

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	Group		Bank	
		31 March <u>2020</u> RM'000	31 December <u>2019</u> RM'000	31 March <u>2020</u> RM'000	31 December <u>2019</u> RM'000
ASSETS					
Cash and short-term funds	9	1,915,270	2,381,504	1,905,435	2,370,512
Deposits and placements with banks and other financial institutions	10	1,135,034	1,089,510	1,135,034	1,089,510
Derivative financial assets	11	27,435	2,913	27,435	2,913
Debt instruments at fair value through other comprehensive income ("FVOCI")	12	1,001,983	897,817	1,001,983	897,817
Equity instruments at FVOCI	13	16,483	16,483	16,483	16,483
Debt instruments at amortised cost	14	300,716	792,846	300,716	792,846
Equity instrument at fair value through profit & loss ("FVTPL")	15	923	1,486	923	1,486
Loans and advances	16	8,506,300	7,487,408	8,506,300	7,487,408
Other assets	17	13,288	5,522	12,647	4,743
Right-of-use assets		34,053	29,947	31,000	26,607
Tax recoverable		17,231	24,611	17,081	24,611
Deferred tax assets		9,333	8,306	9,042	8,016
Statutory deposits with Bank Negara Malaysia		65,500	99,600	65,500	99,600
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		52,773	54,032	51,849	53,064
Intangible assets		1,170	1,376	1,170	1,376
TOTAL ASSETS		13,097,492	12,893,361	13,083,598	12,877,992
LIABILITIES AND EQUITY					
Deposits from customers	18	7,053,354	7,155,539	7,062,258	7,168,887
Deposits and placements of banks and other financial institutions	19	2,891,733	2,718,660	2,891,733	2,718,660
Derivative financial liabilities	11	18,767	2,877	18,767	2,877
Other liabilities	20	168,867	161,676	163,558	151,873
Provision for taxation		-	1,200	-	-
Subordinated loan	21	1,342,085	1,273,640	1,342,085	1,273,640
TOTAL LIABILITIES		11,474,806	11,313,592	11,478,401	11,315,937
Share capital		760,518	760,518	760,518	760,518
Reserves		862,168	819,251	844,679	801,537
TOTAL EQUITY		1,622,686	1,579,769	1,605,197	1,562,055
TOTAL LIABILITIES AND EQUITY		13,097,492	12,893,361	13,083,598	12,877,992
COMMITMENTS AND CONTINGENCIES	28	6,946,528	5,591,993	6,946,528	5,591,993

The Unaudited Condensed 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 2019

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Note	Three Months Ended		Three Months Ended	
		Group		Bank	
		31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Interest income	22	114,839	128,693	114,839	128,693
Interest expense	23	(62,747)	(72,453)	(62,747)	(72,453)
Net interest income		52,092	56,240	52,092	56,240
Other operating income	24	14,910	25,047	13,416	17,812
Other operating expenses	25	(32,234)	(36,387)	(30,515)	(34,474)
Operating profit before allowance for expected credit losses		34,768	44,900	34,993	39,578
Allowance for impairment on loans and advances and other financial assets	26	18,003	(8,059)	18,003	(8,059)
Profit before taxation		52,771	36,841	52,996	31,519
Taxation		(12,799)	(11,059)	(12,799)	(9,753)
Profit for the financial period		39,972	25,782	40,197	21,766
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		2,931	1,188	2,931	1,188
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
- Net gain on foreign exchange translation		14	-	14	-
Other comprehensive income, net of tax		2,945	1,188	2,945	1,188
Total comprehensive income for the period, net of tax		42,917	26,970	43,142	22,954
Earnings per share					
- Basic/fully diluted (sen)		5.26	3.39	5.29	2.86

The Unaudited Condensed 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 2019

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2020

	← Non-distributable			→ Distributable		
	Share capital	Foreign exchange reserve	Fair value through other comprehensive reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Balance as at 1 January 2020	760,518	-	12,539	33,607	773,105	1,579,769
Profit for the financial period	-	-	-	-	39,972	39,972
Other comprehensive income, net of tax	-	14	2,931	-	-	2,945
Total comprehensive income for the financial period, net of tax	-	14	2,931	-	39,972	42,917
Transfer from retained profits to regulatory reserve	-	-	-	-	-	-
At 31 March 2020	760,518	14	15,470	33,607	813,077	1,622,686
Balance as at 1 January 2019	760,518	-	8,193	16,191	741,578	1,526,480
Profit for the financial period	-	-	-	-	25,782	25,782
Other comprehensive income, net of tax	-	-	1,188	-	-	1,188
Total comprehensive income for the financial period, net of tax	-	-	1,188	-	25,782	26,970
Transfer regulatory reserve to retained profits	-	-	-	202	(202)	-
At 31 March 2019	760,518	-	9,381	16,393	767,158	1,553,450

