

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

0806A3/lh

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATUTORY FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

CONTENTS	PAGE(S)
DIRECTORS' REPORT	1 – 38
STATEMENT BY DIRECTORS	39
STATUTORY DECLARATION	39
INDEPENDENT AUDITORS' REPORT	40 – 43
STATEMENTS OF FINANCIAL POSITION	44
STATEMENTS OF COMPREHENSIVE INCOME	45
STATEMENTS OF CHANGES IN EQUITY	46 – 47
STATEMENTS OF CASH FLOWS	48 – 51
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	52 – 67
NOTES TO THE FINANCIAL STATEMENTS	68 – 171

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The Directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and related financial services. The principal activity of the subsidiary is that of providing Chinese visa application services.

There were no significant changes in these activities during the financial year.

Other information relating to the subsidiary is disclosed in Note 14 to the financial statements.

FINANCIAL RESULTS

	<u>Group</u> RM'000	<u>Bank</u> RM'000
Profit before taxation	158,988	164,453
Taxation	(43,061)	(46,741)
Net profit for the financial year	<u>115,927</u>	<u>117,712</u>

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year.

The Directors do not recommend the payment of any dividend in respect of the current financial year.

CHANGES IN DEBT AND EQUITY SECURITIES

There were no issuance and repayment of debt, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year end.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts, and satisfied themselves that all known bad debts had been written off and that adequate allowances had been made for doubtful debts.

At the date of this report, the Directors are not aware of any circumstances which would render it necessary to write-off any bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and of the Bank have been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Bank misleading.

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability of the Group and of the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank, which would render any amount stated in the financial statements misleading.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

SUBSEQUENT EVENT AFTER THE BALANCE SHEET DATE

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

DIRECTORS

The Directors of the Bank and the subsidiary in office since the beginning of the financial year to the date of this report are:

The Bank

Zhu Yanlai
Zhang Min
Eugene Khoo Kong Hooi
Tan Sri Dato' Low Kian Chuan
Lee Heng Guie

The subsidiary

Qiu Hengchang
Zhang Fengmei

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary is a party, being arrangements with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of the Bank or any other body corporate.

During and at the end of the financial year, none of the Directors of the Bank has received or become entitled to receive a benefit (other than the benefits included in the aggregate amount of emoluments received or due and receivable by Directors, or the fixed salary of a full time employee of the Bank as disclosed in Note 28 of the financial statements and of related corporations) by reason of a contract made by the Bank or a related corporation with the Directors or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except certain Directors received remuneration from the Bank or related corporations in their capacities as executives of the Bank or those related corporations.

DIRECTORS' INTERESTS IN SHARES

According to the Register of Directors' Shareholdings, none of the Directors in office at the end of the financial year held any interest in shares of the Bank and its related corporations.

HOLDING COMPANIES

The immediate holding company of the Bank is Bank of China (Hong Kong) Limited ("BOCHK") which was incorporated in Hong Kong whereas the penultimate holding company is Bank of China Limited ("BOC Ltd.") and the ultimate holding company is Central Huijin Investment Limited, both were incorporated in China.

BUSINESS REVIEW 2022

The Group's operating income grew by 19.72% or RM57.7 million to RM350.1 million as compared to the previous financial year ended 31 December 2021. This was due to an increase in net interest income of RM45.5 million and other operating income of RM12.2 million. Profit after tax grew by 63.05% or RM44.8 million to RM115.9 million as compared to the previous financial year ended 31 December 2021, mainly due to the rapid growth in interest income and trading income, coupled with lower expected credit loss allowance in 2022.

Total assets increased by 2.27% or RM0.3 billion to RM15.0 billion as compared to 31 December 2021, mainly attributable to an increase in placements with financial institutions. Total liabilities increased marginally by 1.82% or RM0.2 billion to RM13.1 billion as compared to 31 December 2021, largely due to an increase in deposits from customers.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

ECONOMIC OUTLOOK FOR 2023

In 2022, the global economy faced multiple headwinds that have caused the weakening of growth momentum. A prolonged military conflict in Ukraine, soaring energy, gas and commodity prices, strong inflation and cost of living pressures as well as higher interest rates are major factors driving the dimmed growth outlook for both advanced and developing economies. Persistently high and broader-based inflation has prompted central banks around the world to hasten interest rate hikes.

The global economy outlook remains uncertain in 2023 as recession risk mounts in the face of still high inflation, albeit lower, tighter liquidity conditions, continued hikes in interest rate as well as the lagged effect of higher interest rates.

The International Monetary Fund (IMF) projects global growth to be at 2.7% in 2023, slowing from 3.2% in 2022. It has warned that one third of the world economy to be in recession. Growth in the US and EU are expected to slow. Market expectations are that the US economy would slip into a mild and shallow recession; and moderate economic prospects in Europe. China's reopening is set to offer a boost to a flagging world economy.

With global inflation pressures are cooling off from the peak, the central banks worldwide are expected to slow down the quantum and pace of interest rate hikes throughout 2023. Market consensus expect the Federal Reserve Board (FED) to continue hiking its FED Fund Rate to above 5% by early 2023. With the nearing end-cycle of monetary tightening, the USD dollar index has been retreating since November 2022, providing some relief rally for the currencies of emerging economies. Following the economy reopening amid on-going concerns about the real estate stress, the People Bank of China (PBOC) is expected to maintain accommodative monetary policy and targeted fiscal support to stimulate the economy recovery.

The Malaysian economy is expected to grow at a slower rate of 4.5% due to the normalisation of domestic demand, slower exports as well as high-base effect. Domestic demand will remain a key driver of economic growth, supported by continued consumer spending, albeit slower on inflation and cost of living pressures. The expected further improvement in tourism-related activities, new infrastructure projects and existing policy support measures would underpin overall economy.

The Unity Government is expected to provide much needed political stability and a clear policy direction for the country, which is deemed crucial to boost business investors' confidence and revive domestic direct investment as well as attract more foreign direct investment. Overall industry's loan growth is forecasted to range between 5%-6% in 2023.

Headline inflation is expected to range between 2.8% to 3.8% in 2023 and core inflation in 2023 is expected to remain elevated despite the continued easing of price pressure. Inflation pressures remain, subjecting to the timing of domestic policy changes relating to a rationalisation of subsidies.

Bank Negara Malaysia's overnight policy rate (OPR) is expected to hike by between 25-50 bps to 3.00-3.25% in 2023, bringing it back to the pre-pandemic level. Broadly, the ringgit is expected to strengthen against the US dollar to average between RM4.25-4.30 in 2023. The ending of the Fed's interest rate tightening cycle and prospects of the Chinese renminbi appreciation post China's reopening would lend support to the regional currencies, including the Ringgit.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD (Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

ECONOMIC OUTLOOK FOR 2023 (CONTINUED)

However, we caution that the Malaysia's economic outlook remains susceptible to downside risks in 2023. The threat of a global recession, on-going geopolitical tensions, supply chain disruptions, rising costs, labour shortages and tighter monetary policy.

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. In addition, 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, thanks to the reopening of China's economy resulting in better economic improvement.

Nevertheless, the issue of rising prices and eroding consumers' purchasing power together with the expected slowing economic growth and cautious business outlook could weigh on loans demand. With higher interest rates and cost of living pressures, some borrowers could come under financial stress and hence, Non-Performing Loan (NPL) may increase.

BUSINESS PLAN 2023

The Bank is committed to its goals of becoming the leading China-based Bank and one of the prominent foreign banks in Malaysia. It aims to be the preferred bank for both Malaysia and China-based enterprises and individual customers, the leading bank in RMB business and cross-border services as well as most reliable China-based bank among the Chinese community in Malaysia.

The Corporate Banking department intends to capitalize on market opportunities and increase market share by expanding the customer base, promoting the development of RMB business, diversifying product offerings, expanding the China-Malaysia trade market and increasing the trade business.

Retail banking aims to grow the retail customer base by focussing on the utilisation of technology to improve the products and services offered to customers. This will help in promoting a "cashless society" through collaboration with local e-payment providers. The existing technology infrastructure will be upgraded to improve customer experience.

Global Market will expand its product offering and build the brand image of RMB trading, actively market the RMB foreign exchange products. The Bank will further promote the transformation of branches which will improve services and enhance the contribution of branches.

As part of its Environment, Social and Governance ("ESG") target, the Bank had in 2022 formulated a roadmap which provides guidance in implementing initiatives relating to governance, strategic planning, risk management, products and services, banking operation, corporate culture, capacity and image, and information disclosure. ESG practices have been incorporated into the Bank's business plans and activities to further align its commitments to EGS targets.

RATINGS BY EXTERNAL RATING AGENCY

RAM has reaffirmed Bank of China (Malaysia) Berhad's Financial Institution Ratings of AA1 and P1, with stable outlook.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' PROFILE

Zhu Yanlai – Non-Independent Non-Executive Director and Chairman

Madam Zhu Yanlai, Chinese, aged 69, was appointed to the Board on 1 October 2018.

Madam Zhu graduated from the Renmin University of China with a Bachelor's Degree and Master's Degree in Philosophy. She has also obtained a Master's Degree in Sociology from the University of Regina in Canada.

She started her career as a lecturer in Renmin University of China in 1987 and was the visiting scholar of York University, Canada in 1990. She was a manager in Royal Bank of Canada in 1995 and an Associate in Nesbitt Burns, Bank of Montreal Group in 1996.

Madam Zhu joined Bank of China Group in April 1997 as Senior Manager, Credit & Business Development Department of Bank of China (Canada). She was the Assistant General Manager, Credit Management & Business Department of Bank of China Hong Kong and Macau Regional Office since 1999 before taking up the role as General Manager, Economic & Strategic Planning Department of Bank of China (Hong Kong) Limited ("BOCHK") in 2001. In 2010, she was appointed as Assistant Chief Executive in addition to her role as General Manager, Economic & Strategic Planning Department of BOCHK. She was then appointed as Deputy Chief Executive (Strategic Planning and Management) in 2013 and as an advisor of BOCHK from 2015 until September 2018.

Madam Zhu does not have any shareholding in the Bank.

Zhang Min – Executive Director/Chief Executive Officer

Mr. Zhang Min, Chinese, aged 58 was appointed as Executive Director/Chief Executive Officer on 15 January 2019.

Mr. Zhang graduated from Wuhan University, China with a Bachelor's Degree in International Finance. He also obtained a Master's Degree in Finance from Xiamen University, China, and a Doctoral Degree in Population, Resources and Environmental Economics from Yunnan University, China.

Mr. Zhang has more than 30 years of experience in the banking industry, held various positions and gained wide-ranging experience in international settlement, corporate banking, retail banking, financial market, risk management and banking branch management. He joined BOC Group in 1988. In 2003, he served as Assistant General Manager of Yunnan Branch of BOC and was promoted as Deputy General Manager of Yunnan Branch of BOC in 2006. From 2011 to 2017, he served as General Manager of Jakarta Branch of BOC, responsible for the overall branch management and was then served as General Manager of Credit Risk Division of Bank of China (Hong Kong) Limited from 2017 to January 2019.

Mr. Zhang does not have any shareholding in the Bank.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' PROFILE (CONTINUED)

Eugene Khoo Kong Hooi – Independent Non-Executive Director

Mr. Eugene Khoo Kong Hooi, Malaysian, aged 57, was appointed to the Board on 9 January 2017.

He holds a Bachelor of Economics Degree from Monash University, Australia. He is a qualified Chartered Banker and Chartered Accountant. He holds membership with the Chartered Banker Institute UK, Asian Institute of Chartered Bankers, Malaysian Institute of Accountants and the Chartered Accountants Australia and New Zealand. He is a committee member of the Malaysian Mergers & Acquisitions Association ("MMAA"), a non - profit organisation which was set up to develop the mergers and acquisitions market in Malaysia. He was the President of MMAA from January 2015 to July 2019.

From 2016 to 2018, he was the Group Chief Executive Officer of a public listed company on Bursa Malaysia. He was responsible for its property and plantation businesses. Prior to this, he worked in the corporate and investment banking area with several banks. He has extensive experience in the banking industry, covering various areas including mergers and acquisitions, corporate banking, corporate finance, debt capital markets, equity capital markets, private equity investment and relationship management. He has worked on transactions with clients from small to large corporations in various countries across a broad range of industry sectors. He started his career with an international accounting firm in 1989 where he obtained his qualification as a Chartered Accountant in Australia.

Mr. Eugene Khoo does not have any shareholding in the Bank.

Tan Sri Dato' Low Kian Chuan – Independent Non-Executive Director

Tan Sri Dato' Low Kian Chuan, Malaysian, aged 63, was appointed to the Board on 10 August 2017.

He holds a Bachelor of Arts (Economics) Degree and an Advance Diploma in Business Administration from Wilfrid Laurier University, Canada. He also obtained the Advance Marketing Strategies certificate from University of California, Berkeley, USA.

He is currently the Managing Director of the Low Fatt Group of companies which is involved in integrated wood-based activities. He formed his own company to venture into downstream processing and held positions as Executive Chairman cum CEO of Low Fatt Wood Industries Sdn. Bhd. in 1986. In 1996, he formed a joint venture company, Low Fatt Timber Resources Sdn. Bhd. with German counterparty in producing double glazed window and door. In 2016, Tan Sri Dato' Low acquired Maicador Sdn. Bhd., an established engineering door company.

Tan Sri Dato' Low was a board member of Pembangunan Sumber Manusia Berhad ("HRDF") from 2001 to 2003 and from 2009 to 2017 and SME Corporation Malaysia from 2009 to 2015.

He is currently the President of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and Vice President of the National Chamber of Commerce and Industry of Malaysia (NCCIM). He is also the Advisor of Malaysian Timber Association (MTA) and Malaysian Wood Industries Association (MWIA), a committee member of Employment Insurance System, a council member of National Economic Action Council (EAC) and a council member of Consultative Council on Foreign Policy (CCFP).

Tan Sri Dato' Low does not have any shareholding in the Bank.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' PROFILE (CONTINUED)

Lee Heng Guie – Independent Non-Executive Director

Mr. Lee Heng Guie, Malaysian, aged 62, was appointed to the Board on 8 December 2021.

Mr. Lee holds a Bachelor of Arts (Hons) majoring in Economics from the University of Malaya, Malaysia and a Master's Degree in Development Economics from Williams College, USA.

He had over 30 years of professional experience as an economist, with almost 12 years in BNM and 18 years in financial services. Since July 2016, Mr. Lee was appointed as the Executive Director of Socio-Economic Research Centre (SERC), an independent research centre of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM). He is currently an independent member of Investment Committee of Opus Asset Management Sdn Bhd and a member of the Economic Committee (EC) of Malaysia Competition Commission.

Mr. Lee participates actively in providing economic commentaries to print and electronic media as well as participates in seminars/conferences as a resource person. Mr. Lee is the recipient of many awards: He was voted "Best Economist" in The Edge Polls twice and ranked top 3 four times from 2000-2008; "Best Economist" by the Asset Magazine Hong Kong-Local Currency Bond Market of Malaysia in 2007. He also led CIMB Macroeconomic research to be ranked among top 3 for nine consecutive years (2005-2013) in the Asiamoney Polls.

Mr. Lee does not have any shareholding in the Bank.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT

BOARD OF DIRECTORS

Adherence to the highest standards of corporate governance is the cornerstone of the Bank's corporate culture.

The Bank has taken necessary steps to ensure conformity with Bank Negara Malaysia's ("BNM") Policy Document on Corporate Governance ("BNM CG Policy Document").

1. Roles and Responsibilities of the Board of Directors

The Board of Directors ("the Board") of the Bank plays a critical role in ensuring sound and prudent policies as well as practices of the Bank. The Board carries ultimate responsibility for the proper stewardship of the Bank, ensures the maximisation of shareholder's value and safeguarding of stakeholder's interests. The Board oversees the affairs, establishing, amongst others, the corporate values, vision and strategies that will direct the activities of the Bank. It also provides effective check and balance mechanism in the overall management of the Bank.

The major duties and responsibilities of the Board include:

(i) Strategy and Planning

- Set and oversee the implementation of business and risk objectives and strategies and in doing so shall have regard to the long-term viability of the Bank and reasonable standards of fair dealing.

(ii) Risk Management and Internal Controls

- Ensure and oversee the effective design and implementation of sound internal controls, compliance and risk management systems commensurate with the nature, scale and complexity of the business and structure of the Bank.
- Assess and manage risk-taking activities to align with the Bank's capacity to absorb losses and long-term business viability.
- Ensure requirements in BNM's policy documents on Risk Governance and Risk Management in Technology are at all times observed.

(iii) Disclosure of Information

- Ensure reliable and transparent financial reporting process within the Bank. The Board is responsible to ensure the integrity and credibility of financial statement of the Bank.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

1. Roles and Responsibilities of the Board of Directors (continued)

The major duties and responsibilities of the Board include: (continued)

(iv) Management and Compliance

- Ensure that the operations of the Bank are conducted prudently, and within the framework of the relevant laws and policies.

(v) Monitoring and Delegation of Authorities to Various Committees

- Establish and ensure effective functioning of various Board Committees. Committee members are selected based on their merits, expertise, and interests. Duties may be delegated to the Board Committees; however, the Board remains responsible for the decisions of the committees. The Board shall be timely and regularly informed of each committee's activities, findings, conclusion and recommendations. The Board shall review reports submitted by various committees, and provide guidance, when necessary.

(vi) Supervision Over Performance of the Management

- Oversee the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of senior management, such that the Board is satisfied with the collective competence of senior management to effectively lead the operations of the Bank.

(vii) Communications with Shareholders/Stakeholders

- Manage the Bank's business in accordance with the rules stipulated in the Constitution, relevant laws and regulations. Maintain an effective communication policy that enables both the Board and Management to communicate effectively with its shareholders, the stakeholders and the public either through disclosure or annual general meeting ("AGM"). Promote timely and effective communication between the Bank and BNM on matters affecting or that may affect the safety and soundness of the Bank.

(viii) Environmental, Social and Governance

- Promote sustainability through appropriate environmental, social and governance guidelines and policies in the Bank's business strategies.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

2. Board Meetings and Supply of Information to the Board

The Board meets at least five (5) times a year to review the financial performance of the Bank and progress of the Bank's business, approve strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings may also be called to deliberate and assess corporate proposals or business issues that require the Board's immediate consideration or decision.

Board's approval for urgent matters may be obtained through written resolutions.

All Directors are supplied with information on a timely manner. The agenda for each Board meeting, together with detailed reports, proposal papers and supporting documents, are circulated to the Directors for their perusal in advance of the Board's meeting date to facilitate a meaningful deliberation of the Board. The Directors may request to be furnished with additional information or clarification. Relevant senior management officers are invited to attend Board meetings to provide the Board with detailed explanations and clarifications on proposals tabled to enable the Board to make an informed decision.

Minutes of Board meetings are circulated to all Directors for their perusal prior to confirmation of minutes at the following Board meeting.

The Directors have ready and unrestricted access to the advice and services of the Company Secretary to enable them to discharge their duties effectively. The Company Secretary provides counsel to the Board on governance matters and facilitate effective information flows between the Board, the Board Committees and senior management. The Directors have the liberty to seek external professional advice if so, required by them.

In respect of potential conflict of interest, the Board has established a Policy on Managing Conflict of Interest of Directors to address any actual and potential conflicts of interest that may arise. The Board has reviewed and is satisfied that there is no undue influence involved in all connected party transactions.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

2. Board Meetings and Supply of Information to the Board (continued)

Directors' attendance at the Board meetings held during the financial year ended 31 December 2022 is as reflected below:

Directors	Number of Meetings	
	Meetings attended/held	%
Zhu Yanlai (Chairman) Non-Independent Non-Executive Director	6/6	100
Zhang Min Executive Director	6/6	100
Eugene Khoo Kong Hooi Independent Non-Executive Director	6/6	100
Tan Sri Dato' Low Kian Chuan Independent Non-Executive Director	6/6	100
Lee Heng Guie Independent Non-Executive Director	6/6	100

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors

(a) Division of Responsibilities between the Chairman and CEO

The roles of the Chairman and CEO are separated, which is consistent with the principles of corporate governance as set out in BNM CG Policy Document to institute an appropriate balance of power and authority. The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board.

In fulfilling this role, the Chairman is to ensure:-

- Smooth functioning of the Board, the governance structure and inculcating positive culture in the Board;
- Guidelines and procedures are in place to govern the Board's operation and conduct;
- All relevant issues are on the agenda for Board meeting and all directors are able to participate fully in the Board's activities;
- Board debates strategic and critical issues;
- Board receives the necessary information on a timely basis from the Management;
- Avenues are provided for all directors to participate openly in the discussion; and
- That he provides leadership to the Board and is responsible for the developmental needs of the Board.

The CEO, in leading the senior management, bears primary responsibility over the development and execution of the Bank's corporate and business strategy, and is ultimately responsible for managing the Bank's day-to-day operations. He is also responsible for charting the future direction of the Bank for the Board's consideration and approval.

The Board considers and approves a set of expectations on the CEO. This subsequently acts as a yardstick against which his performance will be measured, evaluated and rewarded.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors (continued)

(b) Board Composition

The current Board comprises personnel with diverse experience with necessary skill and qualification. The Board comprises five (5) members, of whom three (3) are Independent Non-Executive Directors, one (1) Non-Independent Non-Executive Director and one (1) Executive Director. The presence of a majority of Independent Non-Executive Directors provides effective check and balance in the functioning of the Board.

The three Independent Non-Executive Directors are free from any association or circumstances that may impair their exercise of independent judgement. They ensure a strong element of independence on the Board, both in thought and actions.

The profile of the Directors serving at the date of this report are set out on pages 7 to 9.

(c) Appointments and Re-election of Directors

The proposed appointment of new member(s) of the Board as well as the proposed re-appointment/re-election of directors at the AGM of the Bank, are assessed and recommended by the Board and approved by the holding company before the application on the proposed appointment is submitted to BNM for approval. The selection criteria with regard to the desired candidate encompass the combination of competencies, the minimum qualifications specified by regulatory authorities and relevant experience.

The Board has a broad range of skills and credentials, each brings a high degree of independent judgement and knowledge to the Board's discussions. They are individuals of high caliber and comprise directors who as a group provide a mixture of core competencies such as finance, accounting, banking, risk management and business management.

In accordance with the Constitution of the Bank, newly appointed Directors shall hold office only until the next AGM, and shall then be eligible for re-election. Additionally, one-third (1/3) of the Directors shall retire by rotation at each AGM. A retiring Director is eligible for re-election at the AGM.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors (continued)

(d) Directors' Independence and Tenure

The Board Remuneration and Nomination Committee considers a strong element of independence on the Board vital for good corporate governance and it performs annual reviews of the independence of the Directors.

An Independent Non-Executive Director is defined as a Director who is independent of management and free from any business or other relationship, which could interfere with the exercise of independent judgement or the ability to act in the best interest of the Bank.

Independent Non-Executive Directors of the Bank exercise independent judgement and participate in the deliberations of the Board objectively with no individual or small group of individuals dominating the Board's decision-making process. The number of Independent Non-Executive Directors on the Board of the Bank is in line with the requirement laid down in BNM CG Policy Document that the Board must have a majority of Independent Directors at all times.

The Bank adopted a 9-year policy for tenure of an Independent Non-Executive Director. The tenure limits for an Independent Non-Executive Director of the Bank should generally not exceed nine (9) years, except under exceptional circumstances or as part of transitional arrangements towards full implementation of the succession plans of the Bank.

As at the date of this Statement, none of the Bank's Directors have served for a cumulative period of more than 9 years.

(e) Directors' Performance and Remuneration

The Board Remuneration and Nomination Committee will carry out assessment on the performance of the Board annually. The members of the Board will be assessed based on a set of specific criteria as well as the performance of the Board as a whole.

The Bank ensures that Directors' remuneration should be appropriate and reflect their duty and responsibility to fulfil the expectations of the shareholders and meet regulatory requirements. Fees and any benefits payable to the Directors are subject to the approval of the shareholder at a general meeting.

Currently, the Independent Directors are paid directors' fee with the approval of shareholder at the AGM. The details of remuneration received by Directors of the Bank during the financial year are disclosed in Note 28 to the financial statements.

The appointment, remuneration package and benefits of the CEO will be assessed by the immediate holding company and the Board respectively based on the qualification, experience and achievement of targets set.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors (continued)

(f) Induction and Training

All newly appointed directors will receive in-house orientation and education programmes to assist them to familiarise with the industry and the Bank within three months of their appointments. The programmes will cover at a minimum the nature of business, the corporate strategy of the Bank, responsibilities and duties of the Board as a whole, an overview of the risks of the businesses, the risk management strategy of the Bank, legal requirements and financial overview of the Bank.

