

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2022

	Note	Group		Bank	
		31 March <u>2022</u> RM'000	31 December <u>2021</u> RM'000	31 March <u>2022</u> RM'000	31 December <u>2021</u> RM'000
ASSETS					
Cash and short-term funds		2,091,850	2,535,201	2,091,772	2,535,019
Deposits and placements with banks and other financial institutions		901,581	495,772	901,581	495,772
Derivative financial assets		5,721	15,917	5,721	15,917
Debt instruments at fair value through other comprehensive income ("FVOCI")	10	1,697,725	1,672,558	1,697,725	1,672,558
Equity instruments at FVOCI	11	17,347	17,347	17,347	17,347
Debt instruments at amortised cost	12	400,712	852,061	400,712	852,061
Equity instrument at fair value through profit & loss ("FVTPL")	13	-	-	-	-
Loans and advances	14	9,331,196	8,877,009	9,337,705	8,882,517
Other assets	15	35,514	30,551	34,918	29,874
Right-of-use assets		26,751	28,624	26,190	27,732
Tax recoverable		10,041	14,777	8,112	12,949
Deferred tax assets		31,856	29,252	31,617	29,021
Statutory deposits with Bank Negara Malaysia		7,974	7,475	7,974	7,475
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		45,046	46,015	43,455	44,245
Intangible assets		1,927	2,281	1,927	2,281
TOTAL ASSETS		14,605,241	14,624,840	14,607,756	14,625,768
LIABILITIES AND EQUITY					
Deposits from customers	16	8,616,941	8,250,053	8,617,200	8,250,642
Deposits and placements of banks and other financial institutions	17	2,760,094	3,177,714	2,760,094	3,177,714
Derivative financial liabilities		5,336	15,529	5,336	15,529
Other liabilities	18	162,652	159,676	161,212	157,972
Subordinated loan	19	1,304,264	1,291,240	1,304,264	1,291,240
TOTAL LIABILITIES		12,849,287	12,894,212	12,848,106	12,893,097
Share capital		760,518	760,518	760,518	760,518
Reserves		995,436	970,110	999,132	972,153
TOTAL EQUITY		1,755,954	1,730,628	1,759,650	1,732,671
TOTAL LIABILITIES AND EQUITY		14,605,241	14,624,840	14,607,756	14,625,768
COMMITMENTS AND CONTINGENCIES	26	6,379,965	6,264,284	6,380,465	6,265,784

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2021

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

	Note	Three Months Ended		Three Months Ended	
		Group		Bank	
		31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000
Interest income	20	96,219	87,490	96,268	87,490
Interest expense	21	(40,313)	(33,789)	(40,313)	(33,789)
Net interest income		55,906	53,701	55,955	53,701
Other operating income	22	19,095	16,770	19,049	16,786
Other operating expenses	23	(37,172)	(34,453)	(35,515)	(32,808)
Operating profit before allowance for expected credit losses		37,829	36,018	39,489	37,679
Expected credit losses ("ECL") (made)/ written-back on loans and advances other financial assets	24	(100)	11,409	(100)	11,409
Profit before taxation		37,729	47,427	39,389	49,088
Taxation		(9,578)	(12,076)	(9,585)	(12,054)
Profit for the financial period		28,151	35,351	29,804	37,034
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss when specific conditions are met:					
- Net fair value changes in debt instrument at FVOCI, net of tax		(2,798)	(9,177)	(2,798)	(9,177)
- Net changes in expected credit losses in debt instruments at FVOCI		(37)	-	(37)	-
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
- Net gain on foreign exchange translation		10	7	10	7
Other comprehensive income, net of tax		(2,825)	(9,170)	(2,825)	(9,170)
Total comprehensive income for the period, net of tax		25,326	26,181	26,979	27,864
Earnings per share					
- Basic/fully diluted (sen)		3.70	4.65	3.92	4.87

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2021

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

	← Non-distributable Fair value →			Distributable		Total RM'000
	Share capital RM'000	Foreign exchange reserve RM'000	through other comprehensive reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
Group						
Balance as at 1 January 2022	760,518	27	11,925	14,800	943,358	1,730,628
Profit for the financial period	-	-	-	-	28,151	28,151
Other comprehensive income, net of tax	-	10	(2,835)	-	-	(2,825)
Total comprehensive income for the financial period, net of tax	-	10	(2,835)	-	28,151	25,326
At 31 March 2022	760,518	37	9,090	14,800	971,509	1,755,954
Balance as at 1 January 2021	760,518	-	35,391	14,800	872,259	1,682,968
Profit for the financial period	-	-	-	-	35,351	35,351
Other comprehensive income, net of tax	-	7	(9,177)	-	-	(9,170)
Total comprehensive income for the financial period, net of tax	-	7	(9,177)	-	35,351	26,181
At 31 March 2021	760,518	7	26,214	14,800	907,610	1,709,149