The Unaudited Condensed 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 2019

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE THREE MONTHS ENDED 31 MARCH 2020

	← Non-distributable		Fair value		→ Distributable	
	Share capital	Foreign exchange reserve	through other comprehensive reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
Balance as at 1 January 2020	760,518	-	12,539	33,607	755,391	1,562,055
Profit for the financial period	-	-	-	-	40,197	40,197
Other comprehensive income, net of tax	-	14	2,931	-	-	2,945
Total comprehensive income for the financial period, net of tax	-	14	2,931	-	40,197	43,142
Transfer from retained profits to regulatory reserve	-	-	-	-	-	-
At 31 March 2020	760,518	14	15,470	33,607	795,588	1,605,197
Balance as at 1 January 2019	760,518	-	8,193	16,191	726,128	1,511,030
Profit for the financial period	-	-	-	-	21,766	21,766
Other comprehensive income, net of tax	-	-	1,188	-	-	1,188
Total comprehensive income for the financial period, net of tax	-	-	1,188	-	21,766	22,954
Transfer regulatory reserve to retained profits	-	-	-	202	(202)	-
At 31 March 2019	760,518	-	9,381	16,393	747,692	1,533,984

The Unaudited Condensed 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 2019

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Note	Group		Bank	
		31 March <u>2020</u> RM'000	31 March <u>2019</u> RM'000	31 March <u>2020</u> RM'000	31 March <u>2019</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		52,771	36,841	52,996	31,519
<i>Adjustment for:</i>					
Depreciation of property and equipment	25	1,650	1,846	1,606	1,674
Depreciation of right-of-use assets	25	2,240	2,122	1,903	1,778
Amortisation of intangible assets	25	206	144	206	144
Amortisation of premium less accretion of discount	22	1,078	408	1,078	408
Allowance for impairment on loans and advances and other financial assets	26	(17,977)	8,059	(17,977)	8,059
Interest income from debt instruments at FVOCI	22	(9,119)	(4,635)	(9,119)	(4,635)
Interest income from debt instruments at amortised cost	22	(4,157)	(6,846)	(4,157)	(6,846)
Interest expense on subordinated loan	23	6,983	9,474	6,983	9,474
Finance cost on lease liabilities	25	384	353	348	303
Unrealised foreign exchange loss	24	9,796	228	9,796	228
Net (gain)/loss on revaluation of derivatives	24	(8,632)	649	(8,632)	649
Unrealised loss/(gain) on equity instrument at FVTPL	24	553	(178)	553	(178)
Property and equipment written off	25	-	1	-	1
Operating profit before changes in operating activities		35,776	48,466	35,584	42,578
(INCREASE)/ DECREASE IN OPERATING ASSETS					
Deposits and placements with banks and other financial institutions		(45,477)	(239,363)	(45,477)	(239,363)
Loans and advances		(1,000,820)	(290,270)	(1,000,820)	(290,270)
Right-of-use assets		(6,346)	(33,075)	(6,296)	(28,359)
Other assets		(17,620)	2,893	(17,758)	(1,745)
Statutory deposits with Bank Negara Malaysia		34,100	(6,400)	34,100	(6,400)
INCREASE/(DECREASE) IN OPERATING LIABILITIES					
Deposits from customers		(102,185)	499,674	(106,629)	500,192
Deposits and placements of banks and other financial institutions		173,073	(27,076)	173,073	(27,076)
Other liabilities		8,360	(5,043)	13,254	(5,926)
Subordinated loan		68,601	11,625	68,601	11,625
Cash used in operating activities		(852,538)	(38,569)	(852,368)	(44,744)
Taxes paid		(8,550)	(13,318)	(7,200)	(12,102)
Net cash used in operating activities		(861,088)	(51,887)	(859,568)	(56,846)