During the financial year, the Directors attended training programmes, conferences, forums, seminars and briefings organised by professional bodies and regulatory authorities as well as those conducted in-house, included the following:

- Corporate Culture (E-Learning Course)
- ESG, Stakeholder Capitalism and Sustainable and Responsible Investment (SRI)
- Global Fintech & Virtual Banking Market
- The Outlook for Hong Kong's Virtual Banks
- Rethinking Business Strategies in Driving the ESG and Sustainability Agenda
- 2022 1st Group-wide Compliance Refresher E-Learning – Data Quality Management, Anti-Money Laundering, Requirements for Personal Data Protection
- 2022 Cyber Security Awareness Training 2022
- 2022 2nd Group-wide Compliance Refresher E-Learning – Sanctions Compliance, Occupational Safety and Health, Banking Information Security
- AMLA 2001 & MACC Act 2009 : Evolving Challenges & Expectations In Regulatory Compliance
- BOCHK Sharing Session on Sustainability
- 2022 3rd Group-wide Compliance Refresher E-Learning – Anti-Bribery and Corruption, Operational Risk Management
- ESG Latest Development Trends with Value Creation for Banks
- BNM-FIDE FORUM Dialogue: Licensing Framework for Digital Insurers and Takaful Operators
- 2021-2025 Digitalisation Transformation Plan (Strategy)
- Corporate Culture Carnival
- BNM-FIDE FORUM Dialogue: Climate Risk Management and Scenario Analysis
- 2021-2025 Digitalisation Transformation Plan (Planning)
- Cyber Defense Hand Book 2022
- BOCHK History Series Online Course - The Symbols
- Digitalisation Transformation
- BOCHK History Series Online Course – Past Events
- 2022 Bank Culture (1)
- BOCHK History Series Online Course – Heroes
- Steward Leadership for Sustainability
- MetaFinance: The Next Frontier of the Global Economy
- Malaysian Innovation Conference 2022

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors (continued)

(f) Induction and Training (continued)

During the financial year, the Directors attended training programmes, conferences, forums, seminars and briefings organised by professional bodies and regulatory authorities as well as those conducted in-house, included the following (continued):

- National tax Conference 2022
- ACCCIM Industry 4.0 Conference 2022
- BNM-FIDE FORUM MyFintech Week Masterclasses
- FinCity Global Forum – Tokyo's Future as a Global Center of Green Finance
- Investing for a Better Tomorrow
- Discovering Opportunities in Global Infrastructure
- Winning in a Dislocated Economy
- Metaverse - The Ultimate Digital Transformation
- Long Term Value with ESG Strategy
- Follow the Money, Understanding the Gaps and Applications of AI in AML
- Malaysia Economic and Business Policies Updates - What is Next for Business
- Ukraine War - Impact on Asia
- Cathie Wood market outlook
- Climate and ESG Factors for Asia Pacific
- ESG in a Volatile World, Profit, Purpose or Politics
- Leadership Perspectives Forum on Board Effectiveness in conjunction with BEE Launch
- Strategic Visioning Workshop
- FIDE FORUM-ICA: Can We Win the War against Financial Crime
- The Emerging Trends Threats and Risks to the Financial Services Industry - Managing Global Risk Investment and Payment System
- Integrating a Gender Lens in Voluntary Carbon Markets
- Sustainability Landscape in Asia
- Exploring Nature-Related Financial Risks in Malaysia
- Sustainability for the Palm Oil Sector
- Innovation-led Growth in Malaysia
- BNM Governor's Address on the Malaysian Economy & Panel Discussion
- Steward Leadership for Sustainability
- CGS-CIMB Corporate Day
- Risk Management in Technology (RMiT): Sharing of Insights and Discussion on the Strategic Aspects of IT Risks
- ICMR (Institute for Capital Market Research) Lecture Series
- FIDE FORUM - CGM Conversations with Chairmen: A Standing Item in Board Agendas
- KLBC Pre-Budget 2023 Dialogue with YB Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, Minister of Finance, Malaysia
- PIDM Industry Forum 2022, co-organised by FIDE FORUM
- JPMorgan KL Invest

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD OF DIRECTORS (CONTINUED)

3. Effectiveness of the Board of Directors (continued)

(f) Induction and Training (continued)

During the financial year, the Directors attended training programmes, conferences, forums, seminars and briefings organised by professional bodies and regulatory authorities as well as those conducted in-house, included the following (continued):

- Malaysia in RCEP: Reap the Benefits; Face the Competition
- The Financial Education Network (FEN)'s National Financial Literacy Symposium 2022 (NFLS2022)
- Perdana Leadership Foundation (PLF) CEO Forum 2022
- 2022 SEAISI Steel Mega Event & Expo
- GO ESG ASEAN Conference & Exhibition
- MARC360: Malaysian Economic Outlook and Challenges
- Fitch Solutions' Key Global Macroeconomic Themes for 2023

BOARD COMMITTEES

The Board has established Board Audit Committee ("BAC"), Board Risk Management Committee ("BRMC") and Board Remuneration and Nomination Committee ("BRNC") to complement the Board in the execution of its responsibilities. Each Board Committee has its terms of reference which set forth the responsibilities, authorities and functions of that Committee, in line with BNM CG Policy Document.

The broad functions of the Board Committees are as follows:

1. Board Audit Committee

(a) Objective

The objective of the BAC is to assist the Board in fulfilling its oversight responsibility for the Bank and its subsidiary relating to: -

- The integrity of financial statements and the financial reporting process;
- The systems of internal control;
- The performance of internal audit functions and internal auditors;
- The appointment of external auditors and the evaluation of the external auditors' qualifications, independence and performance;
- The periodic review, where appropriate, and the annual audit of the Group's financial statements;
- Compliance with applicable accounting standards and legal and regulatory requirements on financial disclosures; and
- Enhancing the corporate governance framework of the Group.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

1. Board Audit Committee (continued)

(b) Membership and Attendance

The BAC comprises only Non-Executive Directors with at least three members. Majority of the members (including the Chairman) shall be Independent Directors. At least one member being an Independent Director shall possess accounting expertise or experience in the field of finance.

The attendance of each member at the BAC meeting held during the financial year ended 31 December 2022 is as reflected below:

Members	Number of Meetings	
	Meetings attended/ held	%
Eugene Khoo Kong Hooi (Chairman) (Independent Non-Executive Director)	5/5	100
Lee Heng Guie (Independent Non-Executive Director)	5/5	100
Tan Sri Dato' Low Kian Chuan (Independent Non-Executive Director)	5/5	100

(c) Roles and Responsibilities

The BAC is given full authority to investigate any matter within its terms of reference, full access to and co-operation by management and full discretion to invite any Director or Executive Director to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The BAC should have full and unrestricted access to information and be able to obtain independent professional advice.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

1. Board Audit Committee (continued)

(d) Key Internal Control Processes

The key processes that have been established in reviewing the adequacy and integrity of the system of internal controls include the following:

- (i) The BAC reviews internal control issues identified by the internal auditor, the external auditor, regulatory authorities, the auditor from the holding company and the management, and evaluates the adequacy and effectiveness of the internal control systems. The minutes of the BAC meetings are tabled to the Board of the Bank; and
- (ii) The Internal Audit Department of the Bank monitors compliance with policies and procedures and the effectiveness of the internal control systems and highlights significant findings in respect of any non-compliance. The frequency of the audit is determined by the level of risk assessed, to provide an independent and objective report on operational and management activities of the departments. The annual audit plan is reviewed and approved by the BAC and the findings of the audits are submitted to the BAC for review.

2. Board Risk Management Committee ("BRMC")

(a) Objective

The objective of the BRMC is to support the Board in meeting the expectations on risk management as set out in BNM's Policy Document on Risk Governance and any relevant legal instruments, policy documents and guidelines issued by BNM. The BRMC assists the Board in overseeing the establishment of a robust risk management system and an effective framework to identify, monitor, control and report risk. The BRMC oversees the senior management's activities in managing enterprise-wide risks, including all relevant and material risks; oversees the implementation of the Bank's governance framework and internal control framework, and periodically reviews whether these remain appropriate in the light of material changes to the size, nature and complexity of the Bank's operation. The BRMC ensures that the integrated risk management functions within the Bank are in place and effectively discharged, and reviews and formulates senior management's recommendations to the Board on risk management.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

2. Board Risk Management Committee ("BRMC") (continued)

(b) Membership and Attendance

The BRMC comprises Non-Executive Directors with at least three members and chaired by an Independent Non-Executive Director. The attendance of each member at the BRMC meetings held during the financial year ended 31 December 2022 is as reflected below:

Members	Number of Meetings	
	Meetings attended/held	%
Lee Heng Guie (Chairman) (Independent Non-Executive Director)	6/6	100
Eugene Khoo Kong Hooi (Independent Non-Executive Director)	6/6	100
Zhu Yanlai (Non-Independent Non-Executive Director)	6/6	100

(c) Roles and Responsibilities

The BRMC shall be responsible, but are not limited, to the following:

- (i) Provide oversight and governance of risk to ensure consistency with the risk strategy and policies approved by the Board;
- (ii) Oversee and advise the Board on adherence to the Bank's risk appetite and implementation of risk management measures in managing key risks as well as emerging risks. In order to fulfil the requirement, the BRMC shall oversee:
 - Current and forward-looking risk exposures; and
 - Bank's risk appetite and risk strategy, including capital and liquidity management strategy; and management of risk of the Bank.
- (iii) Oversee all relevant and material risks in senior management's activities in managing enterprise-wide risks, covering, but not limited to credit, market, technology, interest rate, liquidity, climate, operational, legal and compliance, bribery and corruption, reputation, strategic, money laundering and terrorism financing, outsourcing and other risk;

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

2. Board Risk Management Committee ("BRMC") (continued)

(c) Roles and Responsibilities (continued)

- (iv) Oversee and approve the recovery and resolution as well as business continuity plans for the Bank to restore its financial strength, and maintain or preserve critical operations and critical services when it comes under stress;
- (v) Ensure risk management activity is not carried out in isolation but is well-integrated throughout the Bank;
- (vi) Ensure framework, infrastructure, resources and systems are in place for risk management functions, ensuring that the staff responsible for implementing risk management framework perform those duties independently of the Bank's risk-taking activities;
- (vii) Review management's periodic reports on risk exposure, risk portfolio composition, risk management activities, compliance report and anti-money laundering and counter financing of terrorism ("AML/CFT") reporting;
- (viii) Advise the Board on risk appetite and tolerance in determining strategy. The BRMC has power delegated by the Board to set risk appetite and accept risks beyond the approval discretion provided to management;
- (ix) Provide oversight on the development and implementation of the stress testing programme;
- (x) Assess/Approve/Review or recommend for the approval of the Board, the risk and compliance related policies and framework.
- (xi) Oversee technology and cybersecurity related matters. Among other things, the BRMC reviews the technology-related framework for the Board's approval, and ensures that risk assessments undertaken in relation to material technology applications are robust and comprehensive;
- (xii) Provide effective oversight on senior management's actions to ensure consistency with the risk strategy and policies approved by the Board, including the risk appetite framework;
- (xiii) Exercise oversight on Board Information Technology Sub-Committee ("BITSC"); overseeing the technology and cybersecurity related matters, including regular reports on the meeting proceedings on all matters within the duties and responsibilities;

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

2. Board Risk Management Committee ("BRMC") (continued)

(c) Roles and Responsibilities (continued)

- (xiv) Exercise oversight on Risk Management and Internal Control Committee ("RMICC") and Compliance Risk Management Committee ("CRMC"), reviewing all matters that are referred to the BRMC for consideration, including minutes and regular reports that assess the risk management and internal control;
- (xv) Exercise oversight on Assets and Liabilities Management Committee ("ALCO"); overseeing the Bank's Balance Sheet structure and to ensure that it is consistent with both the policy of the holding company and the overall business plan of the Bank;
- (xvi) Exercise oversight on credit risk management to oversee the credit risk management of the Bank;
- (xvii) Provide oversight to the senior management in establishing and implementing an appropriate AML/CFT framework of policies, procedures and processes, in the monitoring of the AML/CFT controls, and in making necessary adjustment to AML/CFT policies, to ensure proper development, monitoring, compliance and avoid of all forms of money laundering and terrorism financing and proceeds of unlawful activities in the Bank, as well as to ensure the adoption of a coordinate approach in this regard;
- (xviii) Exercise oversight on operational risk management to oversee the operational risk associated with the Bank's activities and to mitigate the risk accordingly;
- (xix) Exercise oversight on market risk management to oversee the market risk associated with the Bank's activities and to mitigate the risk accordingly;
- (xx) Exercise oversight on liquidity risk management to oversee the liquidity risk associated with the Bank's activities and management of liquidity coverage ratio ("LCR") and Net Stable Funding Ratio ("NSFR");
- (xxi) Exercise oversight on climate risk management to promote sustainability through the integration of appropriate environmental, social and governance ("ESG") considerations in risk management and decision-making process;
- (xxii) Oversee the management of compliance risk, including the approval of compliance policy and oversee its implementation;
- (xxiii) Approve the establishment of compliance function and the position of Chief Compliance Officer ("CCO");

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

2. Board Risk Management Committee ("BRMC") (continued)

(c) Roles and Responsibilities (continued)

- (xxiv) Recommend the appointment, remuneration, key performance indicators, job description and dismissal/termination of the Chief Risk Officer ("CRO")/CCO, including their performance review to the Board for approval;
- (xxv) Review and recommend to the Board for approval on new products and ensure compliance with the prevailing guidelines issued by BNM or other relevant regulatory bodies;
- (xxvi) Ensure effective oversight and governance of outsourcing arrangements, supported by a robust outsourcing risk management framework to manage outsourcing risks and ensure compliance with relevant laws, regulations and prudential requirements that relate to outsourced activities;
- (xxvii) Discuss compliance issues regularly, ensure adequate time and priority is provided in the Board's agenda to deliberate compliance issues and that such issues are resolved effectively and expeditiously;
- (xxviii) Evaluate the effectiveness of the overall management of compliance risk;
- (xxix) Undertake or consider on behalf of the BRMC Chairman or the Board such other related tasks or topics as the BRMC Chairman or Board may from time to time entrust to it.

3. Board Remuneration and Nomination Committee ("BRNC")

(a) Objective

The objective of the BRNC is to support the Board in carrying out its functions of the appointment and removal of Directors and senior management; provide a formal and transparent procedure for the appointment and removal of Directors, senior management and company secretary as well as assessment of effectiveness of individual Directors, Board as a whole and performance of senior management. In addition, the BRNC supports the Board in overseeing the design and operation of the remuneration system of the Bank; provides a formal and transparent procedure for developing remuneration policy for Directors, CEO, other members of senior management, control function heads to ensure that remuneration is competitive and consistent with the business objectives, risk strategies, corporate values and long-term interests of the Bank.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee (continued)

(b) Membership and Attendance

The BRNC comprises only Non-Executive Directors with a minimum of three members. The attendance of each member at the BRNC meetings held during the financial year ended 31 December 2022 is as reflected below:

Members	Number of Meetings	
	Meetings attended/held	%
Tan Sri Dato' Low Kian Chuan (Chairman) (Independent Non-Executive Director)	5/5	100
Eugene Khoo Kong Hooi (Independent Non-Executive Director)	5/5	100
Lee Heng Guie (Independent Non-Executive Director)	5/5	100

(c) Roles and Responsibilities

The BRNC shall be responsible, but are not limited to the following:

(i) Nomination

- Establish the minimum requirements on the skills, knowledge, experience, qualifications and other core competencies of a Director and the CEO;
- Assess and recommend to the Board the nominees for appointment of Director, Board Committee member and CEO;
- Assess and recommend to the Board, the re-appointment of Directors/CEO upon expiry of their respective terms of appointment as approved by BNM;
- On an annual basis, review the required mix of skills, experience and core competencies within the Board and make recommendations to the Board with regard to any changes;
- Oversee the overall composition of the Board, in terms of the appropriate size and skills, and the balance between Executive Director, Non-Executive Directors and Independent Directors through annual review;

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee (continued)

(c) Roles and Responsibilities (continued)

The BRNC shall be responsible, but are not limited, to the following (continued):

(i) Nomination (continued)

- Establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO. Annual assessment is conducted based on objective performance criteria. Such performance criteria are approved by the full Board;
- Recommend to the Board the removal of a Director/ CEO/ other members of senior management from the Board or management if they are ineffective, errant and negligent in discharging their responsibilities;
- Review the results of the Board's performance evaluation process;
- Ensure that all Directors receive appropriate continuous training programmes in order to keep abreast with the latest developments in the industry;
- Oversee the appointment, management succession planning and performance evaluation of senior management;

For the avoidance of doubt-

- the appointment, remuneration, dismissal/ termination and performance review of the CRO/CCO are to be recommended by BRMC and approved by the Board.
- the appointment, termination, remuneration, annual performance targets, and results of performance appraisal of the Head of Internal Audit Department are to be recommended by Board Audit Committee and approved by the Board.
- Assess on an annual basis, to ensure that the Directors and senior management are not disqualified under Section 59(1) of the Financial Services Act 2013 ("FSA") and have complied with the fit and proper requirements in accordance with the Bank's Fit and Proper Policy for Key Responsible Persons.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee (continued)

(c) Roles and Responsibilities (continued)

The BRNC shall be responsible, but are not limited, to the following (continued):

(ii) Remuneration

- Recommend to the Board a framework and developing a clear remuneration policy for Directors, CEO, other members of senior management and control function heads for the Board's approval. The remuneration framework supports the Bank's business objectives, risk strategies, corporate values and long-term interests, as well as reflects the responsibility and commitment which goes with Board membership and responsibilities of the CEO, other members of senior management, control function heads and other material risk takers;
- Recommend to the Board appropriate remuneration package, which should be sufficient to attract and retain directors of caliber, and yet not excessive to the extent the Bank's funds are used to subsidise the excessive remuneration package. The framework covers all aspects of remuneration such as the remuneration and employment conditions of the industry including Director's fees, salaries, allowances, bonuses, share options, benefit-in-kind and termination benefits;
- Recommend to the Board the appropriate level of remuneration packages for Non-Executive Directors and Independent Directors that is linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. The remuneration of each Board member may differ based on their level of expertise, knowledge and experience; and
- Recommend to the Board the selection, performance, remuneration and succession plans of the CEO, control function heads and other members of senior management.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee (continued)

(d) Overview of Remuneration System

- (i) The Bank's remuneration system is competitive and consistent with the business objectives, risk strategies, corporate values and long-term interest. It links remuneration with performance and risk factors closely. It serves to encourage staff to enhance their performance, and at the same time, to strengthen their awareness of risk so as to achieve sound remuneration management.
- (ii) The Remuneration and Incentive Policy of the BOC Group is generally in line with the broad principles set out in the
 - Hong Kong Monetary Authority ("HKMA") "Guideline on a Sound Remuneration System" and applicable to the BOCHK and all of its subsidiaries (including the branches and institutions in and out of Hong Kong); and
 - Principle 8 of BNM CG Guidelines for Licensed Institutions on the requirement of "a formal and transparent procedure for fixing the remuneration packages of Board Members, CEO and Senior Management and the remuneration policies and practices should be in line with the Licensed Institution's ethical values, objectives and culture".
- (iii) BOCHK Group Remuneration Policy sets out the components of remuneration; the governance and review mechanism for the remuneration of all employees of BOCHK Group including Bank of China (Malaysia) Berhad ("BOCM") which is a fully-owned subsidiary of BOCHK since 17 October 2016.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee (continued)

(e) Remuneration Governance

The Bank's Senior Management are responsible for the oversight of remuneration arrangements for all the Bank's local and expatriate employees in Malaysia, ensuring that a competitive remuneration structure is in place to attract and retain talents, consistent with the Bank's culture, objectives and strategy.

As at 31 December 2022, the Senior Management of the Bank consist of one (1) CEO, three (3) Deputy CEO, one (1) Chief Risk Officer.

(f) Design and Structure of Remuneration Processes

- (i) BOC Group has implemented a Remuneration Policy globally within the Group, which covers all local and expatriate employees in Malaysia. The Remuneration Policy of the Bank is founded upon the Group Remuneration System and customised to be in line with Malaysia local market practice and standard regulations. The Remuneration Policy sets out the components of remuneration, the governance and review mechanism for the remuneration of all employees of the Bank and incorporates risk management in the performance management process and job design.
- (ii) The objective of the Remuneration Policy is to align remuneration management with risk management whilst providing proper structured remuneration and compensation to attract, retain and motivate high quality people to lead, manage and serve the Bank in a competitive environment and in the best interests of all stakeholders.
- (iii) The key features of the policy include the governance and review mechanism for remuneration mix of all employees of the Bank in line with the above-mentioned objectives, and ensuring that remuneration is adjusted appropriately for the time horizon of risks undertaken.
- (iv) In year 2022, the Bank has implemented Variable Pay Deferral Policy for all employees of the Bank. The total annual variable pay is subject to deferral condition when it reaches certain threshold. The variable pay deferral rate is set according to total annual variable pay. The deferred variable pay shall be vested one year after the grant date and over 3 years period.
- (v) The Bank adopts Staff Performance Management Policy for its staff performance management, whereby the relevant compliance and risk management key performance indicators ("KPI") are embedded according to staff's position. The KPI framework sets out from 4 dimensions; (i) financial perspective, (ii) strategic execution, (iii) risk, compliance and internal control management and (iv) human capital. Employee performance assessment shall include the assessment of the demonstration of their corporate values in our efforts to uphold professionalism and utmost integrity.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee (continued)

(f) Design and Structure of Remuneration Processes (continued)

(vi) The performance of Officers in risk and control functions is assessed based on their achievements and effectiveness in the performance of their job responsibilities in control functions. Their remuneration is set independent of the financial targets of businesses they oversee to ensure the effectiveness of their roles. There is no direct linkage of their remuneration with the business performance. Failure to detect, mitigate, control or manage risk however will have a direct bearing on their remuneration.

(vii) The Bank may from time to time seek remuneration advice from external consultants such as FIDE FORUM of which the Bank is a member on the remuneration of Directors. FIDE FORUM is a non-profit organisation and the only alumni association that represents the interests of Director of Financial Institutions in Malaysia.

(g) Linking Pay to Performance

(i) The remuneration package for all employees is composed of "fixed remuneration", "variable remuneration" and "benefit-in-kind".

(ii) Fixed remuneration, referred to as "monthly base salary" and "monthly allowance". Monthly basic salary shall be reviewed annually with reference to various factors such as remuneration strategy, market pay trends and existing base salary levels. The fixed remuneration review budget is determined based on the affordability of the Group as well as the performance of the Bank, business units and individuals during the previous assessment year.

(iii) Variable remuneration is incentive-based, which is determined annually in the light of the Bank's annual performance assessment result, adherence to BOCM's corporate culture and paid in cash, includes but not limited to annual bonus, incentive, etc.

(iv) Benefit-in-kind refers to all non-cash perquisites applicable to individual employee. The Bank's staff benefits are structured according to staff category.

(v) The remuneration and incentive for expatriate staff are aligned to BOC Group's Expatriate Staff Remuneration Policy.

(vi) Every effort is made to ensure the performance metrics are objective, reliable and measurable to achieve the desired outcome. Immeasurable and "weak" performance metrics are tweaked accordingly to prevent weak linkage of remuneration to performance. Demerit system is also in place as punitive measure for non-compliance incidences.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee (continued)

(h) Impact of Longer-Term Performance on Remuneration

- (i) In order to align variable remuneration with the Bank's long-term performance and risk controls, variable remuneration of all employees is subjected to deferral based on the threshold, deferral rate and vesting terms and conditions, as stipulated in the Bank's Variable Pay Deferral Policy.
- (ii) The deferred variable remuneration payout is subject to the achievement of risk adjusted Regional Office's KPIs.
- (iii) Forfeiture of deferred variable remuneration payout may apply where prior year failures, financial loss, misconducts, for example fraud, mis-selling of financial products, breaches or non-compliances, non-observation to corporate cultures is reported subsequently. The quantum of forfeiture depends on the magnitude of the incident.

(i) Forms of Variable Remuneration

- (i) The Bank offers most employees with a performance bonus as variable remuneration and it is calculated and paid out annually in accordance with the performance assessment result provided by BOC Group.
- (ii) Sales employees are eligible for Sales Incentive Plan as variable remuneration. The payment is based on sales achievement and observation of the Bank's core values and code of conducts.
- (iii) Total amount of remuneration received by CEO and Directors during the financial year ended 31 December 2022 are as follows:

	Zhang Min	Eugene Khoo Kong Hooi	Tan Sri Dato' Low Kian Chuan	Lee Heng Guie
	RM'000	RM'000	RM'000	RM'000
Fixed Remuneration - Cash based (non-deferred)	2,018	150	123	152
Variable Remuneration - Cash based (deferred & non-deferred)	689	-	-	-
Benefits-in-kind	38	-	-	-
TOTAL	2,745	150	123	152

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

3. Board Remuneration and Nomination Committee (continued)

(i) Forms of Variable Remuneration (continued)

- (iv) Total amount of remuneration awarded to the Senior Management for the financial year ended 31 December 2022 are as follows:

Senior Management RM'000	
Fixed Remuneration	
- Cash based (non-deferred)	6,697
- Number of officers entitled	7
Variable Remuneration	
- Cash based (non-deferred)	2,215
- Number of officers entitled	6
Variable Remuneration	
- Cash based (deferred)	440
- Number of officers entitled	4
Defined contribution plan ("EPF")	236
Benefits-in-kind	38
Total	9,626

- (v) Summary of deferred remuneration for Senior Management:

Senior Management RM'000	
Variable Remuneration	
- Cash based (deferred)	981
- Number of officers entitled	6
Variable Remuneration	
- Cash based (deferred vested)	703
- Number of officers entitled	7

There is no reduction value of outstanding deferred remuneration in the year 2022 due to ex-post explicit or implicit adjustments.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

4. Board Information Technology Sub-Committee ("BITSC")

(a) Objective

The BITSC is established to assist BRMC to support the Board in discharging the responsibilities in overseeing technology and cyber security related matters, ensuring risks assessments undertaken in relation to material technology applications are robust and comprehensive, and ensuring management meets the expectations on technology and cyber security risk management as set out in BNM's policy document on Risk Management in Technology.

(b) Membership and Attendance

The BITSC comprises at least two directors and chaired by a Non-Executive Director. In the absence of the Chairman, the remaining members present shall elect one of them to chair the meeting. The attendance of each member at the BITSC meetings held during the financial year ended 31 December 2022 is as reflected below:

Members	Number of Meetings	
	Meetings attended/held	%
Lee Heng Guie (Chairman) (Independent Non-Executive Director)	5/5	100
Zhang Min (Executive Director)	3/5	60
Eugene Khoo Kong Hooi (Independent Non-Executive Director)	5/5	100

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

4. Board Information Technology Sub-Committee ("BITSC") (continued)

(c) Roles and Responsibilities

The BITSC shall be responsible, but are not limited, to the following:

- Deliberate BOCM Group's IT strategic plans, budgets, implementation and its adequacy.
- Deliberate strategic direction for IT development within BOCM Group and ensuring that IT, digitalisation, and technology related innovation strategic plans are aligned and integrated with BOCM Group's business objectives and strategies.
- Deliberate and review IT planning and strategy, including the financial, strategic benefits, objectives and risk of the proposed significant IT related projects and initiatives.
- Deliberate IT matters, including IT risk assessment and security, and ensure the effective implementation of a sound and robust technology risk management framework and cyber resilience framework.
- Oversee implementation and post implementation of IT related projects and initiatives.

5. Risk Management and Internal Control

The Board, through the BRMC, is ultimately responsible for evaluating and determining the nature and extent of risks that the Bank should take to achieve its strategic objectives, and ensuring that the Bank establishes and maintains appropriate and effective risk management framework and internal control systems. The Board provides guidance to the management to ensure effective implementation of bank-wide integrated risk management framework and internal control systems.

