

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2023

	Note	Group		Bank	
		31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
ASSETS					
Cash and short-term funds		3,500,278	2,727,104	3,500,244	2,727,053
Deposits and placements with banks and other financial institutions		502,582	1,267,909	502,582	1,267,909
Derivative financial assets		36,652	37,338	36,652	37,338
Debt instruments at fair value through other comprehensive income ("FVOCI")	10	1,808,881	1,799,508	1,808,881	1,799,508
Equity instruments at FVOCI	11	13,223	13,223	13,223	13,223
Equity instrument at fair value through profit & loss ("FVTPL")	12	-	-	-	-
Loans and advances	13	9,207,220	8,847,862	9,217,428	8,858,143
Other assets	14	18,238	33,666	18,060	33,374
Right-of-use assets		31,844	33,704	25,474	27,027
Tax recoverable		20,004	26,034	17,847	23,935
Deferred tax assets		34,860	36,929	30,686	33,018
Statutory deposits with Bank Negara Malaysia		80,000	80,000	80,000	80,000
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		48,321	50,126	47,436	49,074
Intangible assets		2,686	2,904	2,686	2,904
TOTAL ASSETS		15,304,789	14,956,307	15,302,199	14,953,506
LIABILITIES AND EQUITY					
Deposits from customers	15	8,817,756	8,681,962	8,819,990	8,682,685
Deposits and placements of banks and other financial institutions	16	2,953,723	2,753,871	2,953,723	2,753,871
Derivative financial liabilities		35,429	36,239	35,429	36,239
Other liabilities	17	227,009	284,652	218,493	277,300
Subordinated loan	18	1,380,681	1,371,681	1,380,681	1,371,681
TOTAL LIABILITIES		13,414,598	13,128,405	13,408,316	13,121,776
Share capital		760,518	760,518	760,518	760,518
Reserves		1,129,673	1,067,384	1,133,365	1,071,212
TOTAL EQUITY		1,890,191	1,827,902	1,893,883	1,831,730
TOTAL LIABILITIES AND EQUITY		15,304,789	14,956,307	15,302,199	14,953,506
COMMITMENTS AND CONTINGENCIES	25	11,572,674	10,329,349	11,574,174	10,330,849

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 2022

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	Note	Three Months Ended		Three Months Ended	
		Group		Bank	
		31 March <u>2023</u> RM'000	31 March <u>2022</u> RM'000	31 March <u>2023</u> RM'000	31 March <u>2022</u> RM'000
Interest income	19	159,176	96,219	159,289	96,268
Interest expense	20	(84,019)	(40,313)	(84,019)	(40,313)
Net interest income		75,157	55,906	75,270	55,955
Other operating income	21	23,923	19,095	22,534	19,049
Other operating expenses	22	(40,443)	(37,172)	(38,964)	(35,515)
Operating profit before allowance for expected credit losses		58,637	37,829	58,840	39,489
Expected credit losses ("ECL") written back/ (made) on loans and advances other financial assets	23	10,284	(100)	10,208	(100)
Profit before taxation		68,921	37,729	69,048	39,389
Taxation		(16,514)	(9,578)	(16,777)	(9,585)
Profit for the financial period		52,407	28,151	52,271	29,804
Other comprehensive income:					
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
- Net fair value changes in debt instrument at FVOCI, net of tax		9,875	(2,798)	9,875	(2,798)
- Net changes in expected credit losses in debt instruments at FVOCI		(5)	(37)	(5)	(37)
- Net gain on foreign exchange translation		12	10	12	10
Other comprehensive income, net of tax		9,882	(2,825)	9,882	(2,825)
Total comprehensive income for the period, net of tax		62,289	25,326	62,153	26,979
Earnings per share					
- Basic/fully diluted (sen)		6.89	3.70	6.87	3.92

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 2022

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	← Non-distributable			→ Distributable		Total RM'000
	Share capital RM'000	Foreign exchange reserve RM'000	Fair value through other comprehensive reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000	
Group						
Balance as at 1 January 2023	760,518	(4)	(6,697)	38,000	1,036,085	1,827,902
Profit for the financial period	-	-	-	-	52,407	52,407
Other comprehensive income, net of tax	-	12	9,870	-	-	9,882
Total comprehensive income for the financial period, net of tax	-	12	9,870	-	52,407	62,289
Transfer from retained profits to regulatory reserve	-	-	-	12,000	(12,000)	-
At 31 March 2023	760,518	8	3,173	50,000	1,076,492	1,890,191
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