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2021

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

	← Non-distributable Fair value →			Distributable		Total RM'000
	Share capital RM'000	Foreign exchange reserve RM'000	through other comprehensive reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
Bank						
Balance as at 1 January 2022	760,518	27	11,925	14,800	945,401	1,732,671
Profit for the financial period	-	-	-	-	29,804	29,804
Other comprehensive income, net of tax	-	10	(2,835)	-	-	(2,825)
Total comprehensive income for the financial period, net of tax	-	10	(2,835)	-	29,804	26,979
At 31 March 2022	760,518	37	9,090	14,800	975,205	1,759,650
Balance as at 1 January 2021	760,518	-	35,391	14,800	867,881	1,678,590
Profit for the financial period	-	-	-	-	37,034	37,034
Other comprehensive income, net of tax	-	7	(9,177)	-	-	(9,170)
Total comprehensive income for the financial period, net of tax	-	7	(9,177)	-	37,034	27,864
At 31 March 2021	760,518	7	26,214	14,800	904,915	1,706,454

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2021

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

	Group		Bank	
	31 March 2022 RM'000	31 March 2021 RM'000	31 March 2022 RM'000	31 March 2021 RM'000
Profit before taxation	37,729	47,427	39,389	49,088
Adjustments for non cash items	(8,425)	(18,574)	(8,953)	(19,036)
Operating profit before working capital changes	29,304	28,853	30,436	30,052
Changes in working capital:				
Net changes in operating assets	(866,148)	(970,072)	(867,229)	(970,857)
Net changes in operating liabilities	(32,799)	134,006	(33,203)	133,042
Income taxes paid	(6,690)	(7,299)	(6,588)	(7,013)
Net cash used in operating activities	(876,333)	(814,512)	(876,584)	(814,776)
Net cash generated from/ (used in) investing activities	436,596	(312,752)	436,604	(312,426)
Net cash used in financing activities	(3,614)	(644)	(3,267)	(293)
Net decrease in cash and cash equivalents during the financial period	(443,351)	(1,127,908)	(443,247)	(1,127,495)
Cash and cash equivalents at beginning of the financial period	2,535,201	2,965,675	2,535,019	2,965,223
Cash and cash equivalents at end of the financial period	2,091,850	1,837,767	2,091,772	1,837,728

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

1 Performance Review

The Group registered a profit before taxation (“PBT”) of RM37.73 million, a decrease from RM47.43 million registered in the corresponding period. Lower PBT was mainly due to higher provision of allowance for expected credit losses (“ECL”) by RM11.51 million and higher operating expenses by RM2.72 million. This was offset by higher net interest income and other operating income by RM2.21 million and RM2.33 million respectively.

Total assets stood at RM14.61 billion as at 31 March 2022, a decrease of RM19.60 million or 0.13% compared to 31 December 2021. This was mainly due to decrease in debt instruments at amortised cost by RM451.35 million and cash and short-term funds by RM443.35 million. This was offset by growth in loan and advances by RM454.19 million and deposits and placements with banks and other FI by RM405.81 million.

Total liabilities stood at RM12.85 billion as at 31 March 2022, a decrease of RM44.93 million or 0.35% compared to 31 December 2021. This was mainly due to decrease in deposits and placements of banks and other FI by RM417.62 million, however was offset by the growth in customer deposits by RM366.89 million.

2 Economic Outlook

Global economic outlook is expected to remain challenging, which saw the IMF marked down its projected global growth to 3.6% in 2022 from 4.4% previously (estimated 6.1% in 2021), largely as a consequence of the war in Ukraine. Other major risks could undermine the global growth prospects are a possible worsening of the war, persistent supply shocks and costs pressure, a sharper-than-expected deceleration in China, higher and longer inflation and a significant monetary tightening in the advanced economies.

On the domestic front, Malaysia is transitioning towards the endemic stage of Covid-19, with the relaxation of Covid-19 restrictions since the fourth quarter of 2021 and the reopening of international borders on 1 April 2022. Such transition, coupled with the implementation of Regional Comprehensive Economic Partnership (“RCEP”) on 18 March 2022, are expected to contribute to Malaysian economic recovery, as reflected in the positive GDP growth forecast between 5.3% and 6.3% in 2022 by Bank Negara Malaysia.