Management is responsible for the day-to-day operations and risk management throughout the organization, and provides assurance on the effectiveness of these systems to the Board through various committees. The Bank conducts regular review on the effectiveness of its risk management framework and internal control systems.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

5. Risk Management and Internal Control (continued)

The Bank has established a comprehensive risk management framework through the Three Lines of Defence Concept, consisting of risk-taking units, risk control units and internal audit. The risk-taking units are owners of risk and they undertake the day-to-day management of risks inherent in their business activities and ensure proper implementation of the Bank's policy. Risk control units, as the second line of defense, are responsible for the identification, measurement, monitoring and escalation of the risk. Internal audit, as the third line of defense, performs independent review to ensure the adequacy, effectiveness and robustness of the Bank's risk management and internal controls. The key internal controls are summarised as follows:

- (i) The Bank has established a robust organisational structure where the responsibility, authority and accountability of key personnel have been clearly defined. The Bank has formulated policies and procedures to embed reasonable checks and balances for all operating units, safeguard the Bank's portfolio quality, and ensure adherence to relevant laws and regulations and risk management in its operations.
- (ii) The management formulates and continuously monitors the implementation of the Bank's strategies, business plans and financial budgets. The accounting and management systems are in place to provide basis for evaluating financial and operational performance.
- (iii) The Bank has set up mechanism to identify, evaluate and manage all major categories of risks and the corresponding internal control procedures and processes. The policies and procedures cover major aspects of risks including credit, market, interest rate, liquidity, operational, legal, compliance, technology, strategic, reputation and climate-related risk. The procedures for handling and dissemination of information are currently in place.
- (iv) The Bank has established risk reporting mechanism to provide the Board, management and external stakeholders such as regulators with accurate and timely information. Such information facilitates the Board, management, business units and the regulatory bodies to assess and monitor the Bank's operation and performance. Proper communication channels and reporting mechanism are in place to facilitate risk-informed decision making.
- (v) Internal audit conducts independent reviews on the Bank's key activities using risk-based approach, follows up closely on the items that require attention and reports their implementation status to the management and the Board through BAC in a timely manner.
- (vi) The BAC reviews the reports submitted by external auditors in connection with the annual audit as well as the recommendations made by regulatory bodies on risk management and internal control. The Bank's internal audit follows up closely on the same to ensure timely implementation of the recommendations, and also periodically reports the status of the implementation to management and BAC.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

BOARD COMMITTEES (CONTINUED)

5. Risk Management and Internal Control (continued)

The Bank is committed to uphold good corporate governance practices. Internal control system is reviewed regularly to facilitate management and the Board to make informed and timely decision. During the year of 2022, continuous improvements on the risk management policies and procedures have been undertaken by the Bank. In response to local and global economic conditions, operating environment, regulatory requirement and business development, the Bank will continue to review the effectiveness of the risk management framework and internal control mechanism.

ACCOUNTABILITY AND AUDIT

Financial Reporting

The Board of Directors is assisted by the BAC to oversee the Bank's financial reporting process and the quality of its financial reporting, and present the Bank's financial performance and annual financial statements to BNM.

Internal Audit and Control

The Internal Audit reports functionally to the BAC of the Bank. Its function is independent of the activities or operations of other operating units of the Bank and its subsidiary.

The Internal Audit function undertakes regular reviews of the Group's and of the Bank's operations and the systems of internal control. Regular reviews are performed on the business processes to examine and evaluate the adequacy and efficiency of financial and operating controls. Significant risks and non-compliance impacting the Group and the Bank are highlighted and where applicable, recommendations are provided to improve on the effectiveness of risk management, internal control system and governance processes. Management follows through and reviews the status of actions on recommendations made by the internal auditors. Status of actions taken or to be taken by the management are submitted to the BAC for deliberation. Reviews by Internal Audit are carried out on units that are identified using risk-based approach taking into consideration input from the management, BAC and the Board of Directors.

The BAC meets on a scheduled basis to review issues identified in audit reports prepared by Internal Audit and further evaluates the effectiveness and adequacy of the Group's and of the Bank's internal control system. The BAC has active oversight on Internal Audit's independence, scope of work and resources. It also reviews the Internal Audit function, the scope of the annual audit plan and frequency of the internal audit activities. The Head of Internal Auditor attends the BAC meetings to facilitate the deliberation of audit reports. The minutes of the BAC meetings are subsequently tabled to the Board for information.

Whistleblowing Policy

In order to safeguard the integrity of the Bank's operations, the Board establishes, reviews and together with management implements policy and procedures on whistleblowing. The whistleblowing policy is published in the Bank's website.

A Board member has also been appointed and designated as an independent non-executive director responsible for the effective implementation of the whistleblowing policy and procedures.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

ACCOUNTABILITY AND AUDIT (CONTINUED)

Related Party Transactions

There were no other significant related party transactions other than as reported in Note 32 to the financial statements.

Compliance with BNM's Guidelines on Financial Reporting

In the preparation of the financial statements of the Group and of the Bank, the Directors have taken reasonable steps to ensure compliance in accordance with BNM's Guidelines on Financial Reporting.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

Auditors' remuneration for the financial year is RM701,000 for the Group and RM656,000 for the Bank (2021: RM469,000 for the Group and RM425,000 for the Bank). Details of auditors' remuneration are set out in Note 27 to the financial statements.

Signed on behalf of the Board of Directors in accordance with the approval granted by the Board of Directors dated 27 April 2023.

EUGENE KHOO KONG HOOI
DIRECTOR

ZHANG MIN
DIRECTOR

Kuala Lumpur
27 April 2023

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016

We, Eugene Khoo Kong Hooi and Zhang Min, being two of the Directors of Bank of China (Malaysia) Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 44 to 171 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

In accordance with a resolution of the Board of Directors dated 27 April 2023.

EUGENE KHOO KONG HOOI
DIRECTOR

ZHANG MIN
DIRECTOR

Kuala Lumpur
27 April 2023

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016

I, Qiu Hengchang, being the officer primarily responsible for the financial management of Bank of China (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 44 to 171 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

QIU HENGCHANG

Subscribed and solemnly declared by the abovenamed Qiu Hengchang at Kuala Lumpur on 27 April 2023, before me.

COMMISSIONER FOR OATH

Registration No.

200001008645 (511251-V)

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BANK OF CHINA (MALAYSIA) BERHAD**

(Incorporated in Malaysia)

Registration No. 200001008645 (511251-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Bank of China (Malaysia) Berhad (“the Bank”) and its subsidiary (“the Group”) give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Bank, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 44 to 171.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the “Auditors’ responsibilities for the audit of the financial statements” section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants (“By-Laws”) and the International Ethics Standards Board for Accountants’ International Code of Ethics for Professional Accountants (including International Independence Standards) (“IESBA Code”), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors’ report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors’ Report, but does not include the financial statements of the Group and of the Bank and our auditors’ report thereon.

Registration No.

200001008645 (511251-V)

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BANK OF CHINA (MALAYSIA) BERHAD (CONTINUED)**

(Incorporated in Malaysia)

Registration No. 200001008645 (511251-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BANK OF CHINA (MALAYSIA) BERHAD (CONTINUED)**

(Incorporated in Malaysia)

Registration No. 200001008645 (511251-V)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Registration No.

200001008645 (511251-V)

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF BANK OF CHINA (MALAYSIA) BERHAD (CONTINUED)**
(Incorporated in Malaysia)
Registration No. 200001008645 (511251-V)

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants
Kuala Lumpur
27 April 2023

NG YEE LING
03032/01/2025 J
Chartered Accountant

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Cash and short-term funds	2	2,727,104	2,535,201	2,727,053	2,535,019
Deposits and placements with banks and other financial institutions	3	1,267,909	495,772	1,267,909	495,772
Derivative financial assets	4	37,338	15,917	37,338	15,917
Debt instruments at fair value through other comprehensive income ("FVOCI")	5	1,799,508	1,672,558	1,799,508	1,672,558
Equity instruments at FVOCI	6	13,223	17,347	13,223	17,347
Equity instrument at fair value through profit and loss ("FVTPL")	7	-	-	-	-
Debt instruments at amortised cost	8	-	852,061	-	852,061
Loans and advances	9	8,847,862	8,877,009	8,858,143	8,882,517
Other assets	10	33,666	30,551	33,374	29,874
Right-of-use assets	11	33,704	28,624	27,027	27,732
Tax recoverable		26,034	14,777	23,935	12,949
Deferred tax assets	12	36,929	29,252	33,018	29,021
Statutory deposits with Bank Negara Malaysia	13	80,000	7,475	80,000	7,475
Investment in a subsidiary	14	-	-	1,000	1,000
Property and equipment	15	50,126	46,015	49,074	44,245
Intangible assets	16	2,904	2,281	2,904	2,281
TOTAL ASSETS		14,956,307	14,624,840	14,953,506	14,625,768
LIABILITIES AND EQUITY					
Deposits from customers	17	8,681,962	8,250,053	8,682,685	8,250,642
Deposits and placements of banks and other financial institutions	18	2,753,871	3,177,714	2,753,871	3,177,714
Derivative financial liabilities	4	36,239	15,529	36,239	15,529
Other liabilities	19	284,652	159,676	277,300	157,972
Subordinated loan	20	1,371,681	1,291,240	1,371,681	1,291,240
TOTAL LIABILITIES		13,128,405	12,894,212	13,121,776	12,893,097
Share capital	21	760,518	760,518	760,518	760,518
Reserves	22	1,067,384	970,110	1,071,212	972,153
TOTAL EQUITY		1,827,902	1,730,628	1,831,730	1,732,671
TOTAL LIABILITIES AND EQUITY		14,956,307	14,624,840	14,953,506	14,625,768
COMMITMENTS AND CONTINGENCIES	34	10,329,349	6,264,284	10,330,849	6,265,784

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating revenue	23	556,780	431,185	556,369	430,927
Interest income	24	471,621	358,193	471,920	358,278
Interest expense	25	(206,649)	(138,731)	(206,649)	(138,731)
Net interest income		264,972	219,462	265,271	219,547
Other operating income	26	85,159	72,992	84,449	72,649
Other operating expenses	27	(167,384)	(158,413)	(161,255)	(151,626)
Operating profit before expected credit losses		182,747	134,041	188,465	140,570
Expected credit losses ("ECL") made on loans and advances and other financial assets	29	(23,759)	(37,679)	(24,012)	(37,677)
Profit before taxation		158,988	96,362	164,453	102,893
Taxation	30	(43,061)	(25,263)	(46,741)	(25,373)
Profit for the financial year		115,927	71,099	117,712	77,520
Other comprehensive income: Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
- Net fair value changes in debt instruments at FVOCI, net of tax		(18,721)	(23,361)	(18,721)	(23,361)
- Net changes in expected credit losses in debt instruments at FVOCI		99	(105)	99	(105)
- Net gain on foreign exchange translation		(31)	27	(31)	27
Total comprehensive income for the financial year, net of tax		97,274	47,660	99,059	54,081
Earnings per share					
- Basic/fully diluted (sen)	31	15.24	9.35		

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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	
<u>Group</u>						
As at 1 January 2022	760,518	27	11,925	14,800	943,358	1,730,628
Profit for the financial year	-	-	-	-	115,927	115,927
Other comprehensive income/(expense), net of tax	-	(31)	(18,622)	-	-	(18,653)
Total comprehensive income for the financial year, net of tax	-	(31)	(18,622)	-	115,927	97,274
Transfer from retained profits to regulatory reserve	-	-	-	23,200	(23,200)	-
As at 31 December 2022	<u>760,518</u>	<u>(4)</u>	<u>(6,697)</u>	<u>38,000</u>	<u>1,036,085</u>	<u>1,827,902</u>
As at 1 January 2021	760,518	-	35,391	14,800	872,259	1,682,968
Profit for the financial year	-	-	-	-	71,099	71,099
Other comprehensive income/(expense), net of tax	-	27	(23,466)	-	-	(23,439)
Total comprehensive income for the financial year, net of tax	-	27	(23,466)	-	71,099	47,660
As at 31 December 2021	<u>760,518</u>	<u>27</u>	<u>11,925</u>	<u>14,800</u>	<u>943,358</u>	<u>1,730,628</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	← 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	
Bank						
As at 1 January 2022	760,518	27	11,925	14,800	945,401	1,732,671
Profit for the financial year	-	-	-	-	117,712	117,712
Other comprehensive income/ (expense), net of tax	-	(31)	(18,622)	-	-	(18,653)
Total comprehensive income for the financial year, net of tax	-	(31)	(18,622)	-	117,712	99,059
Transfer from retained profits to regulatory reserve	-	-	-	23,200	(23,200)	-
As at 31 December 2022	760,518	(4)	(6,697)	38,000	1,039,913	1,831,730
As at 1 January 2021	760,518	-	35,391	14,800	867,881	1,678,590
Profit for the financial year	-	-	-	-	77,520	77,520
Other comprehensive income/ (expense), net of tax	-	27	(23,466)	-	-	(23,439)
Total comprehensive income for the financial year, net of tax	-	27	(23,466)	-	77,520	54,081
As at 31 December 2021	760,518	27	11,925	14,800	945,401	1,732,671

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		158,988	96,362	164,453	102,893
Adjustments for:					
Depreciation of property and equipment	27	5,492	6,142	4,759	5,481
Depreciation of right-of-use assets	27	8,667	8,325	7,373	7,000
Amortisation of intangible assets	27	1,377	1,299	1,377	1,299
Amortisation of premium less accretion of discount	24	15,857	11,336	15,857	11,336
ECL on loans and advances and other financial assets	29	23,759	37,679	24,012	37,677
Interest income from debt instruments at FVOCI	24	(67,481)	(53,994)	(67,481)	(53,994)
Interest income from debt instruments at amortised cost	24	(3,126)	(10,769)	(3,126)	(10,769)
Finance cost on lease liabilities	27	1,268	1,249	1,119	1,179
Interest expense on subordinated loan	25	30,569	6,065	30,569	6,065
Unrealised foreign exchange (gain)/loss	26	(1,304)	1,863	(1,304)	1,863
Net gain on revaluation of derivatives	26	(711)	(506)	(711)	(506)
Dividend income received from equity instruments at FVOCI	26	(60)	(60)	(60)	(60)
Net gain on disposal of property and equipment	26	-	(4)	-	(4)
Property and equipment written-off	27	12	24	8	23
Operating profit before changes in operating assets and liabilities		173,307	105,011	176,845	109,483
(INCREASE)/DECREASE IN OPERATING ASSETS					
Deposits and placements with banks and other financial institutions		(772,139)	(395,646)	(772,139)	(395,646)
Loans and advances		7,860	(510,950)	2,846	(516,458)
Right-of-use assets		(13,747)	(3,155)	(6,668)	(3,105)
Other assets		(3,306)	(14,616)	(3,697)	(15,043)
Statutory deposits with Bank Negara Malaysia		(72,525)	(1,895)	(72,525)	(1,895)
		(680,550)	(821,251)	(675,338)	(822,664)

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
INCREASE/(DECREASE) IN OPERATING LIABILITIES					
Deposits from customers		431,909	873,884	432,043	873,151
Deposits and placements of banks and other financial institutions		(423,843)	88,182	(423,843)	88,182
Other liabilities		135,036	(997)	128,102	(949)
Subordinated loan		69,750	45,259	69,750	45,259
Cash (used in)/generated from operating activities		(467,698)	185,077	(469,286)	182,979
Taxes recovered		-	7,147	-	7,147
Taxes paid		(56,083)	(37,955)	(55,812)	(37,478)
Net cash (used in)/generated from operating activities		(523,781)	154,269	(525,098)	152,648
CASH FLOWS FROM INVESTING ACTIVITIES					
Dividend income received from equity instrument at FVOCI		60	60	60	60
Dividend income received from a subsidiary		-	-	-	-
Purchase of property and equipment	15	(11,007)	(2,268)	(10,987)	(1,785)
Proceeds from disposal of property and equipment		-	4	-	4
Purchase of intangible assets	16	(674)	(154)	(674)	(154)
Purchases of debt instruments at FVOCI		(258,745)	(546,609)	(258,745)	(546,609)
Proceeds from debt instruments at FVOCI		95,000	275,000	95,000	275,000
Purchases of debt instruments at amortised cost		(400,000)	(2,650,000)	(400,000)	(2,650,000)
Proceeds from debt instruments at amortised cost		1,250,000	2,300,000	1,250,000	2,300,000
Interest received on debt instruments at FVOCI		65,418	45,788	65,418	45,788
Interest received on debt instruments at amortised cost		5,187	8,941	5,187	8,941
Net generated from/(cash used) in investing activities		745,239	(569,238)	745,259	(568,755)

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

	<u>Note</u>	<u>Group</u>		<u>Bank</u>	
		<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of lease liabilities		(9,677)	(9,268)	(8,249)	(7,860)
Interest paid on subordinated loan		(19,878)	(6,237)	(19,878)	(6,237)
Net cash used in financing activities		<u>(29,555)</u>	<u>(15,505)</u>	<u>(28,127)</u>	<u>(14,097)</u>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL YEAR					
		191,903	(430,474)	192,034	(430,204)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR					
		<u>2,535,201</u>	<u>2,965,675</u>	<u>2,535,019</u>	<u>2,965,223</u>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR					
	2	<u><u>2,727,104</u></u>	<u><u>2,535,201</u></u>	<u><u>2,727,053</u></u>	<u><u>2,535,019</u></u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

(i) An analysis of changes in liabilities arising from financing activities is as follow:

<u>Group</u>	<u>Subordinated Loan</u> RM'000	<u>Lease Liabilities</u> RM'000	<u>Total</u> RM'000
At 1 January 2022	1,291,240	29,819	1,321,059
Repayment	-	(9,677)	(9,677)
Interest paid	(19,878)	-	(19,878)
Exchange differences	88,608	-	88,608
Other non-cash movement	11,711	14,999	26,710
	<u>1,371,681</u>	<u>35,141</u>	<u>1,406,822</u>
At 1 January 2021	1,246,153	34,777	1,280,930
Repayment	-	(9,268)	(9,268)
Interest paid	(6,237)	-	(6,237)
Exchange differences	50,304	-	50,304
Other non-cash movement	1,020	4,310	5,330
	<u>1,291,240</u>	<u>29,819</u>	<u>1,321,059</u>
	<u>Subordinated Loan</u> RM'000	<u>Lease Liabilities</u> RM'000	<u>Total</u> RM'000
<u>Bank</u>			
At 1 January 2022	1,291,240	28,876	1,320,116
Repayment	-	(8,249)	(8,249)
Interest paid	(19,878)	-	(19,878)
Exchange differences	88,608	-	88,608
Other non-cash movement	11,711	7,773	19,484
	<u>1,371,681</u>	<u>28,400</u>	<u>1,400,081</u>
At 1 January 2021	1,246,153	32,523	1,278,676
Repayment	-	(7,860)	(7,860)
Interest paid	(6,237)	-	(6,237)
Exchange differences	50,304	-	50,304
Other non-cash movement	1,020	4,213	5,233
	<u>1,291,240</u>	<u>28,876</u>	<u>1,320,116</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION

The financial statements of the Group and Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and the Bank are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ("RM'000").

The financial statements have been prepared under the historical cost convention, as modified by the fair value through other comprehensive income financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 39.

Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial years except as follows:

The Group and the Bank have applied the following amendments for the first time for the financial year beginning on 1 January 2022:

- Annual Improvements to MFRS 1 '*Subsidiary as First-time Adopter*'
- Annual Improvements to MFRS 9 '*Fees in the '10 per cent' test for Derecognition of Financial Liabilities*'
- Annual Improvements to MFRS 141 '*Taxation in Fair Value Measurements*'
- Amendments to MFRS 3 '*Reference to the Conceptual Framework*'
- Amendments to MFRS 116 '*Proceeds before Intended Use*'
- Amendments to MFRS 137 '*Onerous Contracts – Cost of Fulfilling a Contract*'
- Annual Improvements to Illustrative Example accompanying MFRS 16 '*Leases: Lease Incentives*'
- Amendment to MFRS 16 '*Covid-19-Related Rent Concessions beyond 30 June 2021*'

The adoption of the above amendments to MFRS did not have any significant impact on the current period or any prior period of the financial position or performance of the Group and of the Bank.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

Standards, amendments and Interpretations Committee ("IC") interpretation issued but not yet effective

The standards, amendments to publish standards and interpretations that are applicable to the Group and the Bank but not yet effective are disclosed below.

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2023 onward:

- Amendments to MFRS 101 '*Classification of liabilities as current or non-current*'
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112 '*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*'
- Amendments to MFRS 16 '*Lease Liability in a Sale and Leaseback*'

These pronouncements are expected to have no significant impact to the financial statements of the Group and of the Bank upon their initial application.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

B BASIS OF CONSOLIDATION

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements is prepared using the same reporting date as the Bank. Consistent accounting policies are applied for transactions and events in similar circumstances.

The Bank controls an investee if and only if the Bank has all the following:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

Changes in the Group's ownership interests in a subsidiary that do not result in the Group losing control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. The resulting difference is recognised directly in equity and attributed to owners of the Bank.

When the Group loses control of a subsidiary, a gain or loss calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets and liabilities of the subsidiary and any non-controlling interest, is recognised in profit or loss.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

B BASIS OF CONSOLIDATION (CONTINUED)

The subsidiary's cumulative gain or loss which has been recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss or where applicable, transferred directly to retained earnings. The fair value of any investment retained in the former subsidiary at the date control is lost is regarded as the cost on initial recognition of the investment.

In the Bank's separate financial statements, investment in a subsidiary is accounted for at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and the carrying amount is included in profit or loss.

Business combinations

Acquisitions of subsidiaries are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. The Group elects on a transaction-by-transaction basis whether to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Transaction costs incurred are expensed and included in administrative expenses.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with MFRS 9. Other contingent consideration that is not within the scope of MFRS 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combinations achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Subsidiary

A subsidiary is an investee and entity over which the Group has control. A subsidiary is an entity over which the Group has control as defined:

- (i) Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) Exposure, or rights, to variable returns from its investment with the investee; and
- (iii) The ability to use its power over the investee to affect its returns.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

C PROPERTY AND EQUIPMENT

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 property and equipment.

Depreciation of property and equipment, except for freehold land is calculated to write-down the costs of the property and equipment, or their revalued amounts, to their residual values on a straight line basis over their estimated useful lives as follows:

Computer equipment	3 years
Motor vehicles	6 years
Office equipment	5 to 10 years
Renovations	5 years
Buildings	30 to 35 years
ATM machine	3 years

Depreciation on work-in-progress commences when the assets are ready for their intended use.

Freehold land is not depreciated.

The assets' residual values and useful lives are reviewed and adjusted if appropriate at each reporting date.

At each reporting date, the Group and the Bank assess whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. See Note H in summary of significant accounting policies on impairment of non-financial assets.

Repairs and maintenance are charged to profit or loss during the period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group and the Bank. Major renovations are depreciated over the remaining useful life of the related asset.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit or loss.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

D INTANGIBLE ASSETS

Computer Software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on a straight-line basis over their estimated useful lives of 3 years.

Costs associated with developing or maintaining computer software programmes are recognised as an expense when incurred.

E RIGHT-OF-USE ASSETS

The Group and the Bank recognise right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and lease term.

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Group and the Bank also apply the lease of low-value assets recognition exemption to leases of assets that are considered of low-value. Lease payments on short-term leases and leases of low-value assets are recognised as expense when incurred.

F FINANCIAL ASSETS

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

(a) Recognition and initial measurement

Financial assets are classified, at initial recognition and subsequently measured at amortised cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Bank's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Bank had applied the practical expedient, the Group and the Bank initially measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

F FINANCIAL ASSETS (CONTINUED)

(a) Recognition and initial measurement (continued)

The Group's and the Bank's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. This assessment is performed at a portfolio level.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group and the Bank commit to purchase or sell the asset.

(b) Subsequent measurements

For purposes of subsequent measurement, financial assets are classified in four categories:

- (i) Financial assets at amortised cost (debt instruments);
- (ii) Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments);
- (iii) Financial assets designated at FVOCI without recycling of cumulative gains and losses upon derecognition (equity instruments); and
- (iv) Financial assets at FVTPL.

(c) Classification

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual terms, measured at either:

(i) Debts instruments at amortised cost

The Group and the Bank measure financial assets at amortised cost if both of the following conditions are met:

- (a) The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- (b) The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

F FINANCIAL ASSETS (CONTINUED)

(c) Classification (continued)

(ii) Debt instruments at FVOCI

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in the statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the statement of comprehensive income and recognised in net realised gain/(loss) on financial instruments. Interest income from these financial assets are included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other income and impairment expenses are presented as separate line item in the statement of comprehensive income.

(iii) Equity instruments at FVOCI without recycling

Upon initial recognition, the Group and the Bank may elect to classify irrevocably an equity investments that is not held for trading at FVOCI. Such classification is determined on an instrument-by-instrument basis. When this election is used, fair value gain and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal.

Dividends are recognised as other income in the statement of comprehensive income when the right of payment has been established, except when the Group and the Bank benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Group and the Bank elected to classify irrevocably its non-listed equity investments under this category.

(iv) Financial assets at FVTPL

Financial assets at FVTPL are financial assets held for trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial assets may be designated at FVTPL when:

- the designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities on a different basis; or
- a group of financial assets is managed and its performance evaluated on a fair value basis; or
- the assets include embedded derivatives and such derivatives are required to be recognised separately.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

F FINANCIAL ASSETS (CONTINUED)

(d) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when the rights to receive cash flows from the financial asset have expired. The Group and Bank also derecognise the financial asset if they have both transferred the financial asset and the transfer qualifies for derecognition.

The Group and Bank have transferred the financial asset if, and only if, either:

- transfer substantially all the risks and rewards of ownership, or
- neither transfer nor retain substantially all the risks and rewards of ownership and have not retained control.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss.

(e) Modification

The original terms of a financial asset may be renegotiated or otherwise modified, resulting in changes to the contractual cash flows of the financial asset. Financial assets that are renegotiated or otherwise modified will be accounted based on the nature and extent of changes that is expected to arise as a result of the modification or renegotiation.

(f) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of defaults, insolvency or bankruptcy.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

G IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Bank recognise allowance for expected credit loss ("ECL") for all financial assets classified as debt instruments not held at FVTPL and FVOCI without recycling. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Bank expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECL is recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL is provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there is a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For other assets, the Group and the Bank apply a simplified approach in calculating ECL. Therefore, the Group and the Bank do not track changes in credit risk, but instead recognise a loss allowance based on lifetime ECL at each reporting date.

The Group and the Bank consider a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group and the Bank may also consider a financial asset to be in default when internal or external information indicates that the Group and the Bank are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

H IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purpose of assessing impairment, assets are grouped at the lowest level for which there are separately identifiable cash flows (cash generating units).

The impairment loss is charged to statement of comprehensive income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount, other than goodwill, is recognised in statement of comprehensive income unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus.

I CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposit placements with original maturity of less than one month held for the purpose of meeting short-term commitments and are readily convertible into cash without significant risk of change in value.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

J LEASE LIABILITIES

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group and the Bank use its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

K FINANCIAL LIABILITIES

A financial liability is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Group's and the Bank's holding in financial liabilities are financial liabilities at fair value through profit or loss (including financial liabilities held for trading and those that are designated at fair value) and financial liabilities at amortised cost. Financial liabilities are derecognised when extinguished. When an existing financial liability is replaced by another financial liability from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in statement of comprehensive income.

(a) Financial liabilities at FVTPL

Financial liabilities at FVTPL are financial liabilities held-for-trading. A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges.

Financial liabilities at FVTPL are initially recognised at fair value, and transaction costs are expensed in statement of comprehensive income. Financial liabilities at FVTPL or loss are subsequently stated at fair value, with any resultant gains or losses recognised in statement of comprehensive income.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

K FINANCIAL LIABILITIES (CONTINUED)

(b) Financial liabilities measured at amortised cost

Financial liabilities that are not classified as at FVTPL fall into this category. Financial liabilities measured at amortised cost are mainly deposits from banks or customers and bills and acceptances payable.

Bills and acceptance payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

Financial liabilities measured at amortised cost are initially recognised at fair value plus transaction costs and are subsequently measured at amortised costs using the effective interest method. Gains and losses are recognised in statement of comprehensive income when the liabilities are derecognised.

L SUBORDINATED LIABILITIES

Subordinated liabilities of the Group and the Bank are measured at amortised cost using the effective interest method, except for the portions which are fair value hedged, which are adjusted for the fair value gains or losses attributable to the hedged risks. Interest expense on subordinated liabilities of the Group and the Bank are recognised on an accrual basis.

M FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the fair value of the guarantee obligation. No receivable for the future premiums is recognised.

The liability is initially measured at fair value and subsequently at the higher amount determined in accordance with MFRS 137 Provisions, Contingent Liabilities and Contingent Assets and the amount initially recognised less cumulative amortisation in accordance with MFRS 15 Revenue from Contracts with Customers, where appropriate.

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group and the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

N PROVISIONS

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

O DIVIDENDS PAYABLE

Dividends on ordinary shares are recognised as liabilities when shareholder's right to receive the dividend is established.

P CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise a contingent liability but disclose its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Bank. The Group and the Bank do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

Q RECOGNITION OF INTEREST INCOME

Interest income is recognised on an accrual basis using the EIR method.

The EIR is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the EIR, as well as premiums or discounts.

When a loan and receivable is impaired, the Group and the Bank reduce the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original EIR of the instrument, and continue unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original EIR.

Interest income from securities portfolio is recognised on an accrual basis using the EIR method. The interest income includes coupons earned/accrued and accretion/amortisation of discount/premium on these securities.

Dividend income is recognised when the right to receive payment is established.

R RECOGNITION OF FEES AND OTHER INCOME

Loan arrangement fees and commissions are recognised as income when all conditions precedent are fulfilled.

Commitment fees and guarantee fees which are material are recognised as income based on time apportionment.

Other income and any related costs are recognised on an accrual basis when the transactions have been carried out.

Dividends are recognised when the shareholders' right to receive payment is established. This applies even if they are paid out of the pre-acquisition profits. Dividend income received from a subsidiary and financial assets at FVOCI are recognised as dividend income in statement of comprehensive income.

S CURRENCY TRANSLATIONS

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Group and the Bank operate (the "functional currency"). The financial statements of the Group and the Bank are presented in Ringgit Malaysia, which is also the Bank's functional currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

T INCOME TAX

Current tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits for the financial year.

Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences principally arising from depreciation of property and equipment, amortisation of intangible assets and provision for other liabilities.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

U EMPLOYEE BENEFITS

Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

Post-employment benefits - defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions to the national pension scheme, the Employees' Provident Fund ("EPF") and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's and the Bank's contributions to the defined contribution plan are charged to statement of comprehensive income in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

V DERIVATIVE FINANCIAL INSTRUMENTS

The Group and the Bank are parties to derivative financial instruments that comprise foreign currency related contracts. These instruments are measured at fair value and are carried as assets when the fair value is positive and as liabilities when fair value is negative.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. If hedge accounting is applied, the Group and the Bank designate certain derivatives as either:

Fair value hedge

Where a derivative financial instrument hedges the change in fair value of a recognised asset or liability, any gain or loss on the hedging instrument is recognised in profit or loss. The hedged item is also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in profit or loss to offset the value change on the hedging instrument.

Cash flow hedge

Gains and losses on the hedging instrument, to the extent that the hedge is effective, are recorded in OCI and deferred in equity. The deferred gains or losses are released to profit or loss when the hedged cash flow items affect profit or loss. The ineffective part of any gain or loss is recognised in profit or loss immediately.

Net investment hedge

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in OCI and deferred in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Gains and losses accumulated in the equity are recycled to profit or loss when the foreign operation is partially disposed or sold.

Derivatives that do not qualify for hedge accounting

For derivative instruments that do not qualify for hedge accounting, their changes in the fair values are recognised immediately in statement of comprehensive income.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1 GENERAL INFORMATION

The principal activities of the Bank are commercial banking and related financial services. The principal activity of the subsidiary is that of providing Chinese visa application services.

The immediate holding company of the Bank is Bank of China (Hong Kong) Limited, which is incorporated in Hong Kong whereas the penultimate holding company is Bank of China Limited and the ultimate holding company is Central Huijin Investment Ltd, both incorporated in China.

The Bank is a limited liability company, incorporated and domiciled in Malaysia.

The address of the registered office of the Bank is Second Floor, Plaza OSK, Jalan Ampang, 50450 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	307,869	303,779	307,820	303,599
Cash in hand	25,761	22,602	25,759	22,600
Money at call and deposit placements with original maturity within one month	2,393,556	2,208,939	2,393,556	2,208,939
	<u>2,727,186</u>	<u>2,535,320</u>	<u>2,727,135</u>	<u>2,535,138</u>
Less: ECL	(82)	(119)	(82)	(119)
	<u>2,727,104</u>	<u>2,535,201</u>	<u>2,727,053</u>	<u>2,535,019</u>

Movements in ECL on cash and short-term funds:

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Stage 1 (12-month ECL):		
As at 1 January	119	85
ECL (written-back)/made during the financial year (Note 29)	(37)	34
As at 31 December	<u>82</u>	<u>119</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Bank Negara Malaysia	-	45,655
Licensed banks	1,267,930	450,136
	<u>1,267,930</u>	<u>495,791</u>
Less: ECL	(21)	(19)
	<u><u>1,267,909</u></u>	<u><u>495,772</u></u>

Movements in ECL on Deposits and Placements with Banks and Other Financial Institutions:

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Stage 1 (12-month ECL):		
As at 1 January	19	-
ECL made during the financial year (Note 29)	2	19
	<u>21</u>	<u>19</u>
As at 31 December	<u><u>21</u></u>	<u><u>19</u></u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

4 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges and also transacted for proprietary trading purposes.

The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative financial assets) and gross negative (derivative financial liabilities) fair values at the reporting date are analysed below.

	Contract or underlying principal amount RM'000	Derivative financial assets RM'000	Group and Bank Derivative financial liabilities RM'000
31 December 2022			
Foreign exchange related contracts:			
- spots/forwards/swap	4,128,883	37,338	(36,239)
	4,128,883	37,338	(36,239)
31 December 2021			
Foreign exchange related contracts:			
- spots/forwards/swap	1,293,254	15,917	(15,529)
	1,293,254	15,917	(15,529)

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

The following ECL for debt instruments are not recognized in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value:

	Group and Bank	
	2022 RM'000	2021 RM'000
Money market instrument:		
Malaysian Government Securities ("MGS")	584,619	491,996
Malaysian Government Investment Issues quoted securities	1,100,406	1,062,281
Unquoted securities:		
Corporate bond	49,833	50,736
Foreign bond	64,650	67,545
	114,483	118,281
	1,799,508	1,672,558

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Movements in ECL on Corporate Bond

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Stage 1 (12-month ECL):		
As at 1 January	92	197
ECL made/(written-back) during the financial year (Note 29)	99	(105)
As at 31 December	<u>191</u>	<u>92</u>

6 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
At fair value:		
Unquoted securities in Malaysia		
of which:		
- Cagamas Holdings Berhad	10,020	13,896
- Credit Guarantee Corporation ("CGC")	3,203	3,451
	<u>13,223</u>	<u>17,347</u>

7 EQUITY INSTRUMENT AT FAIR VALUE THROUGH PROFIT AND LOSS

The quoted securities was measured at fair value.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

8 DEBT INSTRUMENTS AT AMORTISED COST

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

9 LOANS AND ADVANCES

(i) By type:

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Overdrafts	278,484	301,611	278,484	301,611
Term loans				
- Housing loans	741,301	589,255	741,301	589,255
- Syndicated term loans	3,616,943	3,598,233	3,616,943	3,598,233
- Other term loans	1,538,812	1,868,587	1,538,812	1,868,587
Bills receivables	685,224	466,483	685,224	466,483
Trust receipts	1,514	-	1,514	-
Claims on customers under acceptance credits	668,056	585,075	668,056	585,075
Revolving credits	1,564,528	1,712,995	1,575,050	1,718,503
Staff loans	1,127	1,235	1,127	1,235
Gross loans and advances	<u>9,095,989</u>	<u>9,123,474</u>	<u>9,106,511</u>	<u>9,128,982</u>
Less: ECL	(248,127)	(246,465)	(248,368)	(246,465)
Total net loans and advances	<u><u>8,847,862</u></u>	<u><u>8,877,009</u></u>	<u><u>8,858,143</u></u>	<u><u>8,882,517</u></u>

(ii) By geographical distribution:

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Malaysia	5,821,029	5,527,556	5,831,551	5,533,064
Other countries	3,274,960	3,595,918	3,274,960	3,595,918
Gross loans and advances	<u><u>9,095,989</u></u>	<u><u>9,123,474</u></u>	<u><u>9,106,511</u></u>	<u><u>9,128,982</u></u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

9 LOANS AND ADVANCES (CONTINUED)

(v) By residual contractual maturity:

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Maturing within one month	1,426,350	1,119,692
More than one month to three months	1,406,476	1,001,798
More than three months to six months	643,198	497,468
More than six months to twelve months	234,664	1,004,590
More than twelve months	5,385,301	5,499,926
	<hr/>	<hr/>
Gross loans and advances	9,095,989	9,123,474
	<hr/> <hr/>	<hr/> <hr/>
	<u>Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Maturing within one month	1,436,872	1,125,200
More than one month to three months	1,406,476	1,001,798
More than three months to six months	643,198	497,468
More than six months to twelve months	234,664	1,004,590
More than twelve months	5,385,301	5,499,926
	<hr/>	<hr/>
Gross loans and advances	9,106,511	9,128,982
	<hr/> <hr/>	<hr/> <hr/>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

9 LOANS AND ADVANCES (CONTINUED)

(vi) Changes in gross loans and advances carrying amount

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 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>
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
Amount 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>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

9 LOANS AND ADVANCES (CONTINUED)

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

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	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)(Stage2)	(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>
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
Amount 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>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

9 LOANS AND ADVANCES (CONTINUED)

(vii) Credit impaired loans and advances:

(a) Movements in credit impaired loans and advances:

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
As at 1 January	197,991	199,948
Classified as credit impaired during the year	230,317	9,389
Reclassified as non-credit impaired during the year	(10,044)	-
Amount recovered	(1,302)	(10,612)
Amount written-off	(36,130)	(734)
	<hr/>	<hr/>
As at 31 December	380,832	197,991
Less: Lifetime ECL (credit impaired) (Stage 3)	(178,597)	(96,701)
	<hr/>	<hr/>
	<u>202,235</u>	<u>101,290</u>

(viii) Gross credit impaired loans and advances

(a) By geographical distribution:

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Malaysia	358,507	174,122
Other countries	22,325	23,869
	<hr/>	<hr/>
	<u>380,832</u>	<u>197,991</u>

(b) By economic sector:

Agriculture, forestry and fishing	37,330	5,081
Manufacturing	100,032	58,575
Electricity, gas, steam and air conditioning supply	22,325	23,869
Construction	765	2,719
Accommodation and food service activities	16,017	-
Financial and insurance/ takaful activities	35,326	-
Real estate activities	3,213	11,422
Arts, entertainment and recreation	75,712	75,307
Household	90,112	21,018
	<hr/>	<hr/>
	<u>380,832</u>	<u>197,991</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

9 LOANS AND ADVANCES (CONTINUED)

(ix) 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 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 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	<u>41,064</u>	<u>28,466</u>	<u>178,597</u>	<u>248,127</u>
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
ECL (written-back)/made during the 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	<u>53,237</u>	<u>96,527</u>	<u>96,701</u>	<u>246,465</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

9 LOANS AND ADVANCES (CONTINUED)

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

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)	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 year	(16,351)	(3,098)	44,898	25,449
Full settlement	(1,382)	(4,680)	(594)	(6,656)
Amount written off	-	-	(36,130)	(36,130)
Other movement	-	-	16,505	16,505
	<u>41,064</u>	<u>28,707</u>	<u>178,597</u>	<u>248,368</u>
Allowance for ECL as at 31 December 2022	<u>41,064</u>	<u>28,707</u>	<u>178,597</u>	<u>248,368</u>
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
ECL (written-back)/made during the year	(17,286)	9,333	(273)	(8,226)
Full settlement	(1,506)	(438)	(1,008)	(2,952)
Amount written off	-	-	(734)	(734)
	<u>53,237</u>	<u>96,527</u>	<u>96,701</u>	<u>246,465</u>
Allowance for ECL as at 31 December 2021	<u>53,237</u>	<u>96,527</u>	<u>96,701</u>	<u>246,465</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

9 LOANS AND ADVANCES (CONTINUED)

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

Impact of movements in gross carrying amount on expected credit losses

Allowance for impairment of loans and advances has been made based on the following three-stage approach which reflects the change in credit quality of the financial assets.

Overall, total allowance for impairment on loan and advances for the Group and Bank increased by RM1.6 million and RM1.9 million respectively, which was mainly due to the following:

- (a) 12-month ECL (stage 1) – decreased by RM12.2 million for the Group and Bank, mainly due to credit rating improve from existing loan and advances.
- (b) Lifetime ECL Not Credit-Impaired (stage 2) - decreased by RM68.1 million and RM67.8 million for the Group and Bank respectively, mainly due to loan and advances that migrated from stage 2 to stage 3.
- (c) Lifetime ECL Credit-Impaired (stage 3)- increased by RM81.9 million for the Group and Bank, mainly due to credit quality deteriorated and accounts migrated from stage 2 to stage 3.

10 OTHER ASSETS

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Other receivables	29,307	27,103	29,421	26,828
Sundry deposits	2,824	2,860	2,405	2,441
Prepayments	2,133	1,033	2,133	1,032
Precious metal inventories	47	109	47	109
	34,311	31,105	34,006	30,410
Less: ECL	(645)	(554)	(632)	(536)
	33,666	30,551	33,374	29,874

Movements in ECL on other assets

	Group		Bank	
	2022	2021	2022	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 year (Note 29)	294	162	299	160
Amount written-off	(203)	-	(203)	-
As at 31 December	645	554	632	536

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

11 RIGHT-OF-USE ASSETS

	<u>Premises</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
<u>Group</u>			
<u>Cost</u>			
As at 1 January 2022	48,283	888	49,171
Additions	13,727	-	13,727
Remeasurement of lease terms	-	192	192
Termination of lease contracts	(444)	-	(444)
As at 31 December 2022	<u>61,566</u>	<u>1,080</u>	<u>62,646</u>
<u>Accumulated depreciation</u>			
As at 1 January 2022	20,320	227	20,547
Charge for the financial year	8,361	306	8,667
Remeasurement of lease terms	-	-	-
Termination of lease contracts	(272)	-	(272)
As at 31 December 2022	<u>28,409</u>	<u>533</u>	<u>28,942</u>
Net carrying amount	<u><u>33,157</u></u>	<u><u>547</u></u>	<u><u>33,704</u></u>
<u>Cost</u>			
As at 1 January 2021	47,072	167	47,239
Additions	2,678	721	3,399
Remeasurement of lease terms	906	-	906
Termination of lease contracts	(2,373)	-	(2,373)
As at 31 December 2021	<u>48,283</u>	<u>888</u>	<u>49,171</u>
<u>Accumulated depreciation</u>			
As at 1 January 2021	13,296	149	13,445
Charge for the financial year	8,247	78	8,325
Remeasurement of lease terms	(167)	-	(167)
Termination of lease contracts	(1,056)	-	(1,056)
As at 31 December 2021	<u>20,320</u>	<u>227</u>	<u>20,547</u>
Net carrying amount	<u><u>27,963</u></u>	<u><u>661</u></u>	<u><u>28,624</u></u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

11 RIGHT-OF-USE ASSETS (CONTINUED)

	<u>Premises</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Total</u> RM'000
<u>Bank</u>			
<u>Cost</u>			
As at 1 January 2022	43,530	888	44,418
Additions	6,595	-	6,595
Remeasurement of lease terms	-	192	192
Termination of lease contracts	(345)	-	(345)
As at 31 December 2022	<u>49,780</u>	<u>1,080</u>	<u>50,860</u>
<u>Accumulated depreciation</u>			
As at 1 January 2022	16,459	227	16,686
Charge for the financial year	7,067	306	7,373
Remeasurement of lease terms	-	-	-
Termination of lease contracts	(226)	-	(226)
As at 31 December 2022	<u>23,300</u>	<u>533</u>	<u>23,833</u>
Net carrying amount	<u><u>26,480</u></u>	<u><u>547</u></u>	<u><u>27,027</u></u>
<u>Cost</u>			
As at 1 January 2021	42,328	167	42,495
Additions	2,585	721	3,306
Remeasurement of lease terms	906	-	906
Termination of lease contracts	(2,289)	-	(2,289)
As at 31 December 2021	<u>43,530</u>	<u>888</u>	<u>44,418</u>
<u>Accumulated depreciation</u>			
As at 1 January 2021	10,719	149	10,868
Charge for the financial year	6,922	78	7,000
Remeasurement of lease terms	(167)	-	(167)
Termination of lease contracts	(1,015)	-	(1,015)
As at 31 December 2021	<u>16,459</u>	<u>227</u>	<u>16,686</u>
Net carrying amount	<u><u>27,071</u></u>	<u><u>661</u></u>	<u><u>27,732</u></u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

11 RIGHT-OF-USE ASSETS (CONTINUED)

The following are the amounts recognised in profit or loss:

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Expense relating to short-term leases (included in establishment cost)	14	215	14	215
Expense relating to leases of low value assets (included in establishment cost)	45	20	34	15
	<u>45</u>	<u>20</u>	<u>34</u>	<u>15</u>

12 DEFERRED TAX ASSETS

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
As at 1 January	29,252	15,588	29,021	15,467
Recognised in profit or loss (Note 30)	1,765	6,225	(1,915)	6,115
Recognised in other comprehensive income	5,912	7,439	5,912	7,439
As at 31 December	<u>36,929</u>	<u>29,252</u>	<u>33,018</u>	<u>29,021</u>

Deferred tax assets and liabilities prior to offsetting are summarized as follows:

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	38,409	33,356	34,282	33,262
Deferred tax liabilities	(1,480)	(4,104)	(1,264)	(4,241)
	<u>36,929</u>	<u>29,252</u>	<u>33,018</u>	<u>29,021</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

12 DEFERRED TAX ASSETS (CONTINUED)

The movement in deferred tax assets and liabilities during the financial year are as follows:

Deferred tax assets/(liabilities)

	<u>Unabsorbed tax losses and capital allowance</u>	<u>Accelerated capital allowances</u> RM'000	<u>Right-of-use assets</u> RM'000	<u>ECL</u> RM'000	<u>Provision for other liabilities</u> RM'000	<u>Fair value through other comprehensive reserve</u> RM'000	<u>Unrealised forex gains/ losses</u> RM'000	<u>Total</u> RM'000
<u>Group</u>								
As at 1 January 2021	-	(367)	236	14,955	11,101	(11,176)	839	15,588
Recognised in profit or loss (Note 30)	-	-	51	5,900	1,113	-	(839)	6,225
Recognised in other comprehensive income	-	-	-	-	-	7,439	-	7,439
As at 31 December 2021	-	(367)	287	20,855	12,214	(3,737)	-	29,252
Recognised in profit or loss (Note 30)	4,029	(1,113)	58	(5,343)	4,134	-	-	1,765
Recognised in other comprehensive income	-	-	-	-	-	5,912	-	5,912
As at 31 December 2022	<u>4,029</u>	<u>(1,480)</u>	<u>345</u>	<u>15,512</u>	<u>16,348</u>	<u>2,175</u>	<u>-</u>	<u>36,929</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

12 DEFERRED TAX ASSETS (CONTINUED)

The movement in deferred tax assets and liabilities during the financial year are as follows (continued):

Deferred tax assets/(liabilities) (continued)

	Accelerated capital allowances RM'000	Right-of-use assets RM'000	ECL RM'000	Provision for other liabilities RM'000	Fair value through other comprehensive reserve RM'000	Unrealised forex gains/ losses RM'000	Total RM'000
<u>Bank</u>							
As at 1 January 2021	(375)	215	14,954	11,010	(11,176)	839	15,467
Recognised in profit or loss (Note 30)	(129)	60	5,900	1,123	-	(839)	6,115
Recognised in other comprehensive income	-	-	-	-	7,439	-	7,439
As at 31 December 2021	(504)	275	20,854	12,133	(3,737)	-	29,021
Recognised in profit or loss (Note 30)	(760)	54	(5,346)	4,137	-	-	(1,915)
Recognised in other comprehensive income	-	-	-	-	5,912	-	5,912
As at 31 December 2022	(1,264)	329	15,508	16,270	2,175	-	33,018

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

12 DEFERRED TAX ASSETS (CONTINUED)

The amounts of net deferred tax assets, which are not recognised in the financial statements due to uncertainty of their realisation, are as follows:

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Unutilised tax losses	-	9,904
Unabsorbed capital allowances	-	964
	-	10,868

In the current financial year, the subsidiary reported unutilised tax losses which are available for offsetting future taxable profit generated from business source only for the next 10 consecutive years effective from year of assessment 2020. The unabsorbed capital allowance can be carried forward indefinitely to offset against future taxable profits generated from the same underlying business source made by the subsidiary.

However, these utilisation of carried forward tax losses and allowances are also subject to no substantial change in shareholdings of those entities under the Income Tax Act 1967 and guidelines issued by the tax authority.

13 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount of the Statutory Reserve Requirement is determined based on a set percentage of total eligible liabilities.

14 INVESTMENT IN A SUBSIDIARY

	<u>Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Unquoted shares, at cost, in Malaysia	1,000	1,000

The subsidiary of the Bank is as follow:

<u>Name</u>	<u>Principal activity</u>	<u>Percentage of equity held</u>	
		<u>2022</u>	<u>2021</u>
		%	%
China Bridge (Malaysia) Sdn. Bhd.	Chinese visa application services	100	100

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

15 PROPERTY AND EQUIPMENT

<u>Group</u>	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment and furniture</u> RM'000	<u>Renovations</u> RM'000	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>ATM machine</u> RM'000	<u>Work-in-progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>									
As at 1 January 2022	15,149	4,009	10,950	19,420	14,000	26,375	3,214	851	93,968
Additions	9,113	-	158	60	-	-	235	1,441	11,007
Reclassification	-	-	184	377	-	-	-	(561)	-
Reclassify to intangible assets (Note 16)	-	-	-	-	-	-	-	(1,326)	(1,326)
Write-offs	(107)	-	(388)	-	-	-	-	(65)	(560)
As at 31 December 2022	<u>24,155</u>	<u>4,009</u>	<u>10,904</u>	<u>19,857</u>	<u>14,000</u>	<u>26,375</u>	<u>3,449</u>	<u>340</u>	<u>103,089</u>
<u>Accumulated depreciation</u>									
As at 1 January 2022	11,369	3,660	8,715	16,436	-	4,778	2,995	-	47,953
Charge for the financial year (Note 27)	1,924	125	1,088	1,475	-	788	92	-	5,492
Write-offs	(104)	-	(378)	-	-	-	-	-	(482)
As at 31 December 2022	<u>13,189</u>	<u>3,785</u>	<u>9,425</u>	<u>17,911</u>	<u>-</u>	<u>5,566</u>	<u>3,087</u>	<u>-</u>	<u>52,963</u>
Net carrying amount	<u>10,966</u>	<u>224</u>	<u>1,479</u>	<u>1,946</u>	<u>14,000</u>	<u>20,809</u>	<u>362</u>	<u>340</u>	<u>50,126</u>

Included in the work-in-progress is projects relating to intangible assets amounting to RM340,000 (2021: RM230,000).

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

15 PROPERTY AND EQUIPMENT (CONTINUED)

<u>Group</u>	<u>Computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment and furniture</u> RM'000	<u>Renovations</u> RM'000	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>ATM machine</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>									
As at 1 January 2021	13,324	4,009	11,123	18,902	14,000	26,375	3,060	4,502	95,295
Additions	962	-	192	-	-	-	-	1,114	2,268
Reclassification	1,398	-	83	518	-	-	169	(3,379)	(1,211)
Reclassify to intangible assets (Note 16)	-	-	-	-	-	-	-	(1,386)	(1,386)
Disposal	-	-	-	-	-	-	(11)	-	(11)
Write-offs	(535)	-	(448)	-	-	-	(4)	-	(987)
As at 31 December 2021	15,149	4,009	10,950	19,420	14,000	26,375	3,214	851	93,968
<u>Accumulated depreciation</u>									
As at 1 January 2021	9,946	3,496	8,000	14,551	-	3,990	2,802	-	42,785
Charge for the financial year (Note 27)	1,944	164	1,154	1,885	-	788	207	-	6,142
Disposal	-	-	-	-	-	-	(11)	-	(11)
Write-offs	(521)	-	(439)	-	-	-	(3)	-	(963)
As at 31 December 2021	11,369	3,660	8,715	16,436	-	4,778	2,995	-	47,953
Net carrying amount	3,780	349	2,235	2,984	14,000	21,597	219	851	46,015

Included in the work-in-progress is projects relating to intangible assets amounting to RM230,000 (2020: RM1,399,000).

