenses	5,429	3,553	19,047	19,863
	6,578	5,144	22,901	23,540
Personnel expenses				
- Wages, salaries and bonus	505	357	1,671	1,144
- Defined contribution plan	83	57	270	183
- Other employee benefits	29	59	81	256
	617	473	2,022	1,583
Establishment related expenses				
- Depreciation of property, plant and equipment	215	221	646	510
- Repair and maintenance	2	2	2	3
- Rental of premises	-	-	-	-
- Information technology costs	227	513	632	695
- Others	83	230	519	651
	527	966	1,799	1,859
Promotion and marketing related expenses				
- Advertisement and publicity	5	152	33	235
General administrative expenses				
- Fees and commissions paid	141	116	2,702	310
- Management fee	5,204	3,366	16,125	19,290
- Others	84	71	220	263
	5,429	3,553	19,047	19,863

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36. 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:

As at 30 September 2020	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Direct credit substitutes	31,173	31,173	34,155
Transaction-related contingent items	55,211	27,501	30,475
Short-term self-liquidating trade-related contingencies	3,327	800	987
Foreign exchange related contracts			
- less than one year	220,676	2,756	1,582
Undrawn credit facility			
- less than one year	201,001	7,233	2,926
- more than one year	745,293	524,742	182,517
- unconditionally cancellable	225,128	-	-
Total	1,481,809	594,205	252,642

As at 31 December 2019	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
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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36. 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-Sep-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	195	1,170
Regulatory adjustments applied in the calculation of CET1 Capital	(6,764)	(5,698)
Total CET1/Tier 1 Capital	450,033	452,074
<u>Tier 2 Capital</u>		
Financing loss provision		
- Surplus eligible provisions over expected losses	18,205	12,873
- General provisions	148	94
Total Tier 2 Capital	18,353	12,967
Total Capital	468,386	465,041

(a) The capital adequacy ratios are as follows:

	30-Sep-20	31-Dec-19
Before the effects of PSIA		
CET1/Tier 1 Capital	11.244%	16.543%
Total Capital	11.832%	17.018%
After the effects of PSIA		
CET1/Tier 1 Capital	14.353%	20.346%
Total Capital	14.938%	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 September 2020, credit risks related to RSIA assets excluded from the total capital ratio calculation amounted to RM867,008,000 (31 December 2019: RM510,781,000).

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**36. ISLAMIC BANKING OPERATIONS (cont'd.)
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(b) Analysis of gross risk-weighted assets ("RWA") in the various categories of risk-weights is as follows:

	30-Sep-20 RM'000	31-Dec-19 RM'000
Total RWA for credit risk	3,046,090	2,153,038
Total RWA for market risk	5,098	2,366
Total RWA for operational risk	84,293	66,532
	<u>3,135,481</u>	<u>2,221,936</u>