The economic recovery is largely anchored on a stronger revival in domestic demand, the reopening of borders and continued exports. The improvement in labour market conditions and income growth as well as pent-up in demand will support higher consumer spending. All economic sectors are expected to grow in 2022, with the services sector leading the recovery, thanks to the upliftment of containment measures and borders reopening to revive tourism and related services.

With inflation is expected to move higher in 2022, market expects a gradual and measured pace of domestic interest rate adjustment in the second half-year as Bank Negara Malaysia balances between ensuring continued economic recovery and containing inflation risk.

Risks to the economic outlook remain tilted to the downside. These include slower global growth, the deepening geopolitical conflicts, unprecedented business cost pressures as well as higher-than-expected inflation which would dampen disposable income and adversely affect business and consumer sentiment.

In view of the challenges in both global and domestic environment, the Group will continue to practice vigilance in strategy, cost discipline and prudence in risk management to achieve sustainable growth.

3 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the financial period ended 31 March 2022 have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standard Board (“MASB”). The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2021.

The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2021.

4 Audit Report

The audit report for the financial year ended 31 December 2021 was not qualified.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

5 Seasonal or Cyclical Factors

The business operations of the Bank have not been affected by any material seasonal cyclical factors.

6 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items in the financial period ended 31 March 2022.

7 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the financial period ended 31 March 2022.

8 Changes in Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

9 Dividend Paid

No dividend was paid during the financial period ended 31 March 2022.

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

	Group and Bank	
	31 March	31 December
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Money market instrument:		
Malaysian Government Securities ("MGS")	512,824	494,965
Malaysian Government Investment Issue ("MGII")	1,085,666	1,059,312
Unquoted securities		
Corporate bond	30,561	50,736
Foreign bond	68,674	67,545
	<u>99,235</u>	<u>118,281</u>
	<u>1,697,725</u>	<u>1,672,558</u>

Included in debt instruments at FVOCI of the Group and the Bank are MGS of RM80 million as part of the Bank Statutory Reserve Requirement ("SRR") compliance effective 16 May 2020.

Movements in ECL on corporate bond

	Group and Bank	
	31 March	31 December
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Stage 1 (12-month ECL):		
As at 1 January	92	197
ECL written-back during the financial period/ year (Note 24)	(37)	(105)
As at 31 March 2022/31 December 2021	<u>55</u>	<u>92</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

11 Equity Instruments at FVOCI

	Group and Bank	
	31 March	31 December
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
At fair value:		
Unquoted securities in Malaysia		
of which:		
- Cagamas Holdings Berhad	13,896	13,896
- Credit Guarantee Corporation ("CGC")	3,451	3,451
	<u>17,347</u>	<u>17,347</u>

12 Debt Instruments at Amortised Cost

	Group and Bank	
	31 March	31 December
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
At amortised cost:		
Money market instrument:		
Negotiable instruments of deposits	400,712	852,061
	<u>400,712</u>	<u>852,061</u>

13 Equity Instrument at Fair Value Through Profit & Loss ("FVTPL")

The quoted securities was measured at fair value.

14 Loans and Advances

At amortised cost

(i) By type

	Group		Bank	
	31 March	31 December	31 March	31 December
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Overdrafts	303,839	301,611	303,839	301,611
Terms loans				
- Housing loans	642,808	589,255	642,808	589,255
- Syndicated term loans	3,703,650	3,598,233	3,703,650	3,598,233
- Other term loans	1,750,613	1,868,587	1,750,613	1,868,587
Bills receivables	588,673	466,483	588,673	466,483
Claims on customers under acceptance credits	825,500	585,075	825,500	585,075
Revolving credits	1,780,832	1,712,995	1,787,341	1,718,503
Staff loans	1,207	1,235	1,207	1,235
Gross loans and advances	9,597,122	9,123,474	9,603,631	9,128,982
Less: allowance for ECL	(265,926)	(246,465)	(265,926)	(246,465)
Total net loans and advances	<u>9,331,196</u>	<u>8,877,009</u>	<u>9,337,705</u>	<u>8,882,517</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

14 Loans and Advances (continued)

At amortised cost (continued)

(ii) By geographical distribution

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Malaysia	6,032,280	5,527,556	6,038,789	5,533,064
Other countries	3,564,842	3,595,918	3,564,842	3,595,918
Gross loans and advances	9,597,122	9,123,474	9,603,631	9,128,982