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 2022

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	← Non-distributable			→ Distributable		
		Fair value				
	Share	Foreign	through other	Regulatory	Retained	Total
	<u>capital</u>	<u>exchange</u>	<u>comprehensive</u>	<u>reserve</u>	<u>profits</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
Balance as at 1 January 2023	760,518	(4)	(6,697)	38,000	1,039,913	1,831,730
Profit for the financial period	-	-	-	-	52,271	52,271
Other comprehensive income, net of tax	-	12	9,870	-	-	9,882
Total comprehensive income for the financial period, net of tax	-	12	9,870	-	52,271	62,153
Transfer from retained profits to regulatory reserve	-	-	-	12,000	(12,000)	-
At 31 March 2023	760,518	8	3,173	50,000	1,080,184	1,893,883
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

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 2022

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

	Group		Bank	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Profit before taxation	68,921	37,729	69,048	39,389
Adjustments for non cash items	2,426	(8,425)	1,967	(8,953)
Operating profit before working capital changes	71,347	29,304	71,015	30,436
Changes in working capital:				
Net changes in operating assets	425,716	(866,148)	425,597	(867,229)
Net changes in operating liabilities	288,705	(32,799)	288,755	(33,203)
Income taxes paid	(11,533)	(6,690)	(11,475)	(6,588)
Net cash generated/ (used) in operating activities	774,235	(876,333)	773,892	(876,584)
Net cash generated from investing activities	17,454	436,596	17,454	436,604
Net cash used in financing activities	(18,515)	(3,614)	(18,155)	(3,267)
Net increase/ (decrease) in cash and cash equivalents during the financial period	773,174	(443,351)	773,191	(443,247)
Cash and cash equivalents at beginning of the financial period	2,727,104	2,535,201	2,727,053	2,535,019
Cash and cash equivalents at end of the financial period	3,500,278	2,091,850	3,500,244	2,091,772

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

1 Performance Review

The Group's operating income grew by 32.10% or RM 24.1 million to RM 99.1 million compared to the corresponding period. This was due to an increase in net interest income of RM19.3 million. Profit after tax grew by 86.16% or RM24.3 million to RM52.4 million compared to the corresponding period, mainly due to growth in interest income coupled with a writeback of expected credit losses on loans and advances.

Total assets increased by 2.33% or RM0.3 billion to RM15.3 billion compared to 31 December 2022, mainly as a result of higher loans and advances. Total liabilities increased by 2.18% or RM0.3 billion to RM13.4 billion compared to 31 December 2022, largely due to an increase in customer deposits and the placements of banks and other FI.

2 Economic Outlook

The global economy continues to be weighed down by on-going effects of military conflict in Ukraine, elevated inflation and cost pressures as well as higher interest rates amid the financial sector turmoil. While some central banks are expected to continue raising interest rates, albeit at smaller magnitudes to manage inflationary pressures, most global central banks may be either close to a peak or already done with interest-rate hiking.

The global growth outlook remains subject to downside risks, mainly from an escalation of geopolitical tensions, higher-than-anticipated inflation outturns, Russia's intensified aggression against Ukraine, and a sharp tightening in financial market conditions. The recent collapses of two regional banks could have implications on the US economy due to tighter lending standards. In balancing between keeping inflation at bay and ensuring financial stability, the Fed fund rate is expected to reach between 5.00% and 5.25% by May 2023.

There were some positive developments with the reopening of China's international border and better-than-expected growth outturns in major economies, supported by resilient domestic demand. The Chinese economy advanced 4.5% year-on-year in Q1 of 2023, accelerating from a 2.9% growth in Q4 2022 amid an uneven pace of recovery. The International Monetary Fund estimates China's GDP growth to recover stronger by 5.2% year-on-year in 2023 from 3.0% in 2022. The primary drivers of growth engine in 2023 will be domestic consumption, infrastructure spending and manufacturing investment. Meanwhile, China's economic re-opening is expected to increase price pressures domestically and globally though its consumer inflation should rise much less than that in the U.S. and Europe.