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

15 PROPERTY AND EQUIPMENT (CONTINUED)

<u>Bank</u>	<u>Office computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment and furniture</u> RM'000	<u>Renovations</u> RM'000	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>ATM machine</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>									
As at 1 January 2022	12,872	4,008	9,633	16,765	14,000	26,375	3,143	851	87,647
Additions	9,113	-	138	60	-	-	235	1,441	10,987
Reclassification	-	-	184	377	-	-	-	(561)	-
Reclassify to intangible assets (Note 16)	-	-	-	-	-	-	-	(1,326)	(1,326)
Write-offs	-	-	(362)	-	-	-	-	(65)	(427)
As at 31 December 2022	21,985	4,008	9,593	17,202	14,000	26,375	3,378	340	96,881
<u>Accumulated depreciation</u>									
As at 1 January 2022	10,370	3,659	7,527	14,142	-	4,778	2,926	-	43,402
Charge for the financial year (Note 27)	1,358	125	1,039	1,357	-	788	92	-	4,759
Write-offs	-	-	(354)	-	-	-	-	-	(354)
As at 31 December 2022	11,728	3,784	8,212	15,499	-	5,566	3,018	-	47,807
Net carrying amount	10,257	224	1,381	1,703	14,000	20,809	360	340	49,074

Included in the work-in-progress is projects relating to intangible assets amounting to RM340,000 (2021: RM230,000).

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

15 PROPERTY AND EQUIPMENT (CONTINUED)

<u>Bank</u>	<u>Office computer equipment</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment and furniture</u> RM'000	<u>Renovations</u> RM'000	<u>Freehold land</u> RM'000	<u>Buildings</u> RM'000	<u>ATM machine</u> RM'000	<u>Work-in- progress</u> RM'000	<u>Total</u> RM'000
<u>Cost</u>									
As at 1 January 2021	12,745	4,008	9,849	16,630	14,000	26,375	2,989	2,706	89,302
Additions	567	-	192	-	-	-	-	1,026	1,785
Reclassification	44	-	40	135	-	-	169	(1,495)	(1,107)
Reclassify to intangible assets (Note 16)	-	-	-	-	-	-	-	(1,386)	(1,386)
Disposal	-	-	-	-	-	-	(11)	-	(11)
Write-offs	(484)	-	(448)	-	-	-	(4)	-	(936)
As at 31 December 2021	12,872	4,008	9,633	16,765	14,000	26,375	3,143	851	87,647
<u>Accumulated depreciation</u>									
As at 1 January 2021	9,390	3,495	6,866	12,371	-	3,990	2,733	-	38,845
Charge for the financial year (Note 27)	1,451	164	1,100	1,771	-	788	207	-	5,481
Disposal	-	-	-	-	-	-	(11)	-	(11)
Write-offs	(471)	-	(439)	-	-	-	(3)	-	(913)
As at 31 December 2021	10,370	3,659	7,527	14,142	-	4,778	2,926	-	43,402
Net carrying amount	2,502	349	2,106	2,623	14,000	21,597	217	851	44,245

Included in the work-in-progress is projects relating to intangible assets amounting to RM230,000 (2020: RM1,399,000).

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

16 INTANGIBLE ASSETS

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Computer software</u>				
<u>Cost</u>				
As at 1 January	6,748	5,208	6,745	5,205
Additions	674	154	674	154
Reclassify from property and equipment (Note 15)	1,326	1,386	1,326	1,386
As at 31 December	8,748	6,748	8,745	6,745
<u>Accumulated amortisation</u>				
As at 1 January	4,467	3,168	4,464	3,165
Charge for the financial year (Note 27)	1,377	1,299	1,377	1,299
As at 31 December	5,844	4,467	5,841	4,464
Net book value	2,904	2,281	2,904	2,281

17 DEPOSITS FROM CUSTOMERS

(i) By type of deposits

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Demand deposits	2,473,554	1,842,729	2,474,277	1,843,318
Savings deposits	490,932	459,237	490,932	459,237
Fixed deposits	5,712,476	5,647,419	5,712,476	5,647,419
Negotiable instruments of deposits	-	300,668	-	300,668
Other	5,000	-	5,000	-
	8,681,962	8,250,053	8,682,685	8,250,642

Details on balances with related parties are disclosed in Note 32(b).

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

17 DEPOSITS FROM CUSTOMERS (CONTINUED)

(ii) By type of customers

	Group		Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Government and statutory bodies	5,000	-	5,000	-
Business enterprises	3,389,182	2,789,092	3,389,905	2,789,681
Individuals	3,698,555	3,491,708	3,698,555	3,491,708
Others	1,589,225	1,969,253	1,589,225	1,969,253
	<u>8,681,962</u>	<u>8,250,053</u>	<u>8,682,685</u>	<u>8,250,642</u>

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

	Group		Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Due within six months	4,341,965	4,617,444	4,341,965	4,617,444
Six months to one year	1,320,320	1,318,940	1,320,320	1,318,940
One year to three years	50,191	11,703	50,191	11,703
	<u>5,712,476</u>	<u>5,948,087</u>	<u>5,712,476</u>	<u>5,948,087</u>

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Bank Negara Malaysia	15,870	16,430
Licensed banks	2,725,626	3,152,882
Licensed investment banks	5,560	5,792
Licensed Islamic banks	6,811	2,607
Other financial institutions	4	3
	<u>2,753,871</u>	<u>3,177,714</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

19 OTHER LIABILITIES

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	41,912	33,558	41,504	33,077
Margin deposits	75,530	30,702	75,530	30,702
Other liabilities	121,089	56,731	120,879	56,451
Lease liabilities (Note 19(i))	35,141	29,819	28,400	28,876
Allowance for ECL on commitments and contingencies (Note 19(ii))	10,980	8,866	10,987	8,866
	<u>284,652</u>	<u>159,676</u>	<u>277,300</u>	<u>157,972</u>

The margin deposits include interest bearing deposits amounting to RM2,132,000 (2021: RM13,886,000) with a range of interest between 0.50% to 3.00% (2021: 0.50% to 3.00%), and the non-interest bearing deposits amounting to RM73,398,000 (2021: RM16,816,000).

(i) Lease liabilities maturity analysis

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Scheduled repayment of lease liabilities				
- Not later than one year	8,575	7,364	7,477	6,542
- Later than one year and not later than five years	23,148	19,379	18,584	19,258
- Later than five years	3,418	3,076	2,339	3,076
	<u>35,141</u>	<u>29,819</u>	<u>28,400</u>	<u>28,876</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

19 OTHER LIABILITIES (CONTINUED)

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

Group

	ECL (Stage 1) RM'000	Lifetime ECL 12-month (non-credit impaired) (Stage 2) RM'000	Lifetime ECL ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2022	8,789	77	-	8,866
Transferred to 12-month 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 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>

	ECL (Stage 1) RM'000	Lifetime ECL 12-month (non-credit impaired) (Stage 2) RM'000	Lifetime ECL ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2021	8,424	230	-	8,654
Transferred to 12-month 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 year	(3,022)	(122)	(41)	(3,185)
Full settlement	(274)	(68)	-	(342)
As at 31 December 2021	<u>8,789</u>	<u>77</u>	<u>-</u>	<u>8,866</u>

The exposure of the commitments and contingencies are disclosed in Note 37 (b)(v).

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

19 OTHER LIABILITIES (CONTINUED)

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

Bank

	ECL (Stage 1) RM'000	Lifetime ECL 12-month (non-credit impaired) (Stage 2) RM'000	Lifetime ECL ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2022	8,789	77	-	8,866
Transferred to 12-month 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 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>

	ECL (Stage 1) RM'000	Lifetime ECL 12-month (non-credit impaired) (Stage 2) RM'000	Lifetime ECL ECL (credit impaired) (Stage 3) RM'000	Total RM'000
As at 1 January 2021	8,424	230	-	8,654
Transferred to 12-month 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 year	(3,022)	(122)	(41)	(3,185)
Full settlement	(274)	(68)	-	(342)
As at 31 December 2021	<u>8,789</u>	<u>77</u>	<u>-</u>	<u>8,866</u>

The exposure of the commitments and contingencies are disclosed in Note 37 (b)(v).

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

20 SUBORDINATED LOAN

	Group and Bank	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
At cost	1,254,725	1,254,725
Interest accrued	11,711	1,020
Foreign exchange difference	105,245	35,495
	<u>1,371,681</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 tenure 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 five (5) years subject to BNM's approval and other conditions.

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

21 SHARE CAPITAL

	Number of ordinary shares		Amount	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	'000	'000	RM'000	RM'000
<u>Group and Bank</u>				
Ordinary shares with par value at RM1 issued and fully paid:				
At 1 January/31 December	<u>760,518</u>	<u>760,518</u>	<u>760,518</u>	<u>760,518</u>

22 RESERVES

(a) Retained profits

The Bank may distribute dividends out of its entire retained profits as at 31 December 2022 under the single tier system.

(b) Regulatory reserve

The Bank must maintain, 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 document issued on 27 September 2019. As at the report date, the Bank maintains the loss allowance for non-credit impaired exposure and regulatory reserve at the minimum of 1%.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

22 RESERVES (CONTINUED)

(c) Fair value through other comprehensive reserve

The fair reserve through other comprehensive reserve is in respect of unrealised fair value gains and losses on debt and equity instruments at FVOCI, net of tax.

(d) Foreign exchange reserve

The foreign exchange reserve captures the foreign exchange currency translation differences in respect of debt instrument at FVOCI, net of tax.

23 OPERATING REVENUE

Operating revenue comprises interest income, gross fee and gross commission income, investment income, service charges and other income.

24 INTEREST INCOME

	<u>Group</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Loans and advances		
- Interest income on non-credit impaired loans and advances	333,678	240,185
- Interest income on credit impaired loans and advances	(1,161)	6,020
Money at call and deposit placements with financial institutions	83,864	56,450
Debt instruments at FVOCI	67,481	53,994
Debt instruments at amortised cost	3,126	10,769
Other interest income	490	2,111
	<u>487,478</u>	<u>369,529</u>
Amortisation of premium less accretion of discount	(15,857)	(11,336)
	<u>471,621</u>	<u>358,193</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

24 INTEREST INCOME (CONTINUED)

	Bank	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Loans and advances		
- Interest income on non-credit impaired loans and advances	333,977	240,270
- Interest income on credit impaired loans and advances	(1,161)	6,020
Money at call and deposit placements with financial institutions	83,864	56,450
Debt instruments at FVOCI	67,481	53,994
Debt instruments at amortised cost	3,126	10,769
Other interest income	490	2,111
	<u>487,777</u>	<u>369,614</u>
Amortisation of premium less accretion of discount	(15,857)	(11,336)
	<u>471,920</u>	<u>358,278</u>

25 INTEREST EXPENSE

	Group and Bank	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	44,351	10,341
Deposits from customers	131,031	119,969
Subordinated loan	30,569	6,065
Others	698	2,356
	<u>206,649</u>	<u>138,731</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

26 OTHER OPERATING INCOME

	Group		Bank	
	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000
Fee income:				
- Fee on loans and advances	12,434	12,479	12,434	12,479
- Service charges and fees	4,542	5,862	3,161	5,518
- Guarantee fees	16,434	14,729	16,434	14,729
	<u>33,410</u>	<u>33,070</u>	<u>32,029</u>	<u>32,726</u>
Fee expense:				
- Commission related expenses	(461)	6	-	-
Net fee income	<u>32,949</u>	<u>33,076</u>	<u>32,029</u>	<u>32,726</u>
Foreign exchange gain/(loss):				
- Realised	49,002	38,423	49,002	38,423
- Unrealised	1,304	(1,863)	1,304	(1,863)
Net gain on revaluation of derivatives	711	506	711	506
Revenue from sale of precious metal products	167	249	167	249
Gain from derivative financial instrument	572	434	572	434
Dividend income:				
- Equity instruments at FVOCI	60	60	60	60
Net gain on disposal of property and equipment	-	4	-	4
Other income	394	2,103	604	2,110
	<u>85,159</u>	<u>72,992</u>	<u>84,449</u>	<u>72,649</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

27 OTHER OPERATING EXPENSES

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Personnel expenses</u>				
Salaries and wages (includes CEO/ED)	66,174	71,818	63,522	68,562
Bonuses	31,555	26,238	31,435	25,983
Defined contribution plan ("EPF")	12,523	12,003	12,246	11,712
Staff welfare expenses	3,465	3,213	3,320	3,052
Other personnel costs	15,739	9,815	15,441	9,649
	129,456	123,087	125,964	118,958
<u>Marketing expenses</u>				
Advertising, marketing and communication	591	224	591	224
Others	1,461	852	1,461	852
	2,052	1,076	2,052	1,076
<u>Establishment costs</u>				
Rental of premises	(10)	-	6	-
Depreciation of property and equipment (Note 15)	5,492	6,142	4,759	5,481
Depreciation of right-of-use assets (Note 11)	8,667	8,325	7,373	7,000
Amortisation of intangible assets (Note 16)	1,377	1,299	1,377	1,299
Finance cost on lease liabilities	1,268	1,249	1,119	1,179
Repairs and maintenance	1,043	774	1,028	762
Property and equipment written-off	12	24	8	23
Information technology expenses	5,449	4,115	5,432	4,102
Other establishment costs	1,391	2,413	1,372	2,239
	24,689	24,341	22,474	22,085
<u>Administration and general expenses</u>				
Insurance premium	3,079	1,533	3,070	1,524
Travelling and accommodation	168	74	164	74
Telecommunication and utilities	1,141	1,216	1,044	1,117
Printing, stationery and postage	1,151	777	1,130	774
Legal and professional fees	871	834	861	776
Other administration and general expenses	4,660	5,311	4,379	5,078
	11,070	9,745	10,648	9,343
<u>Other expenses</u>				
Cost of sales of precious metal products	117	164	117	164
	167,384	158,413	161,255	151,626
	167,384	158,413	161,255	151,626

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

27 OTHER OPERATING EXPENSES (CONTINUED)

The above expenditure includes the following statutory disclosures:

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- current year audit	241	223	210	179
- under provision in prior financial years	-	(23)	-	(23)
- regulatory-related services	421	223	421	223
- other services	39	46	25	46
Directors' remuneration (Note 28)	3,170	3,487	3,170	3,487

28 DIRECTORS' REMUNERATION

The details of remuneration received by Directors of the Bank during the financial year are as follows:

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
<u>Executive Director/Chief Executive Officer</u>		
- salary and other remuneration	2,707	3,020
- benefits-in-kind	38	42
	<u>2,745</u>	<u>3,062</u>
<u>Non-Executive Directors</u>		
Fees		
- Chai Woon Chew	-	142
- Eugene Khoo Kong Hooi	150	150
- Tan Sri Dato' Low Kian Chuan	123	123
- Lee Heng Guie	152	10
	<u>425</u>	<u>425</u>
	<u>3,170</u>	<u>3,487</u>

The remuneration and benefits-in-kind attributable to the Executive Director/Chief Executive Officer of the Bank during the financial year amounted to RM2,745,000 (2021: RM3,062,000).

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

28 DIRECTORS' REMUNERATION (CONTINUED)

The number of Directors of the Bank whose total remuneration including benefits-in-kind for the financial year falls into the following remuneration bands:

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
<u>Executive Director</u>		
RM1,500,001 - RM2,500,000	-	-
RM2,500,001 - RM3,500,000	1	1
<u>Non-Executive Directors</u>		
RM100,001 - RM150,000	3	3

29 ALLOWANCE FOR IMPAIRMENT ON LOANS AND ADVANCES AND OTHER FINANCIAL ASSETS

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Allowance/(write-back) for impairment on:				
Cash and short-term funds (Note 2)				
- Stage 1	(37)	34	(37)	34
Deposits and placements with banks and other financial institutions (Note 3)				
- Stage 1	2	19	2	19
Debt instruments at FVOCI (Note 5)				
- Stage 1	99	(105)	99	(105)
Other assets (Note 10)				
- Stage 1	294	162	299	160
Loans and advances	21,287	37,357	21,528	37,357
Commitments and contingencies	2,114	212	2,121	212
	<u>23,759</u>	<u>37,679</u>	<u>24,012</u>	<u>37,677</u>

Included in the allowance for impairment on loans and advances and other financial assets is management ECL overlay of RM27.5 million (2021: RM63.9 million) as disclosed in Note 37(b)(i).

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

30 TAXATION

	Group		Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Tax expense for the financial year:				
- Malaysian income tax	45,136	33,122	45,136	33,122
Deferred tax (Note 12)	(1,765)	(6,225)	1,915	(6,115)
Over provision in prior years	(310)	(1,634)	(310)	(1,634)
Total tax expense	<u>43,061</u>	<u>25,263</u>	<u>46,741</u>	<u>25,373</u>

The explanation of the relationship between tax expense and profit before taxation is as follows:

	Group		Bank	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>158,988</u>	<u>96,362</u>	<u>164,453</u>	<u>102,893</u>
Statutory tax rate in Malaysia, 24% (2021: 24%)	38,157	23,127	39,469	24,694
Additional tax rate of 9% in excess of RM 100 million	5,309	-	5,801	-
Tax effects in respect of				
- Non-allowable expenses	3,233	1,533	1,370	1,468
- Non-taxable income	(14)	(58)	(14)	(14)
Deferred tax assets (recognised)/ not recognised on unutilized tax losses and unabsorbed capital allowance	(4,029)	1,438	-	-
Over provision in prior years	(310)	(1,634)	(310)	(1,634)
Temporary differences not recognised prior years	715	857	425	859
Tax expense	<u>43,061</u>	<u>25,263</u>	<u>46,741</u>	<u>25,373</u>

Domestic income tax is calculated at the Malaysian statutory tax rate at 24% on the estimated profit for the financial year.

In order to support the Government's initiative to assist parties affected by the pandemic, it was proposed in Budget 2022 that for year of assessment ("YA") 2022, a special one-off tax which is called "Cukai Makmur" will be imposed on non-micro, small and medium enterprise companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100 million will be charged an income tax rate of 33% for YA 2022.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

31 EARNINGS PER SHARE

The basic and fully diluted earnings per ordinary share for the Group have been calculated based on the net profit attributable to equity holder of the Group and weighted average number of ordinary shares in issue during the financial year.

	<u>2022</u>	<u>Group</u> <u>2021</u>
	RM'000	RM'000
Net profit attributable to equity holder	115,927	71,099
Weighted average number of ordinary shares in issue	760,518	760,518
Basic/fully diluted earnings per share (sen)	<u>15.24</u>	<u>9.35</u>

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Parties are related to the Group and the Bank if the Group and the Bank have the ability directly or indirectly, to control the party or exercise significant influence over the party in making financial or operating decisions, or vice-versa, or where the Group and the Bank and the party are subject to common control or common significant influence.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group or of the Bank either directly or indirectly. The key management personnel includes the Directors and senior management of the Group and of the Bank.

Other than as disclosed in other notes of these financial statements, the following are the related party transactions and balances of the Group and the Bank.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions

The following significant transactions between the Group and the Bank and related parties took place at terms agreed between parties during the financial year.

	<u>Penultimate holding company</u> RM'000	<u>Immediate holding company</u> RM'000	<u>Key management personnel</u> RM'000
<u>Group</u>			
<u>2022</u>			
<u>Income</u>			
Interest income:			
- Cash and short-term funds	96	1,081	-
- Deposits and placements with banks and other financial institutions	39	7,078	-
- Other	-	490	-
Fee income	8,287	132	-
	<u>8,422</u>	<u>8,781</u>	<u>-</u>
<u>Expenses</u>			
Interest expenses:			
- Deposits from customers	-	-	247
- Deposits and placements of banks and other financial institutions	5,508	33,723	-
- Subordinated loan	-	30,569	-
Establishment expenses	1,547	339	-
Administrative expenses	-	323	-
	<u>7,055</u>	<u>64,954</u>	<u>247</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (continued)

<u>Group</u>	<u>Penultimate holding company</u> RM'000	<u>Immediate holding company</u> RM'000	<u>Key management personnel</u> RM'000
<u>2021</u>			
<u>Income</u>			
Interest income:			
- Cash and short-term funds	87	389	-
- Deposits and placements with banks and other financial institutions	353	4,652	-
- Other	-	2,111	-
Fee income	7,085	725	-
	<u>7,525</u>	<u>7,877</u>	<u>-</u>
<u>Expenses</u>			
Interest expenses:			
- Deposits from customers	-	-	154
- Deposits and placements of banks and other financial institutions	5,829	3,154	-
- Subordinated loan	-	6,065	-
Establishment expenses	2,281	82	-
Administrative expenses	-	173	-
	<u>8,110</u>	<u>9,474</u>	<u>154</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (continued)

	Penultimate holding company <u>RM'000</u>	Immediate holding company <u>RM'000</u>	<u>Subsidiary</u> <u>RM'000</u>	Key management <u>personnel</u> <u>RM'000</u>
<u>Bank</u>				
<u>2022</u>				
<u>Income</u>				
Interest income:				
- Loans and advances	-	-	299	-
- Cash and short-term funds	96	1,081	-	-
- Deposits and placements with banks and other financial institutions	39	7,078	-	-
- Others	-	490	-	-
Fee income	8,287	132	-	-
Other operating income:				
- Others	-	-	211	-
	<u>8,422</u>	<u>8,781</u>	<u>510</u>	<u>-</u>
<u>Expenses</u>				
Interest expenses:				
- Deposits from customers	-	-	-	243
- Deposits and placements of banks and other financial institutions	5,508	33,723	-	-
- Subordinated loan	-	30,569	-	-
Establishment expenses	1,547	339	-	-
Administrative expenses	-	323	-	-
	<u>7,055</u>	<u>64,954</u>	<u>-</u>	<u>243</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(a) Related party transactions (continued)

	Penultimate holding company <u>RM'000</u>	Immediate holding company <u>RM'000</u>	<u>Subsidiary</u> <u>RM'000</u>	Key management personnel <u>RM'000</u>
<u>Bank</u>				
<u>2021</u>				
<u>Income</u>				
Interest income:				
- Loans and advances	-	-	85	-
- Cash and short-term funds	87	389	-	-
- Deposits and placements with banks and other financial institutions	353	4,652	-	-
- Others	-	2,111	-	-
Fee income	7,085	725	-	-
Other operating income:				
- Others	-	-	211	-
	<u>7,525</u>	<u>7,877</u>	<u>296</u>	<u>-</u>
<u>Expenses</u>				
Interest expenses:				
- Deposits from customers	-	-	-	153
- Deposits and placements of banks and other financial institutions	5,829	3,154	-	-
- Subordinated loan	-	6,065	-	-
Establishment expenses	2,281	82	-	-
Administrative expenses	-	173	-	-
	<u>8,110</u>	<u>9,474</u>	<u>-</u>	<u>153</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances

Significant outstanding balances of the Group and the Bank with its related parties are as follows:

<u>Group</u>	<u>Penultimate holding company</u> RM'000	<u>Immediate holding company</u> RM'000	<u>Key management personnel</u> RM'000
<u>2022</u>			
<u>Amount due from</u>			
Cash and short-term funds	65,966	453,462	-
Other assets	-	86	-
	<u>65,966</u>	<u>453,548</u>	<u>-</u>
<u>Amount due to</u>			
Deposits from customers	-	-	17,375
Deposits and placements of banks and other financial institutions	224,435	2,174,136	-
Subordinated loan	-	1,371,681	-
Other liabilities	813	146	-
	<u>225,248</u>	<u>3,545,963</u>	<u>17,375</u>
<u>2021</u>			
<u>Amount due from</u>			
Cash and short-term funds	78,156	298,412	-
	<u>78,156</u>	<u>298,412</u>	<u>-</u>
<u>Amount due to</u>			
Deposits from customers	-	-	17,077
Deposits and placements of banks and other financial institutions	413,351	2,561,073	-
Subordinated loan	-	1,291,240	-
Other liabilities	573	170	-
	<u>413,924</u>	<u>3,852,483</u>	<u>17,077</u>

Included in the table above are deposits from the Directors of the Group RM12,177,000 (2021: RM9,086,000). Interest on deposit paid to Directors of the Group RM135,000 (2021: RM38,000).

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(b) Related party balances (continued)

	Penultimate holding company RM'000	Immediate holding company RM'000	Subsidiary RM'000	Key management personnel RM'000
<u>Bank</u>				
<u>2022</u>				
<u>Amount due from</u>				
Cash and short-term funds	65,966	453,462	-	-
Loans and advances	-	-	10,523	-
Other assets	-	86	633	-
	<u>65,966</u>	<u>453,548</u>	<u>11,156</u>	<u>-</u>
<u>Amount due to</u>				
Deposits from customers	-	-	723	16,630
Deposits and placements of banks and other financial institutions	224,435	2,174,136	-	-
Subordinated loan	-	1,371,681	-	-
Other liabilities	813	146	-	-
	<u>225,248</u>	<u>3,545,963</u>	<u>723</u>	<u>16,630</u>
<u>2021</u>				
<u>Amount due from</u>				
Cash and short-term funds	78,156	298,412	-	-
Loans and advances	-	-	5,508	-
Other assets	-	-	422	-
	<u>78,156</u>	<u>298,412</u>	<u>5,930</u>	<u>-</u>
<u>Amount due to</u>				
Deposits from customers	-	-	589	16,026
Deposits and placements of banks and other financial institutions	413,351	2,561,073	-	-
Subordinated loan	-	1,291,240	-	-
Other liabilities	573	170	-	-
	<u>413,924</u>	<u>3,852,483</u>	<u>589</u>	<u>16,026</u>

Included in the table above are deposits from the Directors of the Bank RM6,918,000 (2021: RM4,598,000). Interest on deposit paid to Directors of the Bank RM81,000 (2021: RM16,000).

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

(c) Intercompany charges breakdown by geographical distribution:

(i) By geographical distribution:

<u>Group and Bank</u>	<u>Information technology</u> RM'000	<u>Insurance</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>2022</u>				
China	1,547	-	-	1,547
Hong Kong	-	105	557	662
	<u>1,547</u>	<u>105</u>	<u>557</u>	<u>2,209</u>
<u>2021</u>				
China	2,281	-	-	2,281
Hong Kong	-	25	230	255
	<u>2,281</u>	<u>25</u>	<u>230</u>	<u>2,536</u>

(d) Key management personnel compensation

The remuneration of Directors and other key management personnel during the financial year are as follows:

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Fees	425	425	425	425
Salaries and other short-term benefits	9,352	11,296	8,797	10,621
Defined contribution plan ("EPF")	236	232	236	232
Benefits-in-kind	38	42	38	42
	<u>10,051</u>	<u>11,995</u>	<u>9,496</u>	<u>11,320</u>

Included in the above table are Directors' remuneration as disclosed in Note 28.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

33 CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

Connected parties refer to Directors, controlling shareholder, executive officers, officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions and any transactions that involve their close relative and any firm, partnerships, companies or any legal entities controlled by them.