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED 31 MARCH 2020

	Group		Bank	
	31 March 2020	31 March 2019	31 March 2020	31 March 2019
Note	RM'000	RM'000	RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(392)	(597)	(392)	(595)
Purchase of intangible assets	-	(699)	-	(699)
Purchases of debt instruments at FVOCI	(258,082)	(90,060)	(258,082)	(90,060)
Proceeds from maturity of debt instruments at FVOCI	155,000	70,000	155,000	70,000
Purchases of debt instruments at amortised cost	(800,000)	(1,100,000)	(800,000)	(1,100,000)
Proceeds from maturity of debt instruments at amortised cost	1,290,000	700,000	1,290,000	700,000
Interest received on debt instruments at FVOCI	10,816	2,942	10,816	2,942
Interest received on debts instruments at amortised cost	6,287	6,004	6,287	6,004
Net cash generated from/(used in) investing activities	403,629	(412,410)	403,629	(412,408)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of lease liabilities	(1,638)	(2,311)	(2,001)	(1,941)
Interest paid on subordinated loan	(7,140)	(35,260)	(7,140)	(35,260)
Net cash used in financing activity	(8,778)	(37,571)	(9,141)	(37,201)
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD				
	(466,237)	(501,868)	(465,080)	(506,455)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD				
	2,381,507	3,558,557	2,370,515	3,553,082
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD				
9	1,915,270	3,056,689	1,905,435	3,046,627

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

1 Review of Group Performance and Commentary of Prospects

For the three months ended 31 March 2020, the Group recorded profit before taxation of RM52.8 million, after write back of allowance for impairment on loans and advances of RM18.0 million, offset by compressed net interest income following the cuts in the overnight policy rate (OPR) in May 2019 and the first quarter of 2020. Meanwhile, business operation of the subsidiary company is temporary halted due to Movement Control Order imposed by the government began from 18 March 2020 to counter the COVID-19 pandemic. This has resulted in lower fee income by RM8.4 million as compared to corresponding period of 2019.

The Group's total assets rose marginally by 1.6%, while derivative financial assets grow of 842% and loans and advances grow of 13.6%. The global COVID-19 pandemic poses threat to financial stability due to lockdowns across countries worldwide disrupted both supply and demand chains, International Monetary Fund expected a fall of global growth to -3%. In Malaysia, Bank Negara Malaysia ("BNM") projected economic growth of -0.2% to 0.5% this year and the government has issued stimulus package of RM260 billion to combat the economic impact of the COVID-19 pandemic, banking institutions are allowed to draw down on capital and liquidity buffers to support lending activities.

The Bank is facing these challenges from a position of strength, with excess capital buffer above minimum regulatory requirement, the overall impact to credit costs and asset quality is unlikely to emerge until six-month moratorium provided to retail customers and SMEs end. The Bank will focus on enhancing product and service innovation, at the same time strengthen management capabilities in risk management, compliance and internal control.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the three months ended 31 March 2020 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 2019.

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 2019.

The Group and the Bank will apply the following standards from financial years beginning on or after 1 January 2020:

- Amendments to MFRS 3 *Business Combination* ("MFRS 3") - Definition of a Business
- Amendments to MFRS 101 - Presentation of Financial Statements ("MFRS 101") and 108 Accounting Policies, Changes in Accounting Estimates and Error ("MFRS 108") - Definition of Material
- Revised Conceptual Framework for Financial Reporting (the Conceptual Framework)
- Amendments to MFRS 7 *Financial Instruments: Disclosure* ("MFRS 7"), 9 *Financial Instruments* ("MFRS 9") and 139 *Financial Instruments: Recognition and Measurement* ("MFRS 139") - Interest Rate Benchmark Reform

3 Audit Report

The audit report for the financial year ended 31 December 2019 was not subject to any qualification.

4 Seasonal or Cyclical Factors

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

5 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items in the three months ended 31 March 2020.

6 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the three months ended 31 March 2020.

7 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.

8 Dividend Paid

No dividend was paid during the three months ended 31 March 2020.