(iii) By interest rate sensitivity

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Fixed rate				
- Other fixed rate loans	1,632,429	1,423,348	1,632,429	1,423,348
Variable rate				
- Base lending rate/base rate plus	1,650,748	1,610,085	1,650,748	1,610,085
- Cost of funds plus	5,592,732	5,545,284	5,599,241	5,550,792
- Other variable rates	721,213	544,757	721,213	544,757
Gross loans and advances	9,597,122	9,123,474	9,603,631	9,128,982

(iv) By economic sector

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Primary agriculture	360,315	314,135	360,315	314,135
Mining and quarrying	600,477	601,082	600,477	601,082
Manufacturing	1,997,186	1,715,825	1,997,186	1,715,825
Electricity, gas and water supply	864,779	865,939	864,779	865,939
Construction	317,518	338,824	317,518	338,824
Real estate	1,933,754	2,002,415	1,933,754	2,002,415
Wholesale and retail trade and restaurants and hotels	637,021	550,375	637,021	550,375
Transport, storage and communication	82,309	82,268	82,309	82,268
Finance, insurance and business services	1,488,627	1,407,342	1,488,627	1,407,342
Education, health and others	338,037	318,344	344,546	323,852
Household	977,099	926,925	977,099	926,925
Gross loans and advances	9,597,122	9,123,474	9,603,631	9,128,982

(v) By residual contractual maturity - remaining

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Up to one month	1,595,334	1,119,692	1,601,843	1,125,200
More than one month to three months	1,123,274	1,001,798	1,123,274	1,001,798
More than three months to six months	785,326	497,468	785,326	497,468
More than six months to twelve months	1,181,717	1,004,590	1,181,717	1,004,590
More than twelve months	4,911,471	5,499,926	4,911,471	5,499,926
Gross loans and advances	9,597,122	9,123,474	9,603,631	9,128,982

The loans and advances were based on the remaining length of time that will be carried and from the report date to the expiry date of the contract created.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

14 Loans and Advances (continued)

(vi) Changes in gross loans and advances carrying amount

Group	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2022	7,954,572	970,911	197,991	9,123,474
Transferred to 12-month ECL (stage 1)	38,253	(38,253)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(75,809)	76,097	(288)	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(818)	818	-
Changes due to change in credit risk	(505)	(68,863)	18,449	(50,919)
New loans and advances originated	524,567	-	-	524,567
Gross carrying amount as at 31 March 2022	<u>8,441,078</u>	<u>939,074</u>	<u>216,970</u>	<u>9,597,122</u>
	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2021	7,863,757	549,553	199,948	8,613,258
Transferred to 12-month ECL (stage 1)	13,822	(13,822)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(481,328)	481,328	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	(258)	(7,232)	7,490	-
Changes due to change in credit risk	(830,951)	(41,722)	(8,713)	(881,386)
New loans and advances originated	1,389,530	2,806	-	1,392,336
Bad debts written off	-	-	(734)	(734)
Gross carrying amount as at 31 December 2021	<u>7,954,572</u>	<u>970,911</u>	<u>197,991</u>	<u>9,123,474</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

14 Loans and Advances (continued)

(vi) Changes in gross loans and advances carrying amount (continued)

Bank	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2022	7,960,080	970,911	197,991	9,128,982
Transferred to 12-month ECL (stage 1)	38,253	(38,253)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(75,809)	76,097	(288)	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(818)	818	-
Changes due to change in credit risk	496	(68,863)	18,449	(49,918)
New loans and advances originated	524,567	-	-	524,567
Gross carrying amount as at 31 March 2022	<u>8,447,587</u>	<u>939,074</u>	<u>216,970</u>	<u>9,603,631</u>
	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2021	7,863,757	549,553	199,948	8,613,258
Transferred to 12-month ECL (stage 1)	13,822	(13,822)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(481,328)	481,328	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	(258)	(7,232)	7,490	-
Changes due to change in credit risk	(830,951)	(41,722)	(8,713)	(881,386)
New loans and advances originated	1,395,038	2,806	-	1,397,844
Bad debts written off	-	-	(734)	(734)
Gross carrying amount as at 31 December 2021	<u>7,960,080</u>	<u>970,911</u>	<u>197,991</u>	<u>9,128,982</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