The Malaysia economy is expected to moderate in 2023 amid a slower global economy. A slew of high frequency data such as exports and industrial output indicated slowing growth momentum in Q1 2023. Growth will be driven by domestic demand and continued expansion in tourism related sectors. Malaysia's inflation rate in February 2023 remained at 3.7%. Bank Negara Malaysia maintained the Overnight Policy Rate (OPR) at 2.75% for two consecutive months, while remained vigilant to cost factors, including those arising from financial market developments, that could affect the inflation outlook. The Ringgit has been trading within a tight range of between RM4.40 -RM4.42 against the USD.

BOCM's financial outlook is expected to benefit from rising interest rate hike cycle as the Bank is running on a positive gapping on both MYR and USD book. There is positive optimism about private investment growth in Malaysia following Malaysia Prime Minister's official visit to China in April 2023, which has enhanced bilateral trade and economic relations between two countries. A total of 19 Memorandum of Understandings (MoUs) worth RM170 billion has been signed, covering education, vaccine development and research and development (R&D) in high technology and digitalization; automobiles manufacturing, agricultural products such as palm oil, rubber and biodiesel. BOCM as the major CNY clearing bank in Malaysia, is expected to benefit from increases in bilateral trade and investment flows between China and Malaysia.

3 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the financial period ended 31 March 2023 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 2022.

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 2022.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

4 Audit Report

The audit report for the financial year ended 31 December 2022 was not qualified.

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 2023.

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 2023.

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 2023.

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

	Group and Bank	
	31 March	31 December
	2023	<u>2022</u>
	RM'000	RM'000
Money market instrument:		
Malaysian Government Securities ("MGS")	585,809	584,619
Malaysian Government Investment Issue ("MGII")	1,106,702	1,100,406
Unquoted securities		
Corporate bond	50,241	49,833
Foreign bond	66,129	64,650
	116,370	114,483
	1,808,881	1,799,508

Movements in ECL on corporate bond

	Group and Bank	
	31 March	31 December
	2023	<u>2022</u>
	RM'000	RM'000
Stage 1 (12-month ECL):		
As at 1 January	191	92
ECL (written back)/ made during the financial period/ year (Note 23)	(5)	99
As at 31 March 2023/31 December 2022	186	191

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

11 Equity Instruments at FVOCI

	Group and Bank	
	31 March 2023 RM'000	31 December 2022 RM'000
At fair value:		
Unquoted securities in Malaysia		
of which:		
- Cagamas Holdings Berhad	10,020	10,020
- Credit Guarantee Corporation ("CGC")	3,203	3,203
	13,223	13,223

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

The quoted securities was measured at fair value.

13 Loans and Advances

At amortised cost

(i) By type

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Overdrafts	274,776	278,484	274,776	278,484
Terms loans				
- Housing loans	770,818	741,301	770,818	741,301
- Syndicated term loans	3,530,062	3,616,943	3,530,062	3,616,943
- Other term loans	1,488,226	1,538,812	1,488,226	1,538,812
Bills receivables	631,701	685,224	631,701	685,224
Trust receipts	1,958	1,514	1,958	1,514
Claims on customers under acceptance credits	695,136	668,056	695,136	668,056
Revolving credits	2,051,883	1,564,528	2,062,406	1,575,050
Staff loans	1,101	1,127	1,101	1,127
Gross loans and advances	9,445,661	9,095,989	9,456,184	9,106,511
Less: allowance for ECL	(238,441)	(248,127)	(238,756)	(248,368)
Total net loans and advances	9,207,220	8,847,862	9,217,428	8,858,143

(ii) By geographical distribution

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Malaysia	6,334,348	5,821,029	6,344,871	5,831,551
Other countries	3,111,313	3,274,960	3,111,313	3,274,960
Gross loans and advances	9,445,661	9,095,989	9,456,184	9,106,511

(iii) By interest rate sensitivity

	Group		Bank	
	31 March 2023 RM'000	31 December 2022 RM'000	31 March 2023 RM'000	31 December 2022 RM'000
Fixed rate				
- Other fixed rate loans	2,037,322	1,672,438	2,037,322	1,672,438
Variable rate				
- Base lending rate/base rate plus	1,664,481	1,635,098	1,664,481	1,635,098
- Cost of funds plus	5,283,983	5,248,038	5,294,506	5,258,560
- Other variable rates	459,875	540,415	459,875	540,415
Gross loans and advances	9,445,661	9,095,989	9,456,184	9,106,511

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

13 Loans and Advances (continued)

At amortised cost (continued)