9 Cash and Short-term Funds

	Group		Bank	
	31 March 2020 RM'000	31 December 2019 RM'000	31 March 2020 RM'000	31 December 2019 RM'000
Cash and balances with banks and other financial institutions	169,465	274,685	159,630	263,693
Money at call and deposit placements maturing within one month	1,745,828	2,106,868	1,745,828	2,106,868
	1,915,293	2,381,553	1,905,458	2,370,561
Less: allowance for ECL	(23)	(49)	(23)	(49)
	1,915,270	2,381,504	1,905,435	2,370,512

Movements in allowance for impairment on cash and short-term funds

	Group and Bank	
	31 March 2020 RM'000	31 December 2019 RM'000
As at 1 January	49	24
ECL allowance (written-back)/charge during the financial period/year (Note 26)	(26)	25
As at 31 March 2020/31 December 2019	23	49

10 Deposits and Placements with Banks and Other Financial Institutions

	Group and Bank	
	31 March 2020 RM'000	31 December 2019 RM'000
Bank Negara Malaysia	100,197	-
Licensed banks	1,034,852	1,089,572
	1,135,049	1,089,572
Less: allowance for ECL	(15)	(62)
	1,135,034	1,089,510

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

10 Deposits and Placements with Banks and Other Financial Institutions (Continued)

Movements in allowance for impairment on deposits and placements with banks and other financial institutions

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
As at 1 January	62	12
ECL allowance (written-back)/charge during the financial period/year (Note 26)	(47)	50
As at 31 March 2020/31 December 2019	<u>15</u>	<u>62</u>

11 Derivative Financial Assets/(Liabilities)

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
Derivative financial assets	27,435	2,913
Derivative financial liabilities	(18,767)	(2,877)
	<u>8,668</u>	<u>36</u>

12 Debt instruments at Fair Value Through Other Comprehensive Income ("FVOCI")

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
Money market instrument:		
Malaysian Government Securities	381,449	358,654
Malaysian Government Investment Issue	463,001	407,473
Unquoted securities		
Corporate bond	125,478	101,719
Foreign bond	32,134	30,060
Less: allowance for ECL	(79)	(89)
	<u>157,533</u>	<u>131,690</u>
	<u>1,001,983</u>	<u>897,817</u>

Movements in allowance for impairment on corporate bond

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
As at 1 January	89	19
ECL allowance (written-back)/charge during the financial period/year (Note 26)	(10)	70
As at 31 March 2020/31 December 2019	<u>79</u>	<u>89</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

13 Equity Instruments at FVOCI

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
At fair value:		
Unquoted securities		
Shares of corporations in Malaysia	16,483	16,483
	16,483	16,483

14 Debt Instruments at Amortised Cost

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
At amortised cost:		
Money market instrument:		
Negotiable instruments of deposits	300,716	792,846
	300,716	792,846

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

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
At fair value:		
Quoted securities		
Shares of corporations outside Malaysia	923	1,486
	923	1,486

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

16 Loans and Advances

At amortised cost

(i) By type

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
Overdrafts	389,302	410,275
Terms loans		
- Housing loans	370,901	362,399
- Syndicated term loans	4,157,783	3,512,566
- Other term loans	1,655,834	1,456,418
Bills receivables	244,955	130,466
Trust receipts	3,239	3,994
Claims on customers under acceptance credits	602,695	647,252
Revolving credits	1,270,749	1,171,218
Staff loans	2,072	2,122
Gross loans and advances	8,697,530	7,696,710
Less: Allowance for ECL	(191,230)	(209,302)
Total net loans and advances	8,506,300	7,487,408

(ii) By geographical distribution

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
Malaysia	5,309,701	4,950,630
Other countries	3,387,829	2,746,080
Gross loans and advances	8,697,530	7,696,710

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

16 Loans and Advances (Continued)

At amortised cost (continued)

(iii) By interest rate sensitivity

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
Fixed rate		
- Other fixed rate loans	1,409,737	1,329,443
Variable rate		
- Base lending rate/base rate plus	1,566,073	1,575,013
- Cost of funds plus	5,217,358	4,327,544
- Other variable rates	504,362	464,710
Gross loans and advances	8,697,530	7,696,710

(iv) By economic sector

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
Primary agriculture	428,119	388,628
Mining and quarrying	823,870	752,604
Manufacturing	1,521,123	1,381,043
Electricity, gas and water supply	530,555	91,200
Construction	536,557	521,060
Real estate	2,315,693	2,099,519
Wholesale and retail trade and restaurants and hotels	169,861	227,521
Transport, storage and communication	112,686	113,583
Finance, insurance and business services	1,142,394	1,014,484
Education, health and others	374,746	365,746
Household	741,926	741,322
	8,697,530	7,696,710

(v) By residual contractual maturity - remaining

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
Up to one month	1,526,086	1,538,127
More than one month to three months	715,256	620,351
More than three months to six months	297,123	171,076
More than six months to twelve months	348,670	166,523
More than twelve months	5,810,395	5,200,633
Gross loans and advances	8,697,530	7,696,710