Pursuant to BNM's Guidelines on Credit Transactions and Exposures with Connected Parties, the Bank is required to disclose the following information:

	<u>Group and Bank</u>	
	<u>2022</u>	<u>2021</u>
	RM'000	RM'000
Outstanding credit exposures with connected parties	741,220	1,359,309
Outstanding credit exposures with connected parties as a percentage of total credit exposures	6%	12%
Percentage of outstanding credit exposures with connected parties which are non-performing or in default	Nil	Nil

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

34 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies constitute the following:

Group

	31 December 2022			31 December 2021		
	<u>Principal</u>	<u>Credit*</u>	<u>Risk</u>	<u>Principal</u>	<u>Credit*</u>	<u>Risk</u>
	<u>RM'000</u>	<u>equivalent</u>	<u>weighted</u>	<u>RM'000</u>	<u>equivalent</u>	<u>weighted</u>
Direct credit substitutes	2,687	2,687	2,687	16,519	16,519	6,519
Transaction-related contingent items	2,607,586	1,303,793	726,525	2,154,394	1,077,197	546,561
Short-term self-liquidation trade related contingencies	81,260	16,251	13,820	53,228	10,646	10,022
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,521,912	504,382	434,640	2,238,384	447,677	373,797
- Maturity exceeding one year	987,021	493,511	470,822	508,505	254,253	230,863
Foreign exchange related contracts:						
- Less than one year	3,544,028	57,856	26,077	702,774	17,655	8,936
Interest/Profit rate related contracts:						
- Less than one year	346,940	7,245	4,943	299,858	4,858	4,552
- More than one year to five year	237,915	12,761	7,948	206,199	10,876	8,815
- More than five year	-	-	-	84,423	5,211	3,661
Total	10,329,349	2,398,486	1,687,462	6,264,284	1,844,892	1,193,726

*The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

34 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

The commitments and contingencies constitute the following:

Bank

	31 December 2022			31 December 2021		
	<u>Principal</u>	<u>Credit*</u>	<u>Risk</u>	<u>Principal</u>	<u>Credit*</u>	<u>Risk</u>
	<u>RM'000</u>	<u>equivalent</u>	<u>weighted</u>	<u>RM'000</u>	<u>equivalent</u>	<u>weighted</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Direct credit substitutes	2,687	2,687	2,687	16,519	16,519	6,519
Transaction-related contingent items	2,607,586	1,303,793	726,525	2,154,394	1,077,197	546,561
Short-term self-liquidation trade related contingencies	81,260	16,251	13,820	53,228	10,646	10,022
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,523,412	504,682	434,940	2,239,884	447,977	374,097
- Maturity exceeding one year	987,021	493,511	470,822	508,505	254,253	230,863
Foreign exchange related contracts:						
- Less than one year	3,544,028	57,856	26,077	702,774	17,655	8,936
Interest/Profit rate related contracts:						
- Less than one year	346,940	7,245	4,943	299,858	4,858	4,552
- More than one year to five year	237,915	12,761	7,948	206,199	10,876	8,815
- More than five year	-	-	-	84,423	5,211	3,661
Total	10,330,849	2,398,786	1,687,762	6,265,784	1,845,192	1,194,026

*The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia Guidelines.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

35 CAPITAL COMMITMENTS

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Capital expenditure for property and equipment approved by the Board and contracted for	399	1,882	399	1,836

36 CAPITAL ADEQUACY

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

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 issued on 9 December 2021. 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 capital buffers shall comprise of the following:

- (a) Capital Conservation Buffer ("CCB") of 2.5%; and
- (b) Countercyclical Capital Buffer ("CCyB"), determined as the weighted average of the prevailing CCyB rates applied in the jurisdictions in which the bank has credit exposures. (intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive). (Maximum is 2.5%)

The Bank has adopted BNM's transitional arrangements to add back a portion of the Stage 1 and Stage 2 provisions for ECL to Common Equity Tier 1 Capital over a four-year period from financial year beginning 2021. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions – interim approach and transitional arrangement" (March 2017) and "Measures to reflect the impact of COVID-19" dated April 2021.

The minimum regulatory capital adequacy ratios for year 2022 are as follows:

CET 1 Capital Ratio (including CCB and CCyB)	7.000% (7.000% in the year 2021)
Tier 1 Capital Ratio (including CCB and CCyB)	8.500% (8.500% in the year 2021)
Total Capital Ratio (including CCB and CCyB)	10.500% (10.500% in the year 2021)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

36 CAPITAL ADEQUACY (CONTINUED)

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

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET 1") Capital</u>				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	1,036,085	943,358	1,039,913	945,401
Regulatory reserve	38,000	14,800	38,000	14,800
Fair value through other comprehensive reserve	(6,697)	11,925	(6,697)	11,925
Foreign exchange reserve	(4)	27	(4)	27
	1,827,902	1,730,628	1,831,730	1,732,671
Regulatory adjustment applied in the Calculation of CET 1 Capital				
- Deferred tax assets	(36,929)	(29,252)	(33,018)	(29,021)
- Intangible assets	(2,904)	-	(2,904)	-
- 55% of cumulative gains of debt instruments at FVOCI	-	(6,559)	-	(6,559)
- Regulatory reserve attributable to financial assets	(38,000)	(14,800)	(38,000)	(14,800)
- Transitional arrangements	-	65,684	-	65,672
	(77,833)	15,073	(73,922)	15,292
Total CET 1 Capital/Total Tier 1 Capital	1,750,069	1,745,701	1,757,808	1,747,963
<u>Tier-2 Capital</u>				
General provision *	125,841	108,529	125,861	108,523
Subordinated loan ^	1,359,970	1,290,220	1,359,970	1,290,220
Less: Investment in a subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 Capital	1,485,811	1,398,749	1,484,831	1,397,743
Total Capital Base	3,235,880	3,144,450	3,242,639	3,145,706

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

^ Included in the subordinated loan is cost and foreign exchange difference as disclosed in Note 20.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

36 CAPITAL ADEQUACY (CONTINUED)

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

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>With transitional arrangements</u>				
CET 1 Capital Ratio	16.456%	17.601%	16.529%	17.658%
Tier 1 Capital Ratio	16.456%	17.601%	16.529%	17.658%
Total Capital Ratio	30.427%	31.705%	30.491%	31.778%
<u>Without transitional arrangements</u>				
CET 1 Capital Ratio	16.456%	16.939%	16.529%	16.994%
Tier 1 Capital Ratio	16.456%	16.939%	16.529%	16.994%
Total Capital Ratio	30.367%	31.128%	30.433%	31.201%

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

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
Credit risk	10,067,275	9,361,976	10,068,897	9,364,377
Market risk	1,730	5,385	1,730	5,385
Operational risk	565,906	550,336	564,227	529,162
	<u>10,634,911</u>	<u>9,917,697</u>	<u>10,634,854</u>	<u>9,898,924</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT

(a) Financial risk management

The objectives of the Group's and the Bank's financial risk management are to establish an integrated risk management system which will help evaluate risk with reward and maximise income within an acceptable risk level through risk identification, measurement, monitoring and management.

The Board of Directors and the immediate holding company, Bank of China (Hong Kong) Limited approve the extent of the Group's and the Bank's risk appetite in the pursuit of agreed business strategies and objectives. The Board of Directors also approves risk limits and regularly reviews major policies designed to control risk within the Group and the Bank.

(b) Credit risk

(i) Management ECL adjustment for expected credit loss are applied amid COVID-19 uncertainties and challenging business environment.

While the Bank has made conservative projection on the macroeconomic variables ("MEV"), the resulted ECL estimation may not fully reflect the economic challenges despite the re-opening of Malaysian economy post Covid-19 pandemic. As such, management ECL adjustment has been applied to incorporate a sufficient overall level of ECLs for the financial year ended 31 December 2022.

The management ECL adjustment is based on the Bank's holistic assessment on the potential high risk accounts which may subject to staging in the near term (i.e. from stage 1 to stage 2 or from stage 2 to stage 3). For these high risk accounts identified, the Bank provided additional ECL adjustment through lifetime ECL discounted cash flow approach, taking into consideration the exposures and collaterals pledged to the Bank.

The additional impact of the management ECL adjustment amounts to RM27.5 million recognised in the statement of comprehensive income for the financial year ended 31 December 2022 as disclosed in Note 29.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) The table below shows the exposures to COVID-19 impacted sectors:

	Loans and advances					
	On-balance		Undrawn		Total exposures	
	2022	2021	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Retail trade, accommodation, food and beverage services/ restaurants, real estates,	2,929,176	2,999,478	667,493	432,693	3,596,669	3,432,171

(iii) The table below shows the COVID-19 customer relief and support measures:

	Retail customers as at 31 December 2022		
	Housing loans	Term loans/ overdraft	Total
	RM'000	RM'000	RM'000
Resumed repayments*	79,832	109,312	189,144
Extended and repaying^	3,137	129	3,266
Missed payments#	13,431	4,204	17,635
Total gross outstanding for payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	96,400	113,645	210,045
As a percentage of total:			
Resumed repayments*	82.81%	96.19%	90.05%
Extended and repaying^	3.26%	0.11%	1.55%
Missed payments#	13.93%	3.70%	8.40%

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) The table below shows the COVID-19 customer relief and support measures (continued):

	Retail customers as at 31 December 2021				
	Housing loans	Term loans/ overdraft	Total		
	RM'000	RM'000	RM'000		
Resumed repayments*	4,604	3,394	7,998		
Extended and repaying^	95,662	111,014	206,676		
Missed payments#	12,655	80,729	93,384		
Total gross outstanding for payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	112,921	195,137	308,058		
As a percentage of total:					
Resumed repayments*	4.08%	1.74%	2.60%		
Extended and repaying^	84.71%	56.89%	67.09%		
Missed payments#	11.21%	41.37%	30.31%		
	Non-retail customers as at 31 December 2022				
	SMEs		Corporates		Total
	Stage 1 RM'000	Stage 2 RM'000	Stage 1 RM'000	Stage 2 RM'000	RM'000
Resumed repayments*	89,701	52,593	292,811	58,712	493,817
Extended and repaying^	-	8,855	-	17,653	26,508
Missed payments#	-	7,767	-	-	7,767
Total gross outstanding for payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	89,701	69,215	292,811	76,365	528,092
As a percentage of total:					
Resumed repayments*	100%	75.99%	100%	76.88%	93.51%
Extended and repaying^	0%	12.79%	0%	23.12%	5.02%
Missed payments#	0%	11.22%	0%	0%	1.47%

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) The table below shows the COVID-19 customer relief and support measures (continued):

	Non-retail customers as at 31 December 2021				
	SMEs		Corporates		Total
	Stage 1 RM'000	Stage 2 RM'000	Stage 1 RM'000	Stage 2 RM'000	RM'000
Resumed repayments*	13,001	-	29,715	-	42,716
Extended and repaying [^]	109,766	97,530	136,893	251,030	595,219
Missed payments [#]	600	88,490	-	33,345	122,435
Total gross outstanding for payment moratoriums, repayment assistances, rescheduling and restructuring ("R&R") granted	123,367	186,020	166,608	284,375	760,370
As a percentage of total:					
Resumed repayments*	10.54%	0.00%	17.84%	0.00%	5.62%
Extended and repaying [^]	88.98%	52.43%	82.16%	88.27%	78.28%
Missed payments [#]	0.48%	47.57%	0.00%	11.73%	16.10%

[^] The Bank has approved and facilitated the borrowers who have requested an extension of relief and support measures.

[#] Borrowers with overdue payment as at 31 December 2022.

(iv) ECL models application

The Group and the Bank adopted general approach for ECL models for financial assets and simplified approach for other receivable, with ECL computed or measured based on the present value of the estimated future contractual cash flows that are discounted at the financial instrument's original effective interest rate or an approximation thereof, after incorporating the components of PD, LGD and Exposure at Default ("EAD").

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) ECL models application (continued)

The details of these three components are as below:

- PD is an estimation of the likelihood of default over a given time horizon, either over the next 12 months, or over the remaining lifetime of the obligation.
- LGD is an estimation of loss the Group and the Bank will incur given the default of borrower. It is the difference between the exposure at the point of default and the cashflow that Group and the Bank are expected to receive, including from the realisation of any collateral, and discounted back to the point of default.
- EAD which includes on-balance sheet and off-balance sheet exposures, is an estimation of exposures at the point of a future default date, taking into account the expected changes in the exposures up to the point of future default including repayments, additional drawdown on committed facility, and additional headroom before default. EAD will be computed when commitment is recognised. For off-balance sheet exposure, the regulatory prescribed credit conversion factor ("CCF") is used.

The Bank's portfolio is segmented into two portfolios, i.e. Non-retail portfolio (inclusive Corporate and Financial Institution) and Retail portfolio.

The ECL estimation method adopted by the Bank is by stages and summarised as below:

- Stage 1: 12-month ECL is provided for performing financial assets on a collective basis.
- Stage 2: Lifetime ECL is provided for financial assets with significant increase in credit risk ("SICR") since its initial recognition on a collective basis. The Bank has estimated behavioural lifetime for revolving facilities such as Overdraft and Revolving Credit.
- Stage 3: Lifetime ECL is estimated on an individual basis using Discounted Cash Flow ("DCF") approach with post-haircut collateral value being applied as prudent measures.

Lifetime ECL is provided for other asset based on simplified approach.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) ECL models application (continued)

Forward-looking information

The Group and the Bank incorporated forward-looking factors in the ECL estimation by including the use of macroeconomic variables ("MEV") information. In view of Covid-19 is still at recovery stage, the Bank continuous to adopt a conservative outlook in the MEV projection. The forward-looking information also took into consideration various government schemes to revive the economy and financial assistance to support people and business affected by the pandemic. Overall, the impact of MEV adjustment amounts to RM25.2 million (2021: RM32.0 million) as at 31 December 2022.

Some of the key MEVs selected for the purposes of forward-looking ECL estimation include GDP, Unemployment Rate, House Price Index and Consumer Price Index. The forward-looking ECL estimation is based on the probability weighted scenario of Good, Neutral and Downturn.

The ECL models are subject to independent review on annual basis. The Bank monitors the model performance regularly to ensure the results are reflective of the underlying portfolio.

Stage Determination

Stage determination is determined at borrower level and it is based on the worst stage amongst the facilities.

The Bank considers the borrower upon initial recognition of the financial asset (Stage 1) and whether there has been a SICR (Stage 2) on an on-going basis throughout each reporting period since its recognition.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) ECL models application (continued)

Financial asset is classified as impaired (Stage 3) when it meets the definition of default as below:

- where the principal or interest or both of the loan is past due for more than 90 days or 3 months. In the case of revolving facilities, (e.g. overdraft facilities), the facility shall be classified as impaired when the outstanding amount exceeds the approved limit for a period of more than 90 days or 3 months; or
- where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less and the loan exhibits weaknesses.
- where repayments are scheduled on intervals of 3 months or longer, the loans and advances is classified as impaired as soon as a default occurs.
- When the loan is classified as rescheduled and restructured in the Central Credit Reference Information System (CCRIS) in accordance with regulatory requirements unless exemption is allowed under any prevailing special relief measures as prescribed by local regulator.

SICR

The Group and the Bank determine the exposures of financial instruments to have significantly increased in credit risk when the financial instruments trigger the quantitative, qualitative or backstop criteria.

Exposures of financial instruments will be classified under Stage 2 based on the following criteria:

- exposures with days-past-due ("DPD") more than 30 days; or
- loan is classified as Special Mention (Weak Credit); or
- significant downgrade in credit risk rating since its recognition (applicable to corporate customers which are risk graded); or
- loans rescheduled and restructured by Agensi Kaunseling and Pengurusan Kredit ("AKPK"); or
- where a modification (restructured and rescheduled) is made to the original terms and conditions of an SME loan/financing to assist viable SMEs.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

- (b) Credit risk (continued)
- (v) Credit quality of financial assets

The table below shows credit quality of the Group's and the Bank's financial assets based on the following risk grades:

Risk Grades	Definition
Performing	Borrower is able to honour contracts and there is no reason to doubt that the loan principal and interest cannot be repaid fully and timely.
Special Mention	Borrower's credit risk profile is weak, or 1 or more of the borrower loan account has been overdue for 8 to 90 days. Despite borrower is currently capable of repaying loan principal and interest, there are symptoms or factors that may have an adverse impact in the future repayment ability.
Sub-standard	Impaired loans in arrears for 91 to 180 days. Refer to credit facilities involve more than a normal risk of loss due to one or combination of factors namely rescheduling and restructuring of credit facility due to credit deterioration, sporadic delays in debt servicing, unfavourable financial condition, insufficient operating cashflow to meet current debt commitments, insufficient security or other adverse factors which give rise to some doubt on the ability of the borrower and guarantor to comply with the present and / or revised repayment terms.
Doubtful	Impaired loans in arrears for more than 180 days. Refer to credit facilities where full collection is improbable.
Loss	Refer to credit facilities which are deemed uncollectible and worthless.
Investment grade	Internal rating 4C and above.
Non-investment grade	Internal rating worse than 4C.
Unrated	Indicates that the exposures are not internally rated or have been assigned with a rating by any credit rating agencies.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality of financial assets (continued)

The table below show the Group's and the Bank's gross loans and advances and their corresponding commitments and contingencies, based on the following risk grades:

				Group
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2022</u>				
<u>Loans and Advances</u> <u>(On Balance Sheet Exposure)</u>				
Pass	8,174,429	284,684	-	8,459,113
Special Mention	-	256,044	-	256,044
Sub-standard	-	-	139,420	139,420
Doubtful	-	-	153,410	153,410
Loss	-	-	88,002	88,002
	<u>8,174,429</u>	<u>540,728</u>	<u>380,832</u>	<u>9,095,989</u>
				Bank
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2022</u>				
<u>Loans and Advances</u> <u>(On Balance Sheet Exposure)</u>				
Pass	8,174,429	295,206	-	8,469,635
Special Mention	-	256,044	-	256,044
Sub-standard	-	-	139,420	139,420
Doubtful	-	-	153,410	153,410
Loss	-	-	88,002	88,002
	<u>8,174,429</u>	<u>551,250</u>	<u>380,832</u>	<u>9,106,511</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality of financial assets (continued)

The table below show the Group's and the Bank's gross loans and advances and their corresponding commitments and contingencies, based on the following risk grades (continued):

				Group
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2021</u>				
<u>Loans and Advances</u>				
<u>(On Balance Sheet Exposure)</u>				
Pass	7,951,697	483,015	-	8,434,712
Special Mention	2,875	487,896	-	490,771
Sub-standard	-	-	89,920	89,920
Doubtful	-	-	4,949	4,949
Loss	-	-	103,122	103,122
	<u>7,954,572</u>	<u>970,911</u>	<u>197,991</u>	<u>9,123,474</u>
<u>Bank</u>				
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2021</u>				
<u>Loans and Advances</u>				
<u>(On Balance Sheet Exposure)</u>				
Pass	7,957,205	483,015	-	8,440,220
Special Mention	2,875	487,896	-	490,771
Sub-standard	-	-	89,920	89,920
Doubtful	-	-	4,949	4,949
Loss	-	-	103,122	103,122
	<u>7,960,080</u>	<u>970,911</u>	<u>197,991</u>	<u>9,128,982</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality of financial assets (continued)

The table below show the Group's and the Bank's gross loans and advances and their corresponding commitments and contingencies, based on the following risk grades (continued):

				Group
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2022</u>				
<u>Commitments and Contingencies</u>				
Pass	6,083,117	94,005	-	6,177,122
Special Mention	-	23,144	-	23,144
Doubtful	-	-	200	200
	<u>6,083,117</u>	<u>117,149</u>	<u>200</u>	<u>6,200,466</u>
				Bank
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2022</u>				
<u>Commitments and Contingencies</u>				
Pass	6,083,117	95,505	-	6,178,622
Special Mention	-	23,144	-	23,144
Doubtful	-	-	200	200
	<u>6,083,117</u>	<u>118,649</u>	<u>200</u>	<u>6,201,966</u>
				Group
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2021</u>				
<u>Commitments and Contingencies</u>				
Pass	4,938,888	10,097	-	4,948,985
Special Mention	-	21,677	-	21,677
Sub-standard	-	-	368	368
	<u>4,938,888</u>	<u>31,774</u>	<u>368</u>	<u>4,971,030</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality of financial assets (continued)

The table below show the Group's and the Bank's gross loans and advances and their corresponding commitments and contingencies, based on the following risk grades (continued):

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Bank</u> <u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2021</u>				
<u>Commitments and Contingencies</u>				
Pass	4,940,388	10,097	-	4,950,485
Special Mention	-	21,677	-	21,677
Sub-standard	-	-	368	368
	<u>4,940,388</u>	<u>31,774</u>	<u>368</u>	<u>4,972,530</u>

The table below shows credit quality of the Group's and the Bank's other debt instruments (including short term fund, interbank lending and debt instrument), based on Investment Grade and Non- Investment Grade:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>Group</u> <u>Total</u>
	RM'000	RM'000	RM'000	RM'000
<u>2022</u>				
<u>Other Debt Instruments</u>				
Investment Grade	1,993,704	-	-	1,993,704
Non-investment Grade	-	-	-	-
Unrated	3,775,056	-	-	3,775,056
Total	<u>5,768,760</u>	<u>-</u>	<u>-</u>	<u>5,768,760</u>
<u>2021</u>				
<u>Other Debt Instruments</u>				
Investment Grade	1,858,996	-	-	1,858,996
Non-investment Grade	-	-	-	-
Unrated	3,673,994	-	-	3,673,994
Total	<u>5,532,990</u>	<u>-</u>	<u>-</u>	<u>5,532,990</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) Credit quality of financial assets (continued)

The table below shows credit quality of the Group's and the Bank's other debt instruments (including short term fund, interbank lending and debt instrument), based on Investment Grade and Non- Investment Grade (continued):

	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Bank</u> <u>Total</u> RM'000
<u>2022</u>				
<u>Other Debt Instruments</u>				
Investment Grade	1,993,655	-	-	1,993,655
Non-investment Grade	-	-	-	-
Unrated	3,775,056	-	-	3,775,056
Total	<u><u>5,768,711</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>5,768,711</u></u>
<u>2021</u>				
<u>Other Debt Instruments</u>				
Investment Grade	1,858,816	-	-	1,858,816
Non-investment Grade	-	-	-	-
Unrated	3,673,994	-	-	3,673,994
Total	<u><u>5,532,810</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>5,532,810</u></u>

The table below shows credit quality of the Group's and the Bank's other assets, based on ageing matrix:

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u> RM'000	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2021</u> RM'000
<u>Other Assets</u>				
Aged more than 365 days	2,940	3,722	2,930	3,518
Aged between 181 - 365 days	9,965	10,988	9,670	11,093
Aged between 91 - 180 days	174	13	174	54
Aged 90 days or less	18,407	14,686	18,420	14,068
Total	<u><u>31,486</u></u>	<u><u>29,409</u></u>	<u><u>31,194</u></u>	<u><u>28,733</u></u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(vi) Maximum exposure to credit risk

For financial assets recognised in the statements of financial position, the maximum exposure to credit risk before taking account of any collateral held or credit enhancements equals their carrying amount in the statement of financial position. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

	<u>Group</u>		<u>Bank</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
	RM'000	RM'000	RM'000	RM'000
<u>Items recognised in the statements of financial position</u>				
Cash and short-term funds (exclude cash in hand)	2,701,343	2,512,599	2,701,294	2,512,419
Deposits and placements with banks and other financial institutions	1,267,909	495,772	1,267,909	495,772
Debt instruments at FVOCI	1,799,508	1,672,558	1,799,508	1,672,558
Debt instruments at amortised cost	-	852,061	-	852,061
Loans and advances	8,847,862	8,877,009	8,858,143	8,882,517
Other assets	31,486	29,409	31,194	28,733
Derivative financial assets	37,338	15,917	37,338	15,917
	<u>14,685,446</u>	<u>14,455,325</u>	<u>14,695,386</u>	<u>14,459,977</u>
<u>Items not recognised in the statements of financial position</u>				
Contingent liabilities	2,691,533	2,224,141	2,691,533	2,224,141
Credit commitments	3,508,933	2,746,889	3,510,433	2,748,389
Total maximum credit risk exposure	<u>20,885,912</u>	<u>19,426,355</u>	<u>20,897,352</u>	<u>19,432,507</u>

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans and advances for the Group and Bank is 32% (2021: 36%). The financial effect of collateral held for the other financial assets are insignificant.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(vii) Collateral

The Group and the Bank grant credit facilities based on the credit standing of the customer, legitimate loan purpose, source of repayment, debt servicing ability, collateral(s), guarantees and etc. as the credit risk mitigant(s) ("CRM"). The credit facilities may be granted unsecured premised on the merit of the customer's credibility.

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

No	Types of Collaterals
1	Fixed Deposit, Cash Margin
2	Property / Land
3	Quoted Share
4	Bond
5	Standby Letter of Credit by Financial Institution
6	Others (e.g. Machinery, Vessels, Assignment of proceeds, etc.)

The Group and the Bank also accept guarantees from individuals, corporates and institutional customers to mitigate credit risk subject to internal guidelines on eligibility.

Valuation report of property by panel valuer is required by the Group and the Bank to ensure the value is fair unless is exempted by the Group and the Bank. Generally, the value of the property charged is updated during the periodic credit review to reflect the current market value. The estimated market value of the collateral as at December 2022 being RM8.0 billion (2021:RM8.4 billion); of which RM0.5 billion (2021: RM0.2 billion) being collateral of financial assets that are impaired.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(viii) The following tables set out the credit risk concentrations by sector:

<u>Group</u> <u>2022</u>	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
Agriculture, forestry and fishing	-	-	-	232,614	-	232,614	195,541
Mining and quarrying	-	-	-	163,240	-	163,240	22,764
Manufacturing	-	-	-	2,033,412	-	2,033,412	1,415,748
Electricity, gas, steam and air conditioning supply	-	-	-	852,292	-	852,292	656,370
Water supply; sewerage, waste management and remediation activities	-	-	-	3,906	-	3,906	20,461
Construction	-	-	-	580,047	-	580,047	1,185,226
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	534,674	-	534,674	307,347
Transport and storage	-	-	-	60,921	-	60,921	70,834
Accommodation and food service activities	-	-	-	43,412	-	43,412	252
Information and communication	-	-	-	46,083	-	46,083	181,527
Financial and insurance/ takaful activities	1,729,067	114,483	-	756,928	37,338	2,637,816	1,346,338
Real estate activities	-	-	-	1,729,242	-	1,729,242	306,638
Professional, scientific and technical activities	-	-	-	174,861	-	174,861	266,125
Administrative and support service activities	-	-	-	306,321	-	306,321	70,827
Public administrative and defence; compulsory social security	-	-	-	20,441	-	20,441	-
Education	-	-	-	208,657	-	208,657	27,384

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(vii) The following tables set out the credit risk concentrations by sector (continued):

<u>Group</u> <u>2022</u>	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
Arts, entertainment and recreation	-	-	-	75,712	-	75,712	-
Household	-	-	-	1,025,099	-	1,025,099	127,084
Others*	2,240,185	1,685,025	-	-	31,486	3,956,696	-
	<u>3,969,252</u>	<u>1,799,508</u>	<u>-</u>	<u>8,847,862</u>	<u>68,824[#]</u>	<u>14,685,446</u>	<u>6,200,466</u>

* Others include of RM3,925,215,000 under government and government agencies.