(iv) By economic sector

	Group		Bank	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Agriculture, forestry and fishing	282,268	255,322	282,268	255,322
Mining and quarrying	157,235	166,092	157,235	166,092
Manufacturing	2,317,792	2,126,963	2,317,792	2,126,963
Electricity, gas, steam and air conditioning supply	865,339	878,269	865,339	878,269
Water supply; sewerage, waste management and remediation activities	3,791	3,932	3,791	3,932
Construction	951,082	585,442	951,082	585,442
Wholesale and retail trade; repair of motor vehicles and motorcycles	419,678	537,294	419,678	537,294
Transportation and storage	60,108	61,132	60,108	61,132
Accommodation and food service activities	42,544	48,290	42,544	48,290
Information and communication	62,085	46,489	62,085	46,489
Financial and insurance/takaful activities	714,562	779,345	714,562	779,345
Real estate activities	1,732,088	1,756,964	1,732,088	1,756,964
Professional, scientific and technical activities	173,138	176,911	173,138	176,911
Administrative and support service activities	271,101	306,592	281,624	317,114
Public administration and defence; compulsory social security	19,137	20,618	19,137	20,618
Education	212,486	212,445	212,486	212,445
Arts, entertainment and recreation	76,110	75,712	76,110	75,712
Household	1,085,117	1,058,177	1,085,117	1,058,177
	9,445,661	9,095,989	9,456,184	9,106,511

(v) By residual contractual maturity

	Group		Bank	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Maturing within one month	2,211,830	1,426,350	2,222,353	1,436,872
More than one month to three months	794,931	1,406,476	794,931	1,406,476
More than three months to six months	539,108	643,198	539,108	643,198
More than six months to twelve months	313,794	234,664	313,794	234,664
More than twelve months	5,585,998	5,385,301	5,585,998	5,385,301
Gross loans and advances	9,445,661	9,095,989	9,456,184	9,106,511

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

13 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 2023	8,174,429	540,728	380,832	9,095,989
Transferred to 12-month ECL (Stage 1)	86,509	(86,509)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(4,858)	4,858	-	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	-	(3,370)	3,370	-
Changes due to change in credit risk	(160,448)	(36,096)	1,025	(195,519)
New loans and advances originated	545,191	-	-	545,191
Gross carrying amount as at 31 March 2023	<u>8,640,823</u>	<u>419,611</u>	<u>385,227</u>	<u>9,445,661</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 2022	7,954,572	970,911	197,991	9,123,474
Transferred to 12-month ECL (Stage 1)	363,012	(362,724)	(288)	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(113,341)	123,097	(9,756)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(27,548)	(180,468)	208,016	-
Changes due to change in credit risk	(866,357)	(10,088)	20,999	(855,446)
New loans and advances originated	864,091	-	-	864,091
Amount written off	-	-	(36,130)	(36,130)
Gross carrying amount as at 31 December 2022	<u>8,174,429</u>	<u>540,728</u>	<u>380,832</u>	<u>9,095,989</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

13 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 2023	8,174,429	551,250	380,832	9,106,511
Transferred to 12-month ECL (Stage 1)	86,509	(86,509)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(4,858)	4,858	-	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	-	(3,370)	3,370	-
Changes due to change in credit risk	(160,448)	(36,095)	1,025	(195,518)
New loans and advances originated	545,191	-	-	545,191
Gross carrying amount as at 31 March 2023	<u>8,640,823</u>	<u>430,134</u>	<u>385,227</u>	<u>9,456,184</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 2022	7,960,080	970,911	197,991	9,128,982
Transferred to 12-month ECL (Stage 1)	363,012	(362,724)	(288)	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(118,849)	128,605	(9,756)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(27,548)	(180,468)	208,016	-
Changes due to change in credit risk	(866,357)	(5,074)	20,999	(850,432)
New loans and advances originated	864,091	-	-	864,091
Amount written off	-	-	(36,130)	(36,130)
Gross carrying amount as at 31 December 2022	<u>8,174,429</u>	<u>551,250</u>	<u>380,832</u>	<u>9,106,511</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

13 Loans and Advances (continued)

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

Group	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 2023	41,064	28,466	178,597	248,127
Transferred to 12-month ECL (Stage 1)	3,482	(3,482)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(96)	96	-	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	-	(783)	783	-
New loans and advances originated	345	-	-	345
ECL written-back during the financial period	(2,705)	(4,680)	(2,847)	(10,232)
Full settlement	(18)	(4)	(129)	(151)
Other movement	-	-	352	352
Allowance for ECL as at 31 March 2023	42,072	19,613	176,756	238,441