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 THREE MONTHS ENDED 31 MARCH 2020

16 Loans and Advances (Continued)

(vi) Changes in gross loans and advances carrying amount

Group and 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
<u>31 March 2020</u>				
As at 1 January 2020	6,155,452	1,299,280	241,978	7,696,710
Transferred to 12-month ECL (stage 1)	646,296	(645,158)	(1,138)	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(68,183)	68,183	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(11,162)	11,162	-
Changes due to change in credit risk	(823,398)	(105,590)	(17,488)	(946,476)
New loans and advances originated	1,926,667	20,629	-	1,947,296
Gross carrying amount as at 31 March 2020	7,836,834	626,182	234,514	8,697,530
	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
<u>31 December 2019</u>				
As at 1 January 2019	5,691,278	1,035,981	68,056	6,795,315
Transferred to 12-month ECL (stage 1)	113,141	(113,141)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(399,093)	399,611	(518)	-
Transferred to lifetime ECL (credit impaired) (stage 3)	(119,139)	(50,159)	169,298	-
Changes due to change in credit risk	(690,374)	24,999	4,128	(661,247)
New loans and advances originated	1,559,639	1,989	2,605	1,564,233
Bad debts written off	-	-	(1,591)	(1,591)
Gross carrying amount as at 31 December 2019	6,155,452	1,299,280	241,978	7,696,710

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

16 Loans and Advances (Continued)

(vii) Movements in allowance for impairment 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
<u>31 March 2020</u>				
As at 1 January 2020	20,427	67,052	121,823	209,302
Transferred to 12-month ECL (stage 1)	30,053	(30,006)	(47)	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(687)	687	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(194)	194	-
New loans and advances originated	2,754	881	-	3,635
(Reversal)/allowance during the financial period/year	(25,598)	14,490	3,300	(7,808)
Full settlement	(47)	(2,123)	(11,729)	(13,899)
Allowance for ECL as at 31 March 2020	26,902	50,787	113,541	191,230

	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
<u>31 December 2019</u>				
As at 1 January 2019	18,052	52,089	32,044	102,185
Transferred to 12-month ECL (stage 1)	9,080	(9,080)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(1,505)	1,505	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	(830)	(3,437)	4,267	-
New loans and advances originated	10,086	9,666	2,605	22,357
(Reversal)/allowance during the financial period/year	(10,107)	23,208	84,498	97,599
Full settlement	(4,349)	(6,899)	-	(11,248)
Amount written-off	-	-	(1,591)	(1,591)
Allowance for ECL as at 31 December 2019	20,427	67,052	121,823	209,302

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

16 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
	2020	2019
As at 1 January	241,978	68,056
Classified as credit impaired during the financial period/year	5,939	183,336
Reclassified as non-credit impaired during the financial period/year	(1,138)	(518)
Amount recovered	(12,265)	(7,305)
Amount written-off	-	(1,591)
As at 31 March 2020/31 December 2019	<u>234,514</u>	<u>241,978</u>
Less: Lifetime ECL (credit impaired) (Stage 3)	<u>(113,541)</u>	<u>(121,823)</u>
	<u>120,973</u>	<u>120,155</u>
Ratio of net impaired loans and advances to gross loans and advances less Lifetime ECL (credit impaired) (Stage 3)	<u>1.409%</u>	<u>1.586%</u>

(b) By geographical distribution

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
Malaysia	209,770	218,502
Other countries	24,744	23,476
	<u>234,514</u>	<u>241,978</u>

(c) By economic sector

	Group and Bank	
	31 March	31 December
	2020	2019
	RM'000	RM'000
Primary agriculture	9,980	21,678
Manufacturing	79,065	77,370
Electricity, gas and water supply	24,744	23,476
Construction	3,480	3,465
Wholesale and retail trade and restaurants and hotels	6,646	6,633
Education, health and others	75,653	75,704
Household	22,239	20,503
Real estate	12,707	13,149
	<u>234,514</u>	<u>241,978</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

17 Other Assets

	Group		Bank	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Other receivables	10,592	2,577	10,359	2,206
Sundry deposits	2,830	2,782	2,421	2,373
Prepayment	137	350	132	345
Precious metal inventories	320	336	320	336
	13,879	6,045	13,232	5,260
Less: allowance for ECL	(591)	(523)	(585)	(517)
	13,288	5,522	12,647	4,743