Other assets include derivative financial assets and other receivable.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(viii) The following tables set out the credit risk concentrations by sector (continued):

<u>Group</u>	Short-term funds and placements with financial institutions	Debt instruments at FVOCI	Debt instruments at amortised cost	Loans and advances	Other assets	On-balance sheet total	Commitments and contingents
<u>2021</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture, forestry and fishing	-	-	-	297,253	-	297,253	168,849
Mining and quarrying	-	-	-	210,050	-	210,050	28,195
Manufacturing	-	-	-	1,867,873	-	1,867,873	1,529,097
Electricity, gas, steam and air conditioning supply	-	-	-	839,038	-	839,038	635,204
Water supply; sewerage, waste management and remediation activities	-	-	-	88,098	-	88,098	27,471
Construction	-	-	-	497,693	-	497,693	1,045,455
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	496,837	-	496,837	212,547
Transport and storage	-	-	-	81,979	-	81,979	14,728
Accommodation and food service activities	-	-	-	30,999	-	30,999	30,255
Information and communication	-	-	-	475,276	-	475,276	117,896
Financial and insurance/ takaful activities	888,654	118,281	852,061	647,263	15,917	2,522,176	743,299
Real estate activities	-	-	-	1,802,667	-	1,802,667	124,727
Professional, scientific and technical activities	-	-	-	115,211	-	115,211	84,345
Administrative and support service activities	-	-	-	210,421	-	210,421	103,185
Public administrative and defence; compulsory social security	-	-	-	27,293	-	27,293	9,336
Education	-	-	-	204,228	-	204,228	-

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

<u>Group</u>	Short-term funds and placements with financial institutions	Debt instruments at FVOCI	Debt instruments at amortised cost	Loans and advances	Other assets	On-balance sheet total	Commitments and contingents
<u>2021</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Arts, entertainment and recreation	-	-	-	75,306	-	75,306	-
Household	-	-	-	909,524	-	909,524	96,441
Others*	2,119,717	1,554,277	-	-	29,409	3,703,403	-
	<u>3,008,371</u>	<u>1,672,558</u>	<u>852,061</u>	<u>8,877,009</u>	<u>45,326[#]</u>	<u>14,455,325</u>	<u>4,971,030</u>

* Others include of RM3,674,007,000 under government and government agencies.

Other assets include derivative financial assets and other receivable.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(viii) The following tables set out the credit risk concentrations by sector (continued):

<u>Bank</u> <u>2022</u>	<u>Short-term funds and placements with financial institutions</u> RM'000	<u>Debt instruments at FVOCI</u> RM'000	<u>Debt instruments at amortised cost</u> RM'000	<u>Loans and advances</u> RM'000	<u>Other assets</u> RM'000	<u>On-balance sheet total</u> RM'000	<u>Commitments and contingents</u> RM'000
Agriculture, forestry and fishing	-	-	-	232,614	-	232,614	195,541
Mining and quarrying	-	-	-	163,240	-	163,240	22,764
Manufacturing	-	-	-	2,033,412	-	2,033,412	1,415,748
Electricity, gas, steam and air conditioning supply	-	-	-	852,292	-	852,292	656,370
Water supply; sewerage, waste management and remediation activities	-	-	-	3,906	-	3,906	20,461
Construction	-	-	-	580,047	-	580,047	1,185,226
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	534,674	-	534,674	307,347
Transport and storage	-	-	-	60,921	-	60,921	70,834
Accommodation and food service activities	-	-	-	43,412	-	43,412	252
Information and communication	-	-	-	46,083	-	46,083	181,527
Financial and insurance/ takaful activities	1,729,018	114,483	-	756,928	37,338	2,637,767	1,346,338
Real estate activities	-	-	-	1,729,242	-	1,729,242	306,638
Professional, scientific and technical activities	-	-	-	174,861	-	174,861	266,125
Administrative and support service activities	-	-	-	316,602	-	316,602	72,327
Public administrative and defence; compulsory social security	-	-	-	20,441	-	20,441	-
Education	-	-	-	208,657	-	208,657	27,384

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

	Short-term funds and placements with financial institutions	Debt instruments at FVOCI	Debt instruments at amortised cost	Loans and advances	Other assets	On-balance sheet total	Commitments and contingents
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>							
<u>2022</u>							
Arts, entertainment and recreation	-	-	-	75,712	-	75,712	-
Household	-	-	-	1,025,099	-	1,025,099	127,084
Others*	2,240,185	1,685,025	-	-	31,194	3,956,404	-
	<u>3,969,203</u>	<u>1,799,508</u>	<u>-</u>	<u>8,858,143</u>	<u>68,532[#]</u>	<u>14,695,386</u>	<u>6,201,966</u>

* Others include of RM3,925,215,000 under government and government agencies.

Other assets include derivative financial assets and other receivable.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(viii) The following tables set out the credit risk concentrations by sector (continued):

<u>Bank</u> <u>2021</u>	<u>Short-term funds and placements with financial institutions</u> RM'000	<u>Debt instruments at FVOCI</u> RM'000	<u>Debt instruments at amortised cost</u> RM'000	<u>Loans and advances</u> RM'000	<u>Other assets</u> RM'000	<u>On-balance sheet total</u> RM'000	<u>Commitments and contingents</u> RM'000
Agriculture, forestry and fishing	-	-	-	297,253	-	297,253	168,849
Mining and quarrying	-	-	-	210,050	-	210,050	28,195
Manufacturing	-	-	-	1,867,873	-	1,867,873	1,529,097
Electricity, gas, steam and air conditioning supply	-	-	-	839,038	-	839,038	635,204
Water supply; sewerage, waste management and remediation activities	-	-	-	88,098	-	88,098	27,471
Construction	-	-	-	497,693	-	497,693	1,045,455
Wholesale and retail trade; repair of motor vehicles and motorcycles	-	-	-	496,837	-	496,837	212,547
Transport and storage	-	-	-	81,979	-	81,979	14,728
Accommodation and food service activities	-	-	-	30,999	-	30,999	30,255
Information and communication	-	-	-	475,276	-	475,276	117,896
Financial and insurance/ takaful activities	888,474	118,281	852,061	647,263	15,917	2,521,996	743,299
Real estate activities	-	-	-	1,802,667	-	1,802,667	124,727
Professional, scientific and technical activities	-	-	-	115,211	-	115,211	84,345
Administrative and support service activities	-	-	-	215,929	-	215,929	104,685
Public administrative and defence; compulsory social security	-	-	-	27,293	-	27,293	9,336
Education	-	-	-	204,228	-	204,228	-

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(v) The following tables set out the credit risk concentrations by sector (continued):

	Short-term funds and placements with financial institutions RM'000	Debt instruments at FVOCI RM'000	Debt instruments at amortised cost RM'000	Loans and advances RM'000	Other assets RM'000	On-balance sheet total RM'000	Commitments and contingents RM'000
<u>Bank</u>							
<u>2021</u>							
Arts, entertainment and recreation	-	-	-	75,306	-	75,306	-
Household	-	-	-	909,524	-	909,524	96,441
Others*	2,119,717	1,554,277	-	-	28,733	3,702,727	-
	<u>3,008,191</u>	<u>1,672,558</u>	<u>852,061</u>	<u>8,882,517</u>	<u>44,650[#]</u>	<u>14,459,977</u>	<u>4,972,530</u>

* Others include of RM3,674,007,000 under government and government agencies.

Other assets include derivative financial assets and other receivable.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk

Liquidity risk is the potential inability of the Group and the Bank to meet its payment obligations. The Group and the Bank are exposed to daily calls on its available cash resources from overnight deposits, current accounts, maturing deposits, loan draw-downs and guarantees, and from margin and other calls on cash-settled derivatives.

The objective of the liquidity policy of the Group and the Bank are to ensure that the Group and the Bank are able to meet its financial obligations, whether such obligations are scheduled or unforeseen. The Group and the Bank have set liquidity risk appetites and established necessary management action triggers to manage its liquidity risk for regulatory compliance and to meet holding companies expectations. Necessary policies and procedures, including the escalation processes are established to promote effective oversight of the liquidity risk. In addition, the Group and the Bank have also formulated a Contingency Funding Plan to manage potential liquidity crisis.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below which analyses assets and liabilities (includes non-financial instruments) as at 31 December 2022 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's Guidelines on Financial Reporting:

<u>Group</u>	<u>Within 1 week RM'000</u>	<u>>1 week to 1 month RM'000</u>	<u>>1-3 months RM'000</u>	<u>>3-6 months RM'000</u>	<u>>6-12 months RM'000</u>	<u>Over 1 year RM'000</u>	<u>Non-specific maturity RM'000</u>	<u>Total RM'000</u>
<u>2022</u>								
Cash and short-term funds	2,440,871	286,233	-	-	-	-	-	2,727,104
Deposits and placements with banks and other financial institutions	-	1,072,849	195,060	-	-	-	-	1,267,909
Derivative financial assets	1,282	6,330	12,795	10,288	150	6,493	-	37,338
Financial investments	-	-	-	-	-	1,812,731	-	1,812,731
Loans and advances	467,550	882,489	1,402,479	641,583	233,136	5,220,625	-	8,847,862
Other assets	27,210	1,351	103	2,145	63,294	36,229	133,031	263,363 [#]
Total assets	2,936,913	2,249,252	1,610,437	654,016	296,580	7,076,078	133,031	14,956,307
Deposits from customers	446,270	1,316,180	1,356,202	1,222,556	1,313,311	3,027,443	-	8,681,962
Deposits and placements of banks and other financial institutions	469,907	1,320,085	788,115	-	-	175,764	-	2,753,871
Derivative financial liabilities	1,253	5,625	12,478	10,246	146	6,491	-	36,239
Other liabilities	162,554	19,697	1,656	38,215	12,635	49,895	-	284,652
Subordinated loan	-	-	-	-	-	1,371,681	-	1,371,681
Total liabilities	1,079,984	2,661,587	2,158,451	1,271,017	1,326,092	4,631,274	-	13,128,405
Net liquidity gap - Total assets less total liabilities	1,856,929	(412,335)	(548,014)	(617,001)	(1,029,512)	2,444,804	133,031	1,827,902

Other assets include intangible assets, property and equipment, right-of-use assets, statutory deposits with BNM, deferred tax assets and tax recoverable.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below which analyses assets and liabilities (includes non-financial instruments) as at 31 December 2021 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's Guidelines on Financial Reporting:

<u>Group</u>	<u>Within 1 week</u> RM'000	<u>>1 week to 1 month</u> RM'000	<u>>1-3 months</u> RM'000	<u>>3-6 months</u> RM'000	<u>>6-12 months</u> RM'000	<u>Over 1 year</u> RM'000	<u>Non-specific maturity</u> RM'000	<u>Total</u> RM'000
<u>2021</u>								
Cash and short-term funds	1,771,039	764,162	-	-	-	-	-	2,535,201
Deposits and placements with banks and other financial institutions	98,951	45,636	351,185	-	-	-	-	495,772
Derivative financial assets	60	1,261	9,976	976	26	3,618	-	15,917
Financial investments	100,198	451,126	321,049	25,247	51,240	1,593,106	-	2,541,966
Loans and advances	532,315	511,476	999,131	472,080	1,002,266	5,359,741	-	8,877,009
Other assets	24,637	992	103	2,755	43,444	31,273	55,771	158,975#
Total assets	2,527,200	1,774,653	1,681,444	501,058	1,096,976	6,987,738	55,771	14,624,840
Deposits from customers	2,301,966	1,949,998	1,382,190	1,285,256	1,318,940	11,703	-	8,250,053
Deposits and placements of banks and other financial institutions	461,596	736,250	1,563,622	-	249,728	166,518	-	3,177,714
Derivative financial liabilities	66	1,200	9,677	955	13	3,618	-	15,529
Other liabilities	55,024	21,856	1,720	30,787	10,865	39,424	-	159,676
Subordinated loan	-	-	-	-	-	1,291,240	-	1,291,240
Total liabilities	2,818,652	2,709,304	2,957,209	1,316,998	1,579,546	1,512,503	-	12,894,212
Net liquidity gap - Total assets less total liabilities	(291,452)	(934,651)	(1,275,765)	(815,940)	(482,570)	5,475,235	55,771	1,730,628

Other assets include intangible assets, property and equipment, right-of-use assets, statutory deposits with BNM, deferred tax assets and tax recoverable.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below which analyses assets and liabilities (includes non-financial instruments) as at 31 December 2022 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's Guidelines on Financial Reporting:

<u>Bank</u>	<u>Within 1 week RM'000</u>	<u>>1 week to 1 month RM'000</u>	<u>>1-3 months RM'000</u>	<u>>3-6 months RM'000</u>	<u>>6-12 months RM'000</u>	<u>Over 1 year RM'000</u>	<u>Non-specific maturity RM'000</u>	<u>Total RM'000</u>
<u>2022</u>								
Cash and short-term funds	2,440,820	286,233	-	-	-	-	-	2,727,053
Deposits and placements with banks and other financial institutions	-	1,072,849	195,060	-	-	-	-	1,267,909
Derivative financial assets	1,282	6,330	12,795	10,288	150	6,493	-	37,338
Financial investments	-	-	-	-	-	1,812,731	-	1,812,731
Loans and advances	467,550	892,770	1,402,479	641,583	233,136	5,220,625	-	8,858,143
Other assets	27,210	843	103	46	59,383	29,769	132,978	250,332 [#]
Total assets	2,936,862	2,259,025	1,610,437	651,917	292,669	7,069,618	132,978	14,953,506
Deposits from customers	446,994	1,316,180	1,356,202	1,222,556	1,313,311	3,027,442	-	8,682,685
Deposits and placements of banks and other financial institutions	469,907	1,320,085	788,115	-	-	175,764	-	2,753,871
Derivatives financial liabilities	1,253	5,625	12,478	10,246	146	6,491	-	36,239
Other liabilities	162,554	19,171	1,400	37,920	12,106	44,149	-	277,300
Subordinated loan	-	-	-	-	-	1,371,681	-	1,371,681
Total liabilities	1,080,708	2,661,061	2,158,195	1,270,722	1,325,563	4,625,527	-	13,121,776
Net liquidity gap - Total assets less total liabilities	1,856,154	(402,036)	(547,758)	(618,805)	(1,032,894)	2,444,091	132,978	1,831,730

[#] Other assets include intangible assets, property and equipment, right-of-use assets, statutory deposits with BNM, deferred tax assets, tax recoverable and investment in subsidiary.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below which analyses assets and liabilities (includes non-financial instruments) as at 31 December 2021 based on the remaining contractual maturity, is disclosed in accordance with the requirements of BNM's Guidelines on Financial Reporting:

<u>Bank</u>	<u>Within 1 week</u> RM'000	<u>>1 week to 1 month</u> RM'000	<u>>1-3 months</u> RM'000	<u>>3-6 months</u> RM'000	<u>>6-12 months</u> RM'000	<u>Over 1 year</u> RM'000	<u>Non-specific maturity</u> RM'000	<u>Total</u> RM'000
<u>2021</u>								
Cash and short-term funds	1,770,857	764,162	-	-	-	-	-	2,535,019
Deposits and placements with banks and other financial institutions	98,951	45,636	351,185	-	-	-	-	495,772
Derivative financial assets	60	1,261	9,976	976	26	3,618	-	15,917
Financial investments	100,198	451,126	321,049	25,247	51,240	1,593,106	-	2,541,966
Loans and advances	532,315	516,984	999,131	472,080	1,002,266	5,359,741	-	8,882,517
Other assets	24,637	312	103	927	43,214	30,382	55,002	154,577#
Total assets	2,527,018	1,779,481	1,681,444	499,230	1,096,746	6,986,847	55,002	14,625,768
Deposits from customers	2,302,555	1,949,998	1,382,190	1,285,256	1,318,940	11,703	-	8,250,642
Deposits and placements of banks and other financial institutions	461,596	736,250	1,563,622	-	249,728	166,518	-	3,177,714
Derivatives financial liabilities	66	1,200	9,677	955	13	3,618	-	15,529
Other liabilities	55,024	21,335	1,345	30,416	10,746	39,106	-	157,972
Subordinated loan	-	-	-	-	-	1,291,240	-	1,291,240
Total liabilities	2,819,241	2,708,783	2,956,834	1,316,627	1,579,427	1,512,185	-	12,893,097
Net liquidity gap - Total assets less total liabilities	(292,223)	(929,302)	(1,275,390)	(817,397)	(482,681)	5,474,662	55,002	1,732,671

Other assets include intangible assets, property and equipment, right-of-use assets, statutory deposits with BNM, deferred tax assets, tax recoverable and investment in subsidiary.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below shows the undiscounted cash outflows of the Group's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The balances in the table below is based on undiscounted basis and do not agree to the balances reported in the statements of financial position.

<u>Group</u>	<u>Within 1 week RM'000</u>	<u>>1 week to 1 month RM'000</u>	<u>>1-3 months RM'000</u>	<u>>3-6 months RM'000</u>	<u>>6-12 months RM'000</u>	<u>Over 1 year RM'000</u>	<u>Total RM'000</u>
<u>2022</u>							
<u>Financial liabilities</u>							
Deposits from customers	2,964,486	1,227,028	1,361,773	1,770,991	1,341,253	60,397	8,725,928
Deposits and placements of banks and other financial institutions	403,971	1,389,042	793,852	-	-	200,863	2,787,728
Derivatives financial liabilities	1,253	5,642	13,824	10,246	2,789	3,350	37,104
Other liabilities	140,390	4,819	1,542	38,162	10,865	24,221	219,999
Subordinated loan	-	1,477	-	1,370	2,787	1,386,374	1,392,008
	<u>3,510,100</u>	<u>2,628,008</u>	<u>2,170,991</u>	<u>1,820,769</u>	<u>1,357,694</u>	<u>1,675,205</u>	<u>13,162,767</u>
<u>2021</u>							
<u>Financial liabilities</u>							
Deposits from customers	2,416,042	1,837,362	1,386,401	1,294,928	1,331,706	18,690	8,285,129
Deposits and placements of banks and other financial institutions	249,223	948,587	1,565,323	324	251,893	169,055	3,184,405
Derivatives financial liabilities	66	1,200	9,677	955	13	3,618	15,529
Other liabilities	51,625	13,600	1,542	30,690	10,109	24,221	131,787
Subordinated loan	-	1,401	-	1,370	2,787	1,316,624	1,322,182
	<u>2,716,956</u>	<u>2,802,150</u>	<u>2,962,943</u>	<u>1,328,267</u>	<u>1,596,508</u>	<u>1,532,208</u>	<u>12,939,032</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The table below shows the undiscounted cash outflows of the Bank's financial liabilities by remaining contractual maturities on undiscounted basis. All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values. The balances in the table below is based on undiscounted basis and do not agree to the balances reported in the statements of financial position.

<u>Bank</u>	<u>Within 1 week RM'000</u>	<u>>1 week to 1 month RM'000</u>	<u>>1-3 months RM'000</u>	<u>>3-6 months RM'000</u>	<u>>6-12 months RM'000</u>	<u>Over 1 year RM'000</u>	<u>Total RM'000</u>
<u>2022</u>							
<u>Financial liabilities</u>							
Deposits from customers	2,965,209	1,227,028	1,361,773	1,770,991	1,341,253	60,397	8,726,651
Deposits and placements of banks and other financial institutions	403,971	1,389,042	793,852	-	-	200,863	2,787,728
Derivatives financial liabilities	1,253	5,642	13,824	10,246	2,789	3,350	37,104
Other liabilities	140,390	4,601	1,303	37,470	10,557	24,097	218,418
Subordinated loan	-	1,477	-	1,370	2,787	1,386,374	1,392,008
	<u>3,510,823</u>	<u>2,627,790</u>	<u>2,170,752</u>	<u>1,820,077</u>	<u>1,357,386</u>	<u>1,675,081</u>	<u>13,161,909</u>
<u>2021</u>							
<u>Financial liabilities</u>							
Deposits from customers	2,416,631	1,837,362	1,386,401	1,294,928	1,331,706	18,690	8,285,718
Deposits and placements of banks and other financial institutions	249,223	948,587	1,565,323	324	251,893	169,055	3,184,405
Derivatives financial liabilities	66	1,200	9,677	955	13	3,618	15,529
Other liabilities	51,625	13,276	1,303	30,006	9,632	24,097	129,939
Subordinated loan	-	1,401	-	1,370	2,787	1,316,624	1,322,182
	<u>2,717,545</u>	<u>2,801,826</u>	<u>2,962,704</u>	<u>1,327,583</u>	<u>1,596,031</u>	<u>1,532,084</u>	<u>12,937,773</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and of the Bank's commitments and contingencies:

<u>Group</u>	2022			2021		
	<u>Less than 1 year</u> RM'000	<u>Over 1 year</u> RM'000	<u>Total</u> RM'000	<u>Less than 1 year</u> RM'000	<u>Over 1 year</u> RM'000	<u>Total</u> RM'000
Direct credit substitutes	2,687	-	2,687	16,519	-	16,519
Transaction-related contingent items	1,499,943	1,107,643	2,607,586	1,279,669	874,725	2,154,394
Short-term self-liquidating trade-related contingencies	81,260	-	81,260	53,228	-	53,228
Irrevocable commitments to extend credit	2,521,912	987,021	3,508,933	2,238,384	508,505	2,746,889
Foreign exchange related contracts	3,544,028	-	3,544,028	702,774	-	702,774
Interest/Profit rate related contracts	346,940	237,915	584,855	299,858	290,622	590,480
	<u>7,996,770</u>	<u>2,332,579</u>	<u>10,329,349</u>	<u>4,590,432</u>	<u>1,673,852</u>	<u>6,264,284</u>

The above commitments and contingencies are available for draw down or could be called upon within a period of less than one year.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's and of the Bank's commitments and contingencies (continued):

<u>Bank</u>	2022			2021		
	<u>Less than 1 year</u> RM'000	<u>Over 1 year</u> RM'000	<u>Total</u> RM'000	<u>Less than 1 year</u> RM'000	<u>Over 1 year</u> RM'000	<u>Total</u> RM'000
Direct credit substitutes	2,687	-	2,687	16,519	-	16,519
Transaction-related contingent items	1,499,943	1,107,643	2,607,586	1,279,669	874,725	2,154,394
Short-term self-liquidating trade-related contingencies	81,260	-	81,260	53,228	-	53,228
Irrevocable commitments to extend credit	2,523,412	987,021	3,510,433	2,239,884	508,505	2,748,389
Foreign exchange related contracts	3,544,028	-	3,544,028	702,774	-	702,774
Interest/Profit rate related contracts	346,940	237,915	584,855	299,858	290,622	590,480
	<u>7,998,270</u>	<u>2,332,579</u>	<u>10,330,849</u>	<u>4,591,932</u>	<u>1,673,852</u>	<u>6,265,784</u>

The above commitments and contingencies are available for draw down or could be called upon within a period of less than one year.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk

Market risk is the risk of potential losses resulting from the changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in the market risk factors such as foreign exchange rates, interest rates, credit spreads, equity prices, commodities prices and their associated volatility.

The Bank's RMICC is responsible for the oversight of market risk management of the Bank and executing the BRMC and Board's mandate on market risk management strategies, risk appetite and tolerance level. The Bank has established the Market Risk Management Policy to govern BOCM's market risk governance structure, risk identification, measurement, monitoring and reporting processes. Various market risk indicators (e.g. Foreign Exchange Net Open Position, Value-at-Risk, Price Value of Basis Point, Stop Loss, etc) are regularly measured and monitored, in order to proactively manage the fluctuations of market interest rates and foreign exchange rates.

The Bank's interest rate risk are monitored through earnings and economic value of equity indicators. The impact on net interest income of the banking book is simulated under various interest rate assumptions. Sensitivity is measured using the Earnings-at-Risk ("EaR") methodology. An increase or decrease by 25 basis points, the impact of increase/decrease on the Bank's earnings for the financial year end is estimated at RM7.3 million (2021: RM7.9 million).

The Group and the Bank are exposed to precious metal risk and such exposures are managed together with foreign exchange risk. An increase or decrease of 1% in market price would impact the fair value by RM700 (2021: RM1,600).

The Group's and the Bank's foreign exchange risk are managed by matching the quantum and timing of cash flow of the foreign exchange assets with foreign exchange liabilities. The mismatch between foreign currencies mainly arises from the Group's and the Bank's short term foreign currencies borrowing and medium-to-long term foreign currencies loans.

The following table demonstrates the sensitivity of the Group's and the Bank's profit after taxation and equity to a reasonable possible change in foreign exchange rates with all other variables remaining constant.

Impact on profit after taxation:

	<u>Group and Bank</u>			
	<u>2022</u>		<u>2021</u>	
	Foreign exchange rate	Foreign exchange rate	Foreign exchange rate	Foreign exchange rate
	+1%	-1%	+1%	-1%
	RM'000	RM'000	RM'000	RM'000
<u>Currency</u>				
USD	(288)	288	(51)	51
SGD	1	(1)	1	(1)
CNY	635	(635)	52	(52)
Others	(245)	245	(25)	25
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk(continued)

Interest rate risk (IBOR Reform)

The discontinuation of London Interbank Offer Rate (“LIBOR”) and the transition to alternative Risk Free Rates (“RFR”) could pose challenges to the Group and the Bank as the transition from LIBOR is expected to bring about significant legal, valuation, accounting, risk management and system implication.

Bank Negara Malaysia (“BNM”) has established key signposts to ensure that banks adequately prepare for and manage a smooth transition away from LIBOR. These include key timelines to be adhered to for engagement with customers to renegotiate contracts and incorporate fallback provisions in loan and derivative contracts, completion of the assessment on operational readiness and capability to support products references to RFRs and resolution of all residual risks and impediments to issue products referenced to RFRs.