	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)	4,828	(4,550)	(278)	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(1,693)	3,848	(2,155)	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(310)	(59,340)	59,650	-
New loans and advances originated	2,735	-	-	2,735
ECL (written-back)/ made during the financial year	(16,351)	(3,339)	44,898	25,208
Full settlement	(1,382)	(4,680)	(594)	(6,656)
Amount written off	-	-	(36,130)	(36,130)
Other movement	-	-	16,505	16,505
Allowance for ECL as at 31 December 2022	41,064	28,466	178,597	248,127

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

13 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
	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
As at 1 January	380,832	197,991
Classified as credit impaired during the financial period/year	8,169	230,317
Reclassified as non-credit impaired during the financial period/year	-	(10,044)
Amount recovered	(3,774)	(1,302)
Amount written off	-	(36,130)
As at 31 March 2023/31 December 2022	<u>385,227</u>	<u>380,832</u>
Less: Lifetime ECL (credit impaired) (Stage 3)	<u>(176,756)</u>	<u>(178,597)</u>
	<u>208,471</u>	<u>202,235</u>

(b) By geographical distribution

	Group and Bank	
	31 March	31 December
	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
Malaysia	364,941	358,507
Other countries	20,286	22,325
	<u>385,227</u>	<u>380,832</u>

(c) By economic sector

	Group and Bank	
	31 March	31 December
	<u>2023</u>	<u>2022</u>
	RM'000	RM'000
Agriculture, forestry and fishing	38,115	37,330
Manufacturing	136,760	100,032
Electricity, gas, steam and air conditioning supply	20,286	22,325
Construction	742	765
Accommodation and food service activities	15,814	16,017
Financial and insurance/takaful activities	-	35,326
Real estate activities	3,217	3,213
Arts, entertainment and recreation	76,110	75,712
Household	94,183	90,112
	<u>385,227</u>	<u>380,832</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

14 Other Assets

	Group		Bank	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Other receivables	13,433	29,307	13,667	29,421
Sundry deposits	2,842	2,824	2,417	2,405
Prepayment	2,750	2,133	2,750	2,133
Precious metal inventories	44	47	44	47
	19,069	34,311	18,878	34,006
Less: ECL	(831)	(645)	(818)	(632)
	18,238	33,666	18,060	33,374

Movements in ECL on other assets

	Group		Bank	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Stage 1 (12-month ECL):				
As at 1 January	645	554	632	536
ECL made during the financial period/ year (Note 23)	186	294	186	299
Amounts written off	-	(203)	-	(203)
As at 31 March 2023/31 December 2022	831	645	818	632

15 Deposits From Customers

(i) By type of deposits

	Group		Bank	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Demand deposits	2,537,135	2,473,554	2,539,369	2,474,277
Savings deposits	502,871	490,932	502,871	490,932
Fixed deposits	5,772,750	5,712,476	5,772,750	5,712,476
Other	5,000	5,000	5,000	5,000
	8,817,756	8,681,962	8,819,990	8,682,685

(ii) By type of customers

	Group		Bank	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	5,000	5,000	5,000	5,000
Business enterprises	3,458,689	3,389,182	3,460,923	3,389,905
Individuals	3,678,610	3,698,555	3,678,610	3,698,555
Others	1,675,457	1,589,225	1,675,457	1,589,225
	8,817,756	8,681,962	8,819,990	8,682,685

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

15 Deposits From Customers (continued)

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

	Group and Bank	
	31 March 2023	31 December 2022
	RM'000	RM'000
Due within six months	4,498,867	4,341,965
Six months to one year	1,224,432	1,320,320
One year to three years	49,451	50,191
	<u>5,772,750</u>	<u>5,712,476</u>

16 Deposits and Placements of Banks and Other Financial Institutions

	Group and Bank	
	31 March 2023	31 December 2022
	RM'000	RM'000
Bank Negara Malaysia	16,168	15,870
Licensed banks	2,919,984	2,725,626
Licensed investment banks	6,723	5,560
Licensed Islamic banks	10,844	6,811
Other financial institutions	4	4
	<u>2,953,723</u>	<u>2,753,871</u>