Movements in allowance for impairment on other assets

	Group		Bank	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
As at 1 January	523	128	517	119
ECL allowance made during the financial period/year (Note 26)	68	451	68	448
Amounts written-off	-	(56)	-	(50)
As at 31 March 2020/31 December 2019	591	523	585	517

18 Deposits From Customers

(i) By type of deposits

	Group		Bank	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Demand deposits	2,389,541	2,330,275	2,398,445	2,343,623
Savings deposits	331,348	300,451	331,348	300,451
Fixed deposits	4,232,266	4,221,215	4,232,266	4,221,215
Negotiable instruments of deposits	100,199	303,598	100,199	303,598
	7,053,354	7,155,539	7,062,258	7,168,887

(ii) By type of customers

	Group		Bank	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Business enterprises	2,848,938	2,622,120	2,857,842	2,635,468
Individuals	3,193,128	3,266,465	3,193,128	3,266,465
Others	1,011,288	1,266,954	1,011,288	1,266,954
	7,053,354	7,155,539	7,062,258	7,168,887

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

18 Deposits From Customers (Continued)

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

	Group and Bank	
	31 March 2020	31 December 2019
	RM'000	RM'000
Due within six months	3,196,496	3,522,523
Six months to one year	1,135,969	1,000,214
One year to three years	-	2,076
	<u>4,332,465</u>	<u>4,524,813</u>

19 Deposits and Placements Of Banks and Other Financial Institutions

	Group and Bank	
	31 March 2020	31 December 2019
	RM'000	RM'000
Bank Negara Malaysia	15,128	43,382
Licensed banks	2,873,648	2,674,283
Licensed investment banks	1,936	148
Licensed Islamic banks	1,019	844
Other financial institutions	2	3
	<u>2,891,733</u>	<u>2,718,660</u>

20 Other Liabilities

	Group		Bank	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	34,588	35,711	32,861	33,984
Margin deposits	30,524	36,517	30,524	36,517
Other liabilities	63,503	53,524	63,055	48,861
Lease liabilities	34,642	30,398	31,508	26,985
Allowance for ECL on commitments and contingencies (Note 20 (i))	5,610	5,526	5,610	5,526
	<u>168,867</u>	<u>161,676</u>	<u>163,558</u>	<u>151,873</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

20 Other Liabilities (Continued)

(i) Movements in allowance for impairment on commitment and contingencies:

	Group and Bank			Total
	31 March 2020			
	12 months ECL (Stage 1)	Lifetime ECL (non-credit impaired) (Stage 2)	Lifetime ECL (credit impaired) (Stage 3)	RM'000
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	2,831	2,695	-	5,526
Transferred to 12 months ECL (stage 1)	2,188	(2,188)	-	-
Transfer to lifetime ECL (non-credit impaired) (stage 2)	-	-	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(20)	20	-
New loans and advances originated	1,930	12	-	1,942
Reversal during the financial period/year	(1,796)	(39)	(20)	(1,855)
Full settlement	(3)	-	-	(3)
Amount written-off	-	-	-	-
As at 31 March 2020	5,150	460	-	5,610

	Group and Bank			Total
	31 December 2019			
	12 months ECL (Stage 1)	Lifetime ECL (non-credit impaired) (Stage 2)	Lifetime ECL (credit impaired) (Stage 3)	RM'000
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	4,446	1,601	3	6,050
Transferred to 12 months ECL (stage 1)	831	(831)	-	-
Transfer to lifetime ECL (non-credit impaired) (stage 2)	(557)	557	-	-
Transfer to lifetime ECL (credit impaired) (stage 3)	(3)	(2)	5	-
New loans and advances originated	2,013	348	-	2,361
(Reversal)/allowance during the financial period/year	(896)	1,415	(8)	511
Full settlement	(3,003)	(393)	-	(3,396)
As at 31 December 2019	2,831	2,695	-	5,526

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

21 Subordinated Loan

	GROUP AND BANK	
	31 March	31 December
	2020	2019
	RM'000	RM'000
At cost	1,254,725	1,254,725
Interest accrued	5,055	5,120
Foreign exchange difference	82,305	13,795
	<u>1,342,085</u>	<u>1,273,640</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 the 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 THREE MONTHS ENDED 31 MARCH 2020