14 Loans and Advances (continued)

(vii) Movements in ECL on loans and advances measured at amortised cost

Group and Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2022	53,237	96,527	96,701	246,465
Transferred to 12-month ECL (stage 1)	1,521	(1,521)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(1,449)	1,727	(278)	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(199)	199	-
New loans and advances originated	807	-	-	807
Allowance during the financial period	1,647	4,898	139	6,684
Full settlement	(4,506)	(2,551)	-	(7,057)
Other movement	-	-	19,027	19,027
Allowance for ECL as at 31 March 2022	51,257	98,881	115,788	265,926
	12-month ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2021	62,750	49,117	97,975	209,842
Transferred to 12-month ECL (stage 1)	958	(958)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(4,397)	4,397	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	(4)	(737)	741	-
New loans and advances originated	12,722	35,813	-	48,535
(Reversal)/allowance during the financial year	(17,286)	9,333	(273)	(8,226)
Full settlement	(1,506)	(438)	(1,008)	(2,952)
Amount written-off	-	-	(734)	(734)
Allowance for ECL as at 31 December 2021	53,237	96,527	96,701	246,465

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

14 Loans and Advances (continued)

(viii) Gross credit impaired loans and advances

(a) Movements in credit impaired loans and advances

	Group and Bank	
	31 March	31 December
	2022	2021
As at 1 January	197,991	199,948
Classified as credit impaired during the financial period/year	20,969	9,389
Reclassified as non-credit impaired during the financial period/year	(288)	-
Amount recovered	(1,702)	(10,612)
Amount written-off	-	(734)
As at 31 March 2022/31 December 2021	<u>216,970</u>	<u>197,991</u>
Less: Lifetime ECL (credit impaired) (Stage 3)	<u>(115,788)</u>	<u>(96,701)</u>
	<u><u>101,182</u></u>	<u><u>101,290</u></u>
Ratio of net impaired loans and advances to gross loans and advances less Lifetime ECL (credit impaired) (Stage 3)	<u><u>1.066%</u></u>	<u><u>1.121%</u></u>

(b) By geographical distribution

	Group and Bank	
	31 March	31 December
	2022	2021
	RM'000	RM'000
Malaysia	188,967	174,122
Other countries	28,003	23,869
	<u>216,970</u>	<u>197,991</u>

(c) By economic sector

	Group and Bank	
	31 March	31 December
	2022	2021
	RM'000	RM'000
Primary agriculture	5,186	5,081
Manufacturing	72,538	58,575
Electricity, gas and water supply	28,003	23,869
Construction	2,739	2,719
Real estate	10,380	11,422
Education, health and others	75,560	75,307
Household	22,564	21,018
	<u>216,970</u>	<u>197,991</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

15 Other Assets

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Other receivables	31,637	27,103	31,514	26,828
Sundry deposits	2,908	2,860	2,491	2,441
Prepayment	1,451	1,033	1,377	1,032
Precious metal inventories	109	109	109	109
	36,105	31,105	35,491	30,410
Less: ECL	(591)	(554)	(573)	(536)
	35,514	30,551	34,918	29,874

Movements in ECL on other assets

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Stage 1 (12-month ECL):				
As at 1 January	554	392	536	376
ECL made during the financial period/ year (Note 24)	37	162	37	160
As at 31 March 2022/31 December 2021	591	554	573	536

16 Deposits From Customers

(i) By type of deposits

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Demand deposits	2,078,449	1,842,729	2,078,708	1,843,318
Savings deposits	472,887	459,237	472,887	459,237
Fixed deposits	6,060,605	5,647,419	6,060,605	5,647,419
Negotiable instruments of deposits	-	300,668	-	300,668
Other	5,000	-	5,000	-
	8,616,941	8,250,053	8,617,200	8,250,642

(ii) By type of customers

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	5,000	-	5,000	-
Business enterprises	3,128,115	2,789,092	3,128,374	2,789,681
Individuals	3,560,312	3,491,708	3,560,312	3,491,708
Others	1,923,514	1,969,253	1,923,514	1,969,253
	8,616,941	8,250,053	8,617,200	8,250,642

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

16 Deposits From Customers (continued)

(iii) The maturity structure of fixed deposits and negotiable instruments of deposits are as follows:

	Group and Bank	
	31 March 2022	31 December 2021
	RM'000	RM'000
Due within six months	4,529,382	4,617,444
Six months to one year	1,465,987	1,318,940
One year to three years	65,236	11,703
	<u>6,060,605</u>	<u>5,948,087</u>

17 Deposits and Placements Of Banks and Other Financial Institutions

	Group and Bank	
	31 March 2022	31 December 2021
	RM'000	RM'000
Bank Negara Malaysia	16,616	16,430
Licensed banks	2,735,818	3,152,882
Licensed investment banks	5,596	5,792
Licensed Islamic banks	2,062	2,607
Other financial institutions	2	3
	<u>2,760,094</u>	<u>3,177,714</u>