17 Other Liabilities

	Group		Bank	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	45,165	41,912	44,659	41,504
Margin deposits	54,196	75,530	54,196	75,530
Other liabilities	83,738	121,089	82,161	120,879
Lease liabilities	33,340	35,141	26,898	28,400
Allowance for ECL on commitments and contingencies (Note 17 (i))	10,570	10,980	10,579	10,987
	<u>227,009</u>	<u>284,652</u>	<u>218,493</u>	<u>277,300</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

17 Other Liabilities (continued)

(i) Movements in ECL on commitment and contingencies:

Group	31 March 2023			
	12 months ECL (Stage 1)	Lifetime ECL (non-credit impaired) (Stage 2)	Lifetime ECL (credit impaired) (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2023	9,449	1,531	-	10,980
Transferred to 12 months ECL (Stage 1)	6	(6)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	-	-	-	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	-	-	-	-
New loans and advances originated	6	-	-	6
Reversal during the financial period	(156)	(236)	-	(392)
Full settlement	(24)	-	-	(24)
As at 31 March 2023	<u>9,281</u>	<u>1,289</u>	<u>-</u>	<u>10,570</u>

Group	31 December 2022			
	12 months ECL (Stage 1)	Lifetime ECL (non-credit impaired) (Stage 2)	Lifetime ECL (credit impaired) (Stage 3)	Total
	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)	37	(37)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(237)	237	-	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(5)	-	5	-
New loans and advances originated	2,167	-	-	2,167
(Reversal)/ Allowance during the financial year	(1,281)	1,264	(5)	(22)
Full settlement	(21)	(10)	-	(31)
As at 31 December 2022	<u>9,449</u>	<u>1,531</u>	<u>-</u>	<u>10,980</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

17 Other Liabilities (continued)

(i) Movements in ECL on commitment and contingencies (continued):

Bank	31 March 2023			Total RM'000
	12 months ECL (Stage 1) RM'000	Lifetime ECL (non-credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	
As at 1 January 2023	9,449	1,538	-	10,987
Transferred to 12 months ECL (Stage 1)	6	(6)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	-	-	-	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	-	-	-	-
New loans and advances originated	6	-	-	6
Reversal during the financial period	(156)	(234)	-	(390)
Full settlement	(24)	-	-	(24)
As at 31 March 2023	<u>9,281</u>	<u>1,298</u>	<u>-</u>	<u>10,579</u>

Bank	31 December 2022			Total RM'000
	12 months ECL (Stage 1) RM'000	Lifetime ECL (non-credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	
As at 1 January 2022	8,789	77	-	8,866
Transferred to 12 months ECL (Stage 1)	37	(37)	-	-
Transferred to lifetime ECL (non-credit impaired) (Stage 2)	(237)	237	-	-
Transferred to lifetime ECL (credit impaired) (Stage 3)	(5)	-	5	-
New loans and advances originated	2,167	-	-	2,167
(Reversal)/ Allowance during the financial year	(1,281)	1,271	(5)	(15)
Full settlement	(21)	(10)	-	(31)
As at 31 December 2022	<u>9,449</u>	<u>1,538</u>	<u>-</u>	<u>10,987</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

18 Subordinated Loan

	Group and Bank	
	31 March	31 December
	2023	<u>2022</u>
	RM'000	RM'000
At cost	1,254,725	1,254,725
Interest accrued	12,651	11,711
Foreign exchange difference	113,305	105,245
	<u>1,380,681</u>	<u>1,371,681</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 five (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 2023

19 Interest Income

	Three Months Ended Group		Three Months Ended Bank	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Loans and advances				
- Interest income on non-credit impaired loans and advances	119,307	61,781	119,420	61,830
- Interest income on credit impaired loans and advances	352	1,361	352	1,361
Money at call and deposit placement with financial institutions	25,944	14,071	25,944	14,071
Debt instruments at FVOCI	17,167	15,565	17,167	15,565
Debt instruments at amortised cost	-	2,509	-	2,509
Other interest income	461	4,641	461	4,641
	163,231	99,928	163,344	99,977
Amortisation of premium less accretion of discount	(4,055)	(3,709)	(4,055)	(3,709)
Total interest income	159,176	96,219	159,289	96,268

20 Interest Expense

	Three Months Ended Group and Bank	
	31 March 2023 RM'000	31 March 2022 RM'000
Deposits and placements of banks and other financial institutions	25,112	3,498
Deposits from customers	41,469	30,410
Subordinated loan	16,945	1,713
Others	493	4,692
	84,019	40,313