BNM introduced the Malaysia Overnight Rate (“MYOR”) as the new alternative reference rate, which will run in parallel with the existing KLIBOR, providing the market with the flexibility to choose either MYOR or KLIBOR as the reference rate for pricing of financial instruments. The Financial Markets Committee (“FMC”) will engage the International Swaps and Derivatives Association (“ISDA”) to ensure continuity of KLIBOR derivatives contracts in the event of a temporary or permanent discontinuation of KLIBOR publication.

The main risk to which the Bank has been exposed as a result of IBOR reform are operational. The transition from IBOR to Risk Free Rate (“RFR”) or other types of base rates will have implications to the Bank arising from legal implications for existing derivatives and loan contracts referenced to IBOR, adjustments to accounting and valuation approaches, and system recalibration and reconfiguration.

The Group and the Bank have established an IBOR Transition Programme that is overseen by the Bank’s Chief Executive Officer, and regularly updates a number of committees including the Board Risk Committee and Asset Liability Management Committee. The programme comprises a series of business and function workstreams, with oversight and coordination of the specific areas and risks provided by a central project team. The key objectives of these workstreams include the following:

- quantification and monitoring of affected exposures regularly
- identification of evaluation of key risks arising from the reform under different scenarios
- formulating an action plan to prudently manage the risk identified
- monitoring closely the developments of the benchmark reform both in own country and internationally, update the scenarios and action plan as appropriate
- identifying contracts in scope of benchmark reform;
- considering changes to internal systems, processes, risk management and valuation models;
- identifying and communicating to counterparties with whom repricing and/or re-papering IBOR-referenced contracts is required and executing the necessary change in contracts;
- managing any related tax and accounting implications.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk(continued)

Interest rate risk (IBOR Reform) (continued)

As at 31 December 2022, the Group and the Bank holds the following financial instruments which are referenced to the current benchmark interest rates and have yet to transit to an alternative interest rate benchmark:

	Carrying amount/ nominal amount as at 31 December 2022		Of which, have yet to transit to an alternative benchmark interest as at 31 December 2022	
	<u>Assets</u> RM'000	<u>Liabilities</u> RM'000	<u>Assets</u> RM'000	<u>Liabilities</u> RM'000
Derivatives Assets/(Liabilities)	6,492	(6,492)	6,492	(6,492)
Loans and advances	3,802,621	-	2,760,635	-
Subordinated loan	-	(1,371,681)	-	(1,359,970)
	<u>3,809,113</u>	<u>(1,378,173)</u>	<u>2,767,127</u>	<u>(1,366,462)</u>

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk

The tables below summarise the Group's and the Bank's exposure to interest rate risks indicating the effective interest rate ("EIR") at the reporting date. Included in the tables are the Group's and the Bank's assets and liabilities at their full carrying amounts, categorised by the earlier of contractual repricing or maturity dates. The off-balance sheet gap represents the net notional amounts of all interest rate sensitive derivative financial instruments. As interest rates and yield curves change over time the Group and the Bank may be exposed to a loss in earnings due to the effects of interest rates on the structure of the balance sheet. Sensitivity to interest rates arises from mismatches in the repricing dates, cash flows and other characteristics of the assets and their corresponding liability funding.

<u>Group</u>						<u>Non-trading book</u>		<u>Total</u> RM'000	<u>EIR</u> %
	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-12</u> <u>months</u> RM'000	<u>>1-5</u> <u>years</u> RM'000	<u>Over</u> <u>5 years</u> RM'000	<u>Non-interest</u> <u>sensitive</u> RM'000			
<u>2022</u>									
<u>Assets</u>									
Cash and short-term funds	2,701,294	-	-	-	-	25,810	2,727,104	2.62	
Deposits and placements with banks and other financial institutions	1,072,860	195,049	-	-	-	-	1,267,909	3.02	
Derivative financial assets	-	-	-	-	-	37,338	37,338		
Debt instruments at FVOCI	-	-	528,725	1,270,783	-	-	1,799,508	3.82	
Equity instruments at FVOCI	-	-	-	-	-	13,223	13,223		
Debt instruments at amortised cost	-	-	-	-	-	-	-		
Loans and advances									
- non-impaired	7,347,919	187,273	205,895	345,381	628,930	(69,771)	8,645,627	5.08	
- impaired	380,832	-	-	-	-	(178,597)	202,235		

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

<u>Group</u>						Non-trading book		<u>Total</u> RM'000	<u>EIR</u> %
	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-12</u> <u>months</u> RM'000	<u>>1-5</u> <u>years</u> RM'000	<u>Over</u> <u>5 years</u> RM'000	<u>Non-interest</u> <u>sensitive</u> RM'000			
<u>2022</u>									
Other assets	-	-	-	-	-	33,666	33,666		
Tax recoverable	-	-	-	-	-	26,034	26,034		
Deferred tax assets	-	-	-	-	-	36,929	36,929		
Right-of-use assets	-	-	-	-	-	33,704	33,704		
Property and equipment	-	-	-	-	-	50,126	50,126		
Intangible assets	-	-	-	-	-	2,904	2,904		
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	80,000	80,000		
Total assets	11,502,905	382,322	734,620	1,616,164	628,930	91,366	14,956,307		

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

<u>Group</u>						Non-trading book		<u>Total</u> RM'000	<u>EIR</u> %
	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-12</u> <u>months</u> RM'000	<u>>1-5</u> <u>years</u> RM'000	<u>Over</u> <u>5 years</u> RM'000	<u>Non-interest</u> <u>sensitive</u> RM'000			
<u>2022</u>									
<u>Liabilities</u>									
Deposits from customers	2,974,049	1,356,278	2,542,832	50,191	-	1,758,612	8,681,962	2.44	
Deposits and placements of banks and other financial institutions	1,387,281	788,115	-	175,764	-	402,711	2,753,871	0.18	
Derivatives financial liabilities	-	-	-	-	-	36,239	36,239		
Other liabilities	29,735	1,433	6,426	23,152	3,414	220,492	284,652		
Subordinated loan	-	-	-	1,371,681	-	-	1,371,681	4.33	
Total liabilities	4,391,065	2,145,826	2,549,258	1,620,788	3,414	2,418,054	13,128,405		
Total equity	-	-	-	-	-	1,827,902	1,827,902		
Total liabilities and equity	4,391,065	2,145,826	2,549,258	1,620,788	3,414	4,245,956	14,956,307		
On balance sheet - interest sensitivity gap	7,111,840	(1,763,504)	(1,814,638)	(4,624)	625,516	(4,154,590)	-		
Off balance sheet - interest sensitivity gap	-	-	-	-	-	-	-		
Total interest sensitivity gap	7,111,840	(1,763,504)	(1,814,638)	(4,624)	625,516	(4,154,590)	-		

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

<u>Group</u>						Non-trading book		<u>Total</u> RM'000	<u>EIR</u> %
	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-12</u> <u>months</u> RM'000	<u>>1-5</u> <u>years</u> RM'000	<u>Over</u> <u>5 years</u> RM'000	<u>Non-interest</u> <u>sensitive</u> RM'000			
<u>2021</u>									
<u>Assets</u>									
Cash and short-term funds	2,512,419	-	-	-	-	22,782	2,535,201	1.67	
Deposits and placements with banks and other financial institutions	144,587	351,185	-	-	-	-	495,772	2.12	
Derivative financial assets	-	-	-	-	-	15,917	15,917		
Debt instruments at FVOCI	-	20,312	76,487	1,575,759	-	-	1,672,558	3.89	
Equity instruments at FVOCI	-	-	-	-	-	17,347	17,347		
Debt instruments at amortised cost	551,324	300,737	-	-	-	-	852,061	1.92	
Loans and advances									
- non-impaired	7,792,148	550,570	549,872	453	32,440	(149,764)	8,775,719	1.84	
- impaired	197,991	-	-	-	-	(96,701)	101,290		

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

<u>Group</u>						Non-trading book		<u>Total</u> RM'000	<u>EIR</u> %
	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-12</u> <u>months</u> RM'000	<u>>1-5</u> <u>years</u> RM'000	<u>Over</u> <u>5 years</u> RM'000	<u>Non-interest</u> <u>sensitive</u> RM'000			
<u>2021</u>									
Other assets	-	-	-	-	-	30,551	30,551		
Tax recoverable	-	-	-	-	-	14,777	14,777		
Deferred tax assets	-	-	-	-	-	29,252	29,252		
Right-of-use assets	-	-	-	-	-	28,624	28,624		
Property and equipment	-	-	-	-	-	46,015	46,015		
Intangible assets	-	-	-	-	-	2,281	2,281		
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	7,475	7,475		
Total assets	11,198,469	1,222,804	626,359	1,576,212	32,440	(31,444)	14,624,840		

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

<u>Group</u>						Non-trading book		<u>Total</u> RM'000	<u>EIR</u> %
	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-12</u> <u>months</u> RM'000	<u>>1-5</u> <u>years</u> RM'000	<u>Over</u> <u>5 years</u> RM'000	<u>Non-interest</u> <u>sensitive</u> RM'000			
<u>2021</u>									
<u>Liabilities</u>									
Deposits from customers	2,928,756	1,382,190	2,604,197	11,703	-	1,323,207	8,250,053	1.46	
Deposits and placements of banks and other financial institutions	948,786	1,563,622	249,728	166,519	-	249,059	3,177,714	0.50	
Derivatives financial liabilities	-	-	-	-	-	15,529	15,529		
Other liabilities	14,771	1,725	6,745	22,730	38,574	75,131	159,676		
Subordinated loan	-	-	-	-	1,291,240	-	1,291,240	0.30	
Total liabilities	3,892,313	2,947,537	2,860,670	200,952	1,329,814	1,662,926	12,894,212		
Total equity	-	-	-	-	-	1,730,628	1,730,628		
Total liabilities and equity	3,892,313	2,947,537	2,860,670	200,952	1,329,814	3,393,554	14,624,840		
On balance sheet - interest sensitivity gap	7,306,156	(1,724,733)	(2,234,311)	1,375,260	(1,297,374)	(3,424,998)	-		
Off balance sheet - interest sensitivity gap	-	-	-	-	-	-	-		
Total interest sensitivity gap	7,306,156	(1,724,733)	(2,234,311)	1,375,260	(1,297,374)	(3,424,998)	-		

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

<u>Bank</u>	Non-trading book						<u>Total</u> RM'000	<u>EIR</u> %
	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-12</u> <u>months</u> RM'000	<u>>1-5</u> <u>years</u> RM'000	<u>Over</u> <u>5 years</u> RM'000	<u>Non-interest</u> <u>sensitive</u> RM'000		
<u>2022</u>								
<u>Assets</u>								
Cash and short-term funds	2,701,294	-	-	-	-	25,759	2,727,053	2.62
Deposits and placements with Banks and other financial Institutions	1,072,860	195,049	-	-	-	-	1,267,909	3.02
Derivative financial assets	-	-	-	-	-	37,338	37,338	
Debt instruments at FVOCI	-	-	528,725	1,270,783	-	-	1,799,508	3.82
Equity instruments at FVOCI	-	-	-	-	-	13,223	13,223	
Debt instruments at amortised cost	-	-	-	-	-	-	-	
Loans and advances								
- non-impaired	7,358,200	187,273	205,895	345,381	628,930	(69,771)	8,655,908	5.08
- impaired	380,832	-	-	-	-	(178,597)	202,235	
Other assets	-	-	-	-	-	33,374	33,374	
Deferred tax assets	-	-	-	-	-	33,018	33,018	
Tax recoverable	-	-	-	-	-	23,935	23,935	
Right-of-use assets	-	-	-	-	-	27,027	27,027	
Property and equipment	-	-	-	-	-	49,074	49,074	
Intangible assets	-	-	-	-	-	2,904	2,904	
Investment in a subsidiary	-	-	-	-	-	1,000	1,000	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	80,000	80,000	
Total assets	11,513,186	382,322	734,620	1,616,164	628,930	78,284	14,953,506	

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

<u>Bank</u>						Non-trading book		Total RM'000	<u>EIR</u> %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<u>2022</u>									
Liabilities									
Deposits from customers	2,974,049	1,356,278	2,542,832	50,191	-	1,759,335	8,682,685	2.44	
Deposits and placements of banks and other financial institutions	1,387,281	788,115	-	175,764	-	402,711	2,753,871	0.18	
Derivatives financial liabilities	-	-	-	-	-	36,239	36,239		
Other liabilities	29,641	1,244	5,609	18,578	2,347	219,881	277,300		
Subordinated loan	-	-	-	1,371,681	-	-	1,371,681	4.33	
Total liabilities	4,390,971	2,145,637	2,548,441	1,616,214	2,347	2,418,166	13,121,776		
Total equity	-	-	-	-	-	1,831,730	1,831,730		
Total liabilities and equity	4,390,971	2,145,637	2,548,441	1,616,214	2,347	4,249,896	14,953,506		
On balance sheet – interest sensitivity gap	7,122,215	(1,763,315)	(1,813,821)	(50)	626,583	(4,171,612)	-		
Off balance sheet - interest sensitivity gap									
Total interest sensitivity gap	7,122,215	(1,763,315)	(1,813,821)	(50)	626,583	(4,171,612)	-		

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

<u>Bank</u>	Non-trading book						<u>Total</u> RM'000	<u>EIR</u> %
	<u>Up to</u> <u>1 month</u> RM'000	<u>>1-3</u> <u>months</u> RM'000	<u>>3-12</u> <u>months</u> RM'000	<u>>1-5</u> <u>years</u> RM'000	<u>Over</u> <u>5 years</u> RM'000	<u>Non-interest</u> <u>sensitive</u> RM'000		
<u>2021</u>								
<u>Assets</u>								
Cash and short-term funds	2,512,419	-	-	-	-	22,600	2,535,019	1.67
Deposits and placements with Banks and other financial institutions	144,587	351,185	-	-	-	-	495,772	2.12
Derivative financial assets	-	-	-	-	-	15,917	15,917	
Debt instruments at FVOCI	-	20,312	76,487	1,575,759	-	-	1,672,558	3.89
Equity instruments at FVOCI	-	-	-	-	-	17,347	17,347	
Debt instruments at amortised cost	551,324	300,737	-	-	-	-	852,061	1.92
Loans and advances								
- non-impaired	7,797,656	550,570	549,872	453	32,440	(149,764)	8,781,227	1.84
- impaired	197,991	-	-	-	-	(96,701)	101,290	
Other assets	-	-	-	-	-	29,874	29,874	
Deferred tax assets	-	-	-	-	-	29,021	29,021	
Tax recoverable	-	-	-	-	-	12,949	12,949	
Right-of-use assets	-	-	-	-	-	27,732	27,732	
Property and equipment	-	-	-	-	-	44,245	44,245	
Intangible assets	-	-	-	-	-	2,281	2,281	
Investment in a subsidiary	-	-	-	-	-	1,000	1,000	
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	7,475	7,475	
Total assets	11,203,977	1,222,804	626,359	1,576,212	32,440	(36,024)	14,625,768	

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Market risk (continued)

Interest rate risk (continued)

<u>Bank</u>						Non-trading book		Total RM'000	<u>EIR</u> %
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000			
<u>2021</u>									
Liabilities									
Deposits from customers	2,928,756	1,382,190	2,604,197	11,703	-	1,323,796	8,250,642	1.46	
Deposits and placements of banks and other financial institutions	948,786	1,563,622	249,728	166,519	-	249,059	3,177,714	0.50	
Derivatives financial liabilities	-	-	-	-	-	15,529	15,529		
Other liabilities	14,466	1,126	4,836	19,257	3,075	115,212	157,972		
Subordinated loan	-	-	-	-	1,291,240	-	1,291,240	0.30	
Total liabilities	3,892,008	2,946,938	2,858,761	197,479	1,294,315	1,703,596	12,893,097		
Total equity	-	-	-	-	-	1,732,671	1,732,671		
Total liabilities and equity	3,892,008	2,946,938	2,858,761	197,479	1,294,315	3,436,267	14,625,768		
On balance sheet – interest sensitivity gap	7,311,969	(1,724,134)	(2,232,402)	1,378,733	(1,261,875)	(3,472,291)	-		
Off balance sheet - interest sensitivity gap	-	-	-	-	-	-	-		
Total interest sensitivity gap	7,311,969	(1,724,134)	(2,232,402)	1,378,733	(1,261,875)	(3,472,291)	-		

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

37 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational risk

Operational risk refers to the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is inherent in all activities, products and services of financial institutions and can transverse multiple activities and business lines within the Bank. It includes a wide spectrum of heterogeneous risk such as fraud, physical damage, business disruption, transaction failures, legal and regulatory breaches as well as employee health and safety hazards. Operational risk may result in direct financial losses as well as indirect financial losses (e.g. loss of business and market share) due to reputational damage.

To manage operational risk, the Bank has established “Three lines of defence” to manage operational risk events, where:

First line of defence – Business and functional lines are primarily responsible in managing operational risk of their respective businesses and functions.

Second line of defence – perform reviewing and identification and management of major operational risk by business and functional lines as well as integrating operational risks at the enterprise level.

Third line of defence – provide regular reviews and assessments of the operational risk management framework, processes and systems.

Risk Management and Internal Control Committee (“RMICC”), Compliance Risk Management Committee (“CRMC”), and Board Risk Committees (“BRC”) are the Bank’s risk governance committees accountable in overseeing the enterprise wide operational risk function. The committee is responsible to monitor and deliberate on operational risk issues specific to the business or functional lines, and promote risk ownership and management by the business and functional lines.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS

MFRS 7 Financial Instruments: Disclosures requires the classification of financial instruments held at fair value according to a hierarchy that reflects the significance of inputs used in making the measurements, in particular, whether the inputs used are observable or unobservable. *MFRS 13 Fair Value Measurement* also requires the hierarchical disclosure for financial instruments of which their fair values are disclosed. The following levels of hierarchy are used for determining the disclosing the fair value of financial instruments:

Level 1 – Quoted prices (unadjusted) in active markets for identical financial instruments.

Level 2 – Valuation technique using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – Valuation technique using inputs for the asset or liability that is not based on observable market data (unobservable inputs).

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which a financial asset could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial statements date.

Where available, quoted and observable market prices are used as the measures of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments carried at fair value

As at 31 December 2022, the Group and the Bank only have fair valued financial instruments that fall under Level 1, Level 2 and Level 3 as listed below:

<u>Group and Bank</u>	Valuation Technique 2022				Valuation Technique 2021			
	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>Financial assets</u>								
Debt instruments at FVOCI	-	1,799,508	-	1,799,508	-	1,672,558	-	1,672,558
Equity instruments at FVOCI	-	-	13,223	13,223	-	-	17,347	17,347
Derivative financial assets	-	37,338	-	37,338	-	15,917	-	15,917
	<u>-</u>	<u>1,836,846</u>	<u>13,223</u>	<u>1,850,069</u>	<u>-</u>	<u>1,688,475</u>	<u>17,347</u>	<u>1,705,822</u>
<u>Financial liabilities</u>								
Derivative financial liabilities	-	36,239	-	36,239	-	15,529	-	15,529
	<u>-</u>	<u>36,239</u>	<u>-</u>	<u>36,239</u>	<u>-</u>	<u>15,529</u>	<u>-</u>	<u>15,529</u>

Note: Reclass Debt instruments at FVOCI for FY 2021 from Level 1 to Level 2 to align with current year disclosure.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(a) Financial instruments carried at fair value (continued)

The following represents the changes in Level 3 of financial assets:

<u>Group and Bank</u>	Equity instruments at fair value through other comprehensive <u>income</u> RM'000
At 1 January 2022	17,347
Total losses recognised in other comprehensive income	(4,124)
	<hr/>
At 31 December 2022	13,223
	<hr/> <hr/>

(i) Debt instruments at FVOCI

The estimated fair value of Malaysian Government Securities and Malaysian Government Investment Issues is generally based on directly or indirectly market observable inputs and classified under Level 2 of the fair value hierarchy.

(ii) Equity instruments at FVOCI

The Bank derived the fair value of the unquoted equity investments based on the "revised net assets" method. The revised net assets were obtained based on the fair value net assets as derived in the investee's latest publicly available audited financial statement of these investments. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value can be reliably measured are measured at cost.

Cagamas Holdings Berhad's shares is revalued based on fair value of net tangible asset approach.

(iii) Derivative financial assets and liabilities

The fair values of derivative assets and liabilities are from foreign exchange related contracts/interest/profit related contracts. These are the estimated amounts the Group and the Bank would receive or pay to terminate the contracts at the reporting date.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

- (b) Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

Sensitivity analysis for level 3

	<u>Group and Bank</u> <u>2022</u>	
	<u>Favorable</u> <u>changes</u> +10%	<u>Unfavorable</u> <u>changes</u> -10%
	RM'000	RM'000
Equity instruments at FVOCI		
- Cagamas Holdings Berhad	1,002	(1,002)
- CGC	320	(320)
	<u>1,322</u>	<u>(1,322)</u>

- (c) Financial instruments not carried at fair value

A range of methodologies and assumptions had been used in deriving the fair values of the Group's and the Bank's financial instruments at the reporting date. The total fair value by each class of financial instruments is not materially different from the total carrying amount, except for the following financial assets:

	<u>2022</u>		<u>2021</u>	
	<u>Carrying</u> <u>amount</u>	<u>Fair</u> <u>value</u>	<u>Carrying</u> <u>amount</u>	<u>Fair</u> <u>value</u>
	RM'000	RM'000	RM'000	RM'000
<u>Group and Bank</u>				
<u>Financial assets</u>				
Debt instruments at amortised cost				
- Level 2	-	-	852,061	802,109
Other assets				
Precious metal inventories				
- Level 2	47	66	109	157
	<u>47</u>	<u>66</u>	<u>852,170</u>	<u>802,266</u>
<u>Group</u>				
<u>Financial assets</u>				
Loans and advances				
- Level 3	<u>8,847,862</u>	<u>8,822,730</u>	<u>8,877,009</u>	<u>8,856,184</u>

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial instruments not carried at fair value (continued)

	<u>Carrying</u> <u>amount</u> RM'000	<u>2022</u> <u>Fair</u> <u>value</u> RM'000	<u>Carrying</u> <u>amount</u> RM'000	<u>2021</u> <u>Fair</u> <u>value</u> RM'000
<u>Bank</u>				
<u>Financial assets</u>				
Loans and advances				
- Level 3	8,858,143	8,833,011	8,882,517	8,861,692
<u>Group and Bank</u>				
<u>Financial liabilities</u>				
Deposits and placements of bank and other financial institutions				
- Level 2	2,753,871	2,753,871	3,177,714	3,177,714
Subordinated loan				
- Level 3	1,371,681	1,116,578	1,291,240	1,059,311
<u>Group</u>				
<u>Financial liabilities</u>				
Deposits from customers				
- Level 2	8,681,962	8,671,675	8,250,053	8,249,467
<u>Bank</u>				
<u>Financial liabilities</u>				
Deposits from customers				
- Level 2	8,682,685	8,672,398	8,250,642	8,250,056

(i) Debt instruments at amortised cost

The estimated fair value of negotiable instruments of deposits is based on market yield of similar assets and classified under Level 2 of the fair value hierarchy.

(ii) Precious metal inventories

The fair values of financial assets are determined by quoted market prevailing prices of the respective precious metals as quoted by the London Bullion Market Association.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(c) Financial instruments not carried at fair value (continued)

(iii) Loans and advances

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing with maturities of 6 months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

The fair value of impaired variable and fixed rate financing are represented by their carrying value, net of individual impairment allowance, being the expected recoverable amount.

(iv) Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than one year approximate the carrying amounts.

(v) Deposits from customers

For deposits from customers with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair value.

(vi) Fair values of other financial instruments carried at cost or amortised cost

Cash and short-term funds and deposits and placements with banks and other financial institutions, as well as interest and other short-term receivables and payables included in other assets and other liabilities respectively, fair values are expected to approximate the carrying amounts in the statements of financial position due to their short-term maturity.

The fair value of fixed rate loans and advances are estimated based on discounted cash flows using prevailing market rates of loans and advances of similar credit risks and maturity. The fair value of the fixed rate loans are approximate their carrying amounts due to their short-term maturity.

For fair values of variable rate loans and advances, the fair values are estimated to approximate their carrying amounts.

The fair value of other financial assets approximates their carrying amounts due to their short term in nature.

(vii) Subordinated loan

The fair value of subordinated loan is estimated by discounting the expected future cash flows using the applicable prevailing interest rates for similar instruments as at reporting date.

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

38 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

(d) Sensitivity of fair value measurement to changes in unobservable inputs assumptions

Equity instruments at FVOCI was revalued using net tangible asset value approach, where higher net tangible assets result in higher fair value.

39 ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRS requires the use of certain accounting estimates and assumptions that underlie the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities. These estimates require the Group's and the Bank's management to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the management's best knowledge of current events and actions actual results may differ. The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable and relevant under the circumstances.

ECL for impairment on loans and advances

The Group and the Bank adopt a forward-looking approach in making ECL on loans and advances. The management is guided by the relevant Bank Negara Malaysia guidelines and accounting standards in making judgement on the future and key factors in estimation of the amount and timing of the cash flows arising from impairment on loans and advances. Amongst the factors considered are the Group's and the Bank's aggregate loan exposures, the realisable values of the underlying collaterals, the customers' credit risk rating, the capacity to generate sufficient cash flows to service debt obligations.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. In the case where the Group and the Bank have no entity-specific loss experience or insufficient experience, the Group and the Bank may use peer group experience for comparable groups of financial assets. Historical loss experience is adjusted on the basis of current observable data that have an impact on the current conditions and irrelevant data are removed.

Estimates of changes in future cash flows reflect and are directionally consistent with changes in related observable data from period to period (such as change in economic variables such as Gross Domestic Product, unemployment rates, property prices, or other relevant factors and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to enhance accuracy of the estimates by minimizing the variance between estimated and actual outcomes.

The amounts of ECL on loans and advances recognised by the Group and the Bank are as disclosed in Note 9. The Group's and the Bank's ECL on loans and advances as at 31 December 2022 was estimated based on a range of forecast economic conditions as at the reporting date and the assumptions used for management ECL overlays are as disclosed in Note 37 (b). There is no significant adjusting post balance sheet event that will impact the Group's and the Bank's financial results for the current financial year ended 31 December 2022.

Registration No.

200001008645 (511251-V)

BANK OF CHINA (MALAYSIA) BERHAD
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

39 ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statements of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset-backed securities. The valuation of financial instruments is described in more details in Note 38.

Deferred tax assets and income taxes

In determining the Group's tax charge for the year it involves estimation and judgement, which includes an interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Bank provides for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where and outflow is probable.

The recoverability of the Group's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

40 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been authorised for issue in accordance with a resolution of the Board of Directors 27 April 2023.