18 Other Liabilities

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	36,988	33,558	36,429	33,077
Margin deposits	39,818	30,702	39,818	30,702
Other liabilities	49,304	56,731	49,016	56,451
Lease liabilities	27,987	29,819	27,394	28,876
Allowance for ECL on commitments and contingencies (Note 18 (i))	8,555	8,866	8,555	8,866
	<u>162,652</u>	<u>159,676</u>	<u>161,212</u>	<u>157,972</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

18 Other Liabilities (continued)

(i) Movements in ECL on commitment and contingencies:

	Group and Bank 31 March 2022			
	12 months	Lifetime ECL	Lifetime ECL	Total
	ECL	(non-credit	(credit	
	(Stage 1)	impaired)	impaired)	
RM'000	(Stage 2)	(Stage 3)		
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2022	8,789	77	-	8,866
Transferred to 12 months ECL (stage 1)	4	(4)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(14)	14	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	-	-	-
New loans and advances originated	448	-	-	448
Reversal during the financial period	(425)	93	-	(332)
Full settlement	(421)	(6)	-	(427)
As at 31 March 2022	8,381	174	-	8,555

	Group and Bank 31 December 2021			
	12 months	Lifetime ECL	Lifetime ECL	Total
	ECL	(non-credit	(credit	
	(Stage 1)	impaired)	impaired)	
RM'000	(Stage 2)	(Stage 3)		
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2021	8,424	230	-	8,654
Transferred to 12 months ECL (stage 1)	23	(23)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(92)	92	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(41)	41	-
New loans and advances originated	3,730	9	-	3,739
Reversal during the financial year	(3,022)	(122)	(41)	(3,185)
Full settlement	(274)	(68)	-	(342)
As at 31 December 2021	8,789	77	-	8,866

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

19 Subordinated Loan

	Group and Bank	
	31 March	31 December
	2022	2021
	RM'000	RM'000
At cost	1,254,725	1,254,725
Interest accrued	1,334	1,020
Foreign exchange difference	48,205	35,495
	<u>1,304,264</u>	<u>1,291,240</u>

On 26 July 2017, the Bank has issued an USD310 million subordinated loan (ten (10) years maturity, non-callable five (5) years) which bears interest rate equal to 0.30% plus 3-month USD LIBOR, payable 3 months in arrears.

The subordinated loan was approved by BNM for inclusion as Tier-2 capital of the Bank under BNM's capital adequacy regulations.

The tenor of the Subordinated Loan facility is 10 years (non-callable five (5) years) from the drawdown date with interest payable in arrears, and is prepayable after 5 years subject to BNM's approval and other conditions.

The subordinated loan constitutes a direct, unsecured and subordinated obligation of the Bank.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

20 Interest Income

	Three Months Ended Group		Three Months Ended Bank	
	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000
Loans and advances				
- Interest income on non-credit impaired loans and advances	61,781	59,828	61,830	59,828
- Interest income on credit impaired loans and advances	1,361	1,195	1,361	1,195
Money at call and deposit placement with financial institutions	14,071	12,634	14,071	12,634
Debt instruments at FVOCI	15,565	12,906	15,565	12,906
Debt instruments at amortised cost	2,509	2,825	2,509	2,825
Other interest income	4,641	519	4,641	519
	99,928	89,907	99,977	89,907
Amortisation of premium less accretion of discount	(3,709)	(2,417)	(3,709)	(2,417)
Total interest income	96,219	87,490	96,268	87,490

21 Interest Expense

	Three Months Ended Group and Bank	
	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000
Deposits and placements of banks and other financial institutions	3,498	2,095
Deposits from customers	30,410	29,484
Subordinated loan	1,713	1,623
Others	4,692	587
	40,313	33,789

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

22 Other Operating Income

	Three Months Ended Group		Three Months Ended Bank	
	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000
Fee income:				
- Fee on loans and advances	2,859	2,801	2,860	2,801
- Service charges and fees	837	1,510	673	1,460
- Guarantee fees	3,731	3,294	3,731	3,294
	7,427	7,605	7,264	7,555
Fee expense:				
- Commission related expenses	(64)	(20)	-	-
Net fee income	7,363	7,585	7,264	7,555
Foreign exchange income/(loss):				
- Realised	11,335	9,002	11,335	9,002
- Unrealised	6	(71)	6	(71)
Net gain/(loss) on revaluation of derivatives	(2)	(148)	(2)	(148)
Gain from derivative financial instrument	354	302	354	302
Revenue from sale of precious metal products	32	81	32	81
Other income	7	19	60	65
	19,095	16,770	19,049	16,786