22 Interest Income

	Three Months Ended	
	Group and Bank	
	31 March	31 March
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Loans and advances		
- Interest income on non-credit impaired loans and advances	77,250	77,557
- Interest income on credit impaired loans and advances	1,689	498
Money at call and deposit placement with financial institutions	23,612	39,565
Debt instruments at FVOCI	9,119	4,635
Debt instruments at amortised cost	4,157	6,846
Other interest income	90	-
	115,917	129,101
Amortisation of premium less accretion of discount	(1,078)	(408)
Total interest income	114,839	128,693

23 Interest Expense

	Three Months Ended	
	Group and Bank	
	31 March	31 March
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	10,111	5,251
Deposits from customers	45,478	57,600
Subordinated loan	6,983	9,474
Others	175	128
	62,747	72,453

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

24 Other Operating Income

	Three Months Ended Group		Three Months Ended Bank	
	31 March <u>2020</u> RM'000	31 March <u>2019</u> RM'000	31 March <u>2020</u> RM'000	31 March <u>2019</u> RM'000
Fees income:				
- Fee on loans and advances	2,798	4,423	2,798	4,423
- Service charges and fees	3,317	13,227	763	1,225
- Guarantee fees	3,281	3,860	3,281	3,860
	9,396	21,510	6,842	9,508
Fees expense:				
- Commission related expenses	(1,012)	(4,719)	-	-
Net fee income	8,384	16,791	6,842	9,508
Foreign exchange income/(loss):				
- Realised	7,750	8,662	7,750	8,662
- Unrealised	(9,796)	(228)	(9,796)	(228)
Net gain/(loss) on revaluation of derivatives	8,632	(649)	8,632	(649)
Unrealised (loss)/gain on equity instrument at FVTPL	(553)	178	(553)	178
Gain from derivative financial instrument	460	-	460	-
Revenue from sale of precious metal products	23	279	23	279
Other income	10	14	58	62
	14,910	25,047	13,416	17,812

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

25 Other Operating Expenses

	Three Months Ended Group		Three Months Ended Bank	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
<u>Personnel expenses</u>				
Salaries & wages	15,326	14,550	14,562	13,870
Bonuses	2,832	6,411	2,719	6,150
Defined contribution plan ("EPF")	2,376	2,627	2,290	2,532
Staff welfare expenses	530	698	472	647
Other personnel costs	1,672	2,264	1,611	2,223
	22,736	26,550	21,654	25,422
<u>Marketing expenses</u>				
Entertainment	809	359	807	353
Other marketing	346	705	346	705
	1,155	1,064	1,153	1,058
<u>Establishment costs</u>				
Rental of premises	12	20	4	20
Depreciation of property and equipment	1,650	1,846	1,606	1,674
Depreciation of right-of-use assets	2,240	2,122	1,903	1,778
Finance cost on lease liabilities	384	353	348	303
Amortisation of intangible assets	206	144	206	144
Repairs and maintenance	175	252	173	252
Property and equipment written off	-	1	-	1
Information technology expenses	750	191	748	184
Other establishment costs	732	784	726	780
	6,149	5,713	5,714	5,136
<u>Administration and general expenses</u>				
Insurance premium	128	8	120	-
Auditors' remuneration				
- statutory audit fees	56	55	45	44
- regulatory related service	31	27	28	24
Travelling and accommodation	294	491	275	460
Telecommunication and utilities	312	350	280	319
Printing, stationery and postage	590	453	521	397
Legal and professional fees	67	140	67	140
Other administration and general expenses	698	1,288	640	1,226
	2,176	2,812	1,976	2,610
<u>Other expenses</u>				
Cost of sales of precious metal	18	248	18	248
	18	248	18	248
	32,234	36,387	30,515	34,474

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

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

	Three Months Ended Group		Three Months Ended Bank	
	31 March 2020 RM'000	31 March 2019 RM'000	31 March 2020 RM'000	31 March 2019 RM'000
Group				
Allowance/(written-back) for impairment on:				
Cash and short-term funds				
- Stage 1	(26)	(7)	(26)	(7)
Deposits and placements with banks and other financial institutions				
- Stage 1	(47)	4	(47)	4
Debt instruments at FVOCI				
- Stage 1	(10)	172	(10)	172
Other assets				
- Stage 1	68	71	68	71
Loans and advances				
- Stage 1	(22,891)	1,487	(22,891)	1,487
- Stage 2	13,248	4,938	13,248	4,938
- Stage 3	(8,429)	1,645	(8,429)	1,645
Commitments and contingencies				
- Stage 1	131	(1,905)	131	(1,905)
- Stage 2	(27)	1,702	(27)	1,702
- Stage 3	(20)	-	(20)	-
Bad debt recover during the financial period/year	-	(48)	-	(48)
	(18,003)	8,059	(18,003)	8,059