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

21 Other Operating Income

	Three Months Ended Group		Three Months Ended Bank	
	31 March 2023 RM'000	31 March 2022 RM'000	31 March 2023 RM'000	31 March 2022 RM'000
Fee income:				
- Fee on loans and advances	2,516	2,859	2,516	2,860
- Service charges and fees	2,939	837	523	673
- Guarantee fees	4,601	3,731	4,601	3,731
	10,056	7,427	7,640	7,264
Fee expense:				
- Commission related expenses	(974)	(64)	-	-
Net fee income	9,082	7,363	7,640	7,264
Foreign exchange income/(loss):				
- Realised	18,398	11,335	18,398	11,335
- Unrealised	(4,025)	6	(4,025)	6
Net gain/(loss) on revaluation of derivatives	123	(2)	123	(2)
Gain from derivative financial instrument	329	354	329	354
Revenue from sale of precious metal products	5	32	5	32
Other income	11	7	64	60
	23,923	19,095	22,534	19,049

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

22 Other Operating Expenses

	Three Months Ended		Three Months Ended	
	Group		Bank	
	31 March <u>2023</u> RM'000	31 March <u>2022</u> RM'000	31 March <u>2023</u> RM'000	31 March <u>2022</u> RM'000
<u>Personnel expenses</u>				
Salaries & wages	16,895	16,594	16,264	15,807
Bonuses	7,418	5,945	7,343	5,870
Defined contribution plan ("EPF")	3,355	3,012	3,285	2,935
Staff welfare expenses	811	655	785	623
Other personnel costs	2,398	2,632	2,359	2,561
	<u>30,877</u>	<u>28,838</u>	<u>30,036</u>	<u>27,796</u>
<u>Marketing expenses</u>				
Entertainment	171	116	171	116
Other marketing	399	347	399	347
	<u>570</u>	<u>463</u>	<u>570</u>	<u>463</u>
<u>Establishment costs</u>				
Rental of premises	(12)	-	(4)	-
Depreciation of property and equipment	1,950	1,381	1,783	1,195
Depreciation of right-of-use assets	2,297	2,111	1,994	1,779
Finance cost on lease liabilities	277	279	212	270
Amortisation of intangible assets	451	354	451	354
Repairs and maintenance	371	174	371	174
Property and equipment written off	-	2	-	1
Information technology expenses	959	939	958	937
Other establishment costs	299	460	295	457
	<u>6,592</u>	<u>5,700</u>	<u>6,060</u>	<u>5,167</u>
<u>Administration and general expenses</u>				
Insurance premium	745	370	745	370
Auditors' remuneration				
- statutory audit fees	63	56	55	45
- regulatory related service	50	8	47	5
Travelling and accommodation	82	22	82	22
Telecommunication and utilities	180	268	149	249
Printing, stationery and postage	280	239	252	238
Legal and professional fees	120	121	119	120
Other administration and general expenses	881	1,059	846	1,012
	<u>2,401</u>	<u>2,143</u>	<u>2,295</u>	<u>2,061</u>
<u>Other expenses</u>				
Cost of sales of precious metal	3	28	3	28
	<u>3</u>	<u>28</u>	<u>3</u>	<u>28</u>
	<u>40,443</u>	<u>37,172</u>	<u>38,964</u>	<u>35,515</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

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

	Three Months Ended Group		Three Months Ended Bank	
	31 March <u>2023</u> RM'000	31 March <u>2022</u> RM'000	31 March <u>2023</u> RM'000	31 March <u>2022</u> RM'000
Allowance/(written-back) for impairment on:				
Cash and short-term funds				
- Stage 1	(6)	(4)	(6)	(4)
Deposits and placements with banks and other financial institutions				
- Stage 1	(11)	(19)	(11)	(19)
Debt instruments at FVOCI				
- Stage 1	(5)	(37)	(5)	(37)
Other assets				
- Stage 1	186	37	186	37
Loans and advances				
- Stage 1	(2,378)	(2,052)	(2,378)	(2,052)
- Stage 2	(4,684)	2,347	(4,610)	2,347
- Stage 3	(2,976)	139	(2,976)	139
Commitments and contingencies				
- Stage 1	(174)	(398)	(174)	(398)
- Stage 2	(236)	87	(234)	87
	<u>(10,284)</u>	<u>100</u>	<u>(10,208)</u>	<u>100</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