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

23 Other Operating Expenses

	Three Months Ended Group		Three Months Ended Bank	
	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000
<u>Personnel expenses</u>				
Salaries & wages	16,594	17,355	15,807	16,571
Bonuses	5,945	4,062	5,870	4,062
Defined contribution plan ("EPF")	3,012	2,767	2,935	2,690
Staff welfare expenses	655	645	623	618
Other personnel costs	2,632	1,503	2,561	1,464
	<u>28,838</u>	<u>26,332</u>	<u>27,796</u>	<u>25,405</u>
<u>Marketing expenses</u>				
Entertainment	116	85	116	85
Other marketing	347	289	347	289
	<u>463</u>	<u>374</u>	<u>463</u>	<u>374</u>
<u>Establishment costs</u>				
Depreciation of property and equipment	1,381	1,540	1,195	1,432
Depreciation of right-of-use assets	2,111	2,056	1,779	1,725
Finance cost on lease liabilities	279	329	270	306
Amortisation of intangible assets	354	316	354	316
Repairs and maintenance	174	99	174	92
Property and equipment written off	2	11	1	11
Information technology expenses	939	918	937	918
Other establishment costs	460	631	457	486
	<u>5,700</u>	<u>5,900</u>	<u>5,167</u>	<u>5,286</u>
<u>Administration and general expenses</u>				
Insurance premium	370	3	370	3
Auditors' remuneration				
- statutory audit fees	56	55	45	47
- regulatory related service	8	53	5	50
Travelling and accommodation	22	9	22	9
Telecommunication and utilities	268	312	249	295
Printing, stationery and postage	239	182	238	182
Legal and professional fees	121	106	120	51
Other administration and general expenses	1,059	1,078	1,012	1,057
	<u>2,143</u>	<u>1,798</u>	<u>2,061</u>	<u>1,694</u>
<u>Other expenses</u>				
Cost of sales of precious metal	28	49	28	49
	<u>28</u>	<u>49</u>	<u>28</u>	<u>49</u>
	<u>37,172</u>	<u>34,453</u>	<u>35,515</u>	<u>32,808</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

24 Allowance For Impairment On Loans and Advances and Other Financial Assets

	Three Months Ended Group		Three Months Ended Bank	
	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000	31 March <u>2022</u> RM'000	31 March <u>2021</u> RM'000
Allowance/(written-back) for impairment on:				
Cash and short-term funds				
- Stage 1	(4)	(55)	(4)	(55)
Deposits and placements with banks and other financial institutions				
- Stage 1	(19)	4	(19)	4
Debt instruments at FVOCI				
- Stage 1	(37)	(3)	(37)	(3)
Other assets				
- Stage 1	37	45	37	45
Loans and advances				
- Stage 1	(2,052)	(7,519)	(2,052)	(7,519)
- Stage 2	2,347	(2,984)	2,347	(2,984)
- Stage 3	139	(234)	139	(234)
Commitments and contingencies				
- Stage 1	(398)	(643)	(398)	(643)
- Stage 2	87	(20)	87	(20)
	<u>100</u>	<u>(11,409)</u>	<u>100</u>	<u>(11,409)</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

25 Capital Adequacy

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

	Group		Bank	
	31 March 2022	31 December 2021	31 March 2022	31 December 2021
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1") Capital</u>				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	943,358	943,358	945,401	945,401
Regulatory reserve	14,800	14,800	14,800	14,800
Fair value through other comprehensive reserve	9,090	11,925	9,090	11,925
Foreign exchange reserve	37	27	37	27
	<u>1,727,803</u>	<u>1,730,628</u>	<u>1,729,846</u>	<u>1,732,671</u>
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(31,856)	(29,252)	(31,617)	(29,021)
- 55% of cumulative unrealised gains of FVOCI financial instruments	(5,000)	(6,559)	(5,000)	(6,559)
- Regulatory reserve attributable to financial assets	(14,800)	(14,800)	(14,800)	(14,800)
- Transitional arrangements	49,293	65,684	49,285	65,672
	<u>(2,363)</u>	<u>15,073</u>	<u>(2,132)</u>	<u>15,292</u>
Total CET1 capital / Total Tier 1 capital	<u>1,725,440</u>	<u>1,745,701</u>	<u>1,727,714</u>	<u>1,747,963</u>
<u>Tier-2 capital</u>				
General provision*	122,517	108,529	122,564	108,523
Subordinated loan	1,302,930	1,290,220	1,302,930	1,290,220
Less: Investment in a subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 capital	<u>1,425,447</u>	<u>1,398,749</u>	<u>1,424,494</u>	<u>1,397,743</u>
Total capital base	<u>3,150,887</u>	<u>3,144,450</u>	<u>3,152,208</u>	<u>3,145,706</u>
<u>With transitional arrangements</u>				
CET 1 capital ratio	16.666%	17.601%	16.710%	17.658%
Tier 1 capital ratio	16.666%	17.601%	16.710%	17.658%
Total capital ratio	30.436%	31.705%	30.487%	31.778%
<u>Without transitional arrangements</u>				
CET 1 capital ratio	16.191%	16.939%	16.233%	16.994%
Tier 1 capital ratio	16.191%	16.939%	16.233%	16.994%
Total capital ratio	29.960%	31.128%	30.010%	31.201%