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

27 Capital Adequacy

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

	Group		Bank	
	31 March 2020	31 December 2019	31 March 2020	31 December 2019
	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	773,105	773,105	755,391	755,391
Regulatory reserve	33,607	33,607	33,607	33,607
Fair value through other comprehensive reserve	15,470	12,539	15,470	12,539
Foreign exchange reserve	14	-	14	-
	<u>1,582,714</u>	<u>1,579,769</u>	<u>1,565,000</u>	<u>1,562,055</u>
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(9,333)	(8,306)	(9,042)	(8,016)
- 55% of cumulative unrealised gains of FVOCI financial instruments	(8,509)	(6,896)	(8,509)	(6,896)
- Regulatory reserve attributable to financial assets	(33,607)	(33,607)	(33,607)	(33,607)
	<u>(51,449)</u>	<u>(48,809)</u>	<u>(51,158)</u>	<u>(48,519)</u>
Total CET1 capital / Total Tier 1 capital	<u>1,531,265</u>	<u>1,530,960</u>	<u>1,513,842</u>	<u>1,513,536</u>
<u>Tier-2 capital</u>				
General provision*	117,614	105,347	117,608	105,253
Subordinated loan	1,337,030	1,268,520	1,337,030	1,268,520
Less: Investment in a subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 capital	<u>1,454,644</u>	<u>1,373,867</u>	<u>1,453,638</u>	<u>1,372,773</u>
Total capital base	<u>2,985,909</u>	<u>2,904,827</u>	<u>2,967,480</u>	<u>2,886,309</u>
<u>Capital ratios</u>				
CET 1 capital ratio	15.154%	16.950%	15.068%	16.872%
Tier 1 capital ratio	15.154%	16.950%	15.068%	16.872%
Total capital ratio	29.549%	32.160%	29.537%	32.174%

*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 THREE MONTHS ENDED 31 MARCH 2020

27 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
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Credit risk	9,502,529	8,427,751	9,495,731	8,420,222
Market risk	7,369	5,047	7,369	5,047
Operational risk	594,970	599,522	543,429	545,542
Total risk-weighted assets	10,104,868	9,032,320	10,046,529	8,970,811

The total capital and capital adequacy ratios of the Bank is computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 2 February 2018. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

On 2 February 2018, Bank Negara Malaysia issued Policy Document on Financial Reporting. Pursuant to paragraph 10.5 of the Policy Document, effective 1 January 2018 banking institution must maintain, in aggregate, loss allowances 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.

The regulatory reserve is maintained in addition to the credit impairment losses that have been assessed in accordance with MFRS 9. It will be transferred from the retained profits to a separate reserve namely regulatory reserve within the equity.

General provision is qualified Tier 2 Capital, subject to maximum of 1.25% of total credit RWA determined under the Standardised Approach for credit risk.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

28 Commitments and Contingencies

	Group and Bank					
	31 March 2020			31 December 2019		
	Principal	Credit	Risk	Principal	Credit	Risk
	RM'000	equivalent	weighted	RM'000	equivalent	weighted
		RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	3,312	3,312	3,312	2,547	2,547	2,547
Transaction-related contingent items	2,224,985	1,112,492	581,088	2,383,135	1,191,568	614,304
Short-term self-liquidation trade related contingencies	113,892	22,778	22,223	55,595	11,119	9,578
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,470,305	494,061	366,764	2,111,915	422,383	345,813
- Maturity exceeding one year	501,805	250,902	234,464	569,998	284,999	264,533
Foreign exchange related contracts:						
- Less than one year	1,260,750	31,542	9,533	218,308	2,591	1,274
Interest/Profit rate related contracts:						
- Less than one year	113,244	1,552	422	-	-	-
- More than five year	258,215	22,926	19,053	250,475	16,913	13,156
Unutilised credit card lines	20	4	3	20	4	3
Total	6,946,528	1,939,569	1,236,862	5,591,993	1,932,124	1,251,208

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE THREE MONTHS ENDED 31 MARCH 2020

29 Operations of Islamic Banking

No Islamic banking activities was involved for the first quarter ended 31 March 2020.

30 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.

31 Events Subsequent to Reporting Date

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

32 Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the first quarter ended 31 March 2020.