24 Capital Adequacy

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

	Group		Bank	
	31 March 2023	31 December 2022	31 March 2023	31 December 2022
	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	1,036,085	1,036,085	1,039,913	1,039,913
Regulatory reserve	50,000	38,000	50,000	38,000
Fair value through other comprehensive reserve	3,173	(6,697)	3,173	(6,697)
Foreign exchange reserve	8	(4)	8	(4)
	1,849,784	1,827,902	1,853,612	1,831,730
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(34,860)	(36,929)	(30,686)	(33,018)
- Intangible assets	(2,686)	(2,904)	(2,686)	(2,904)
- 55% of cumulative unrealised gains of FVOCI financial instruments	1,745	-	1,745	-
- Regulatory reserve attributable to financial assets	(50,000)	(38,000)	(50,000)	(38,000)
- Transitional arrangements	-	-	-	-
	(85,801)	(77,833)	(81,627)	(73,922)
Total CET1 capital / Total Tier 1 capital	1,763,983	1,750,069	1,771,985	1,757,808
<u>Tier-2 capital</u>				
General provision*	131,340	125,841	131,368	125,861
Subordinated loan	1,368,030	1,359,970	1,368,030	1,359,970
Less: Investment in a subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 capital	1,499,370	1,485,811	1,498,398	1,484,831
Total capital base	3,263,353	3,235,880	3,270,383	3,242,639
<u>With transitional arrangements</u>				
CET 1 capital ratio	15.898%	16.456%	15.969%	16.529%
Tier 1 capital ratio	15.898%	16.456%	15.969%	16.529%
Total capital ratio	29.412%	30.427%	29.473%	30.491%
<u>Without transitional arrangements</u>				
CET 1 capital ratio	15.898%	16.456%	15.969%	16.529%
Tier 1 capital ratio	15.898%	16.456%	15.969%	16.529%
Total capital ratio	29.340%	30.367%	29.404%	30.433%

*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 2023

24 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
	2023	<u>2022</u>	2023	<u>2022</u>
	RM'000	RM'000	RM'000	RM'000
Credit risk	10,507,205	10,067,275	10,509,471	10,068,897
Market risk	2,192	1,730	2,192	1,730
Operational risk	586,003	565,906	584,477	564,227
Total risk-weighted assets	11,095,400	10,634,911	11,096,140	10,634,854

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 2023

25 Commitments and Contingencies

Group	31 March 2023			31 December 2022		
	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	3,177	3,177	3,177	2,687	2,687	2,687
Transaction-related contingent items	2,651,002	1,325,501	745,326	2,607,586	1,303,793	726,525
Short-term self-liquidation trade related contingencies	98,482	19,696	17,998	81,260	16,251	13,820
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,585,789	517,158	450,027	2,521,912	504,382	434,640
- Maturity exceeding one year	807,948	403,974	381,577	987,021	493,511	470,822
Foreign exchange related contracts:						
- Less than one year	4,948,988	78,021	27,366	3,544,028	57,856	26,077
Interest/Profit rate related contracts:						
- Less than one year	256,453	1,412	1,173	346,940	7,245	4,943
- More than one year to five year	220,835	11,397	7,165	237,915	12,761	7,948
Total	11,572,674	2,360,336	1,633,809	10,329,349	2,398,486	1,687,462

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

25 Commitments and Contingencies (continued)

	31 March 2023			31 December 2022		
	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000	Principal RM'000	Credit equivalent RM'000	Risk weighted RM'000
Bank						
Direct credit substitutes	3,177	3,177	3,177	2,687	2,687	2,687
Transaction-related contingent items	2,651,002	1,325,501	745,326	2,607,586	1,303,793	726,525
Short-term self-liquidation trade related contingencies	98,482	19,696	17,998	81,260	16,251	13,820
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,587,289	517,458	450,327	2,523,412	504,682	434,940
- Maturity exceeding one year	807,948	403,974	381,577	987,021	493,511	470,822
Foreign exchange related contracts:						
- Less than one year	4,948,988	78,021	27,366	3,544,028	57,856	26,077
Interest/Profit rate related contracts:						
- Less than one year	256,453	1,412	1,173	346,940	7,245	4,943
- More than one year to five year	220,835	11,397	7,165	237,915	12,761	7,948
Total	11,574,174	2,360,636	1,634,109	10,330,849	2,398,786	1,687,762

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2023

26 Operations of Islamic Banking

There were no Islamic banking operations for the financial period ended 31 March 2023.

27 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.

28 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.

29 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 2023.