*General provision is subject to a maximum of 1.25% of total credit risk-weighted assets determined under the Standardised Approach for credit risk.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

25 Capital Adequacy (continued)

(b) Breakdown of risk-weighted assets in the various categories of risk-weights are as follows :

	Group		Bank	
	31 March	31 December	31 March	31 December
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Credit risk	9,801,368	9,361,976	9,805,136	9,364,377
Market risk	4,479	5,385	4,479	5,385
Operational risk	546,462	550,336	529,785	529,162
Total risk-weighted assets	10,352,309	9,917,697	10,339,400	9,898,924

The total capital and capital adequacy ratio of the Group and of the Bank are computed in accordance with Bank Negara Malaysia's revised Capital Adequacy Framework (Capital Components) Policy. The Framework sets the approach for computing regulatory capital adequacy ratios, as well as the levels of those ratios at which a financial institution is required to operate. The framework has been developed based on internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision ("BCBS").

The Group and the Bank have adopted the Standardised Approach for credit risk and market risk, and the Basic Indicator Approach for operational risk.

The Bank maintains, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit impaired exposures in accordance with BNM's revised Financial Reporting Policy.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

26 Commitments and Contingencies

Group	31 March 2022			31 December 2021		
	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000
Direct credit substitutes	6,851	6,851	6,851	16,519	16,519	6,519
Transaction-related contingent items	2,188,701	1,094,351	569,786	2,154,394	1,077,197	546,561
Short-term self-liquidation trade related contingencies	64,890	12,978	12,354	53,228	10,646	10,022
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,083,137	416,627	341,468	2,238,384	447,677	373,797
- Maturity exceeding one year	568,478	284,239	261,309	508,505	254,253	230,863
Foreign exchange related contracts:						
- Less than one year	816,729	12,082	5,829	702,774	17,655	8,936
Interest/Profit rate related contracts:						
- Less than one year	369,413	2,229	1,172	299,858	4,858	4,552
- More than one year to five year	199,651	6,238	4,617	206,199	10,876	8,815
- More than five year	82,115	6,463	4,258	84,423	5,211	3,661
Total	6,379,965	1,842,058	1,207,644	6,264,284	1,844,892	1,193,726

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

26 Commitments and Contingencies (continued)

Bank	31 March 2022			31 December 2021		
	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000
Direct credit substitutes	6,851	6,851	6,851	16,519	16,519	6,519
Transaction-related contingent items	2,188,701	1,094,351	569,786	2,154,394	1,077,197	546,561
Short-term self-liquidation trade related contingencies	64,890	12,978	12,354	53,228	10,646	10,022
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,083,637	416,727	341,568	2,239,884	447,977	374,097
- Maturity exceeding one year	568,478	284,239	261,309	508,505	254,253	230,863
Foreign exchange related contracts:						
- Less than one year	816,729	12,082	5,829	702,774	17,655	8,936
Interest/Profit rate related contracts:						
- Less than one year	369,413	2,229	1,172	299,858	4,858	4,552
- More than one year to five year	199,651	6,238	4,617	206,199	10,876	8,815
- More than five year	82,115	6,463	4,258	84,423	5,211	3,661
Total	6,380,465	1,842,158	1,207,744	6,265,784	1,845,192	1,194,026

Registration No.: 200001008645 (511251-V)
BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2022

27 Operations of Islamic Banking

There were no Islamic banking operations for the financial period ended 31 March 2022.

28 Valuation of Property, Plant and Equipment

The Bank's property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. There was no change in the valuation of property and equipment that were brought forward from the previous audited annual financial statements.

29 Events Subsequent to Reporting Date

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

30 Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the financial period ended 31 March 2022.