

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	Group		Bank	
		30 June	31 December	30 June	31 December
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	9	1,913,738	2,381,504	1,912,783	2,370,512
Deposits and placements with banks and other financial institutions	10	1,124,564	1,089,510	1,124,564	1,089,510
Derivative financial assets	11	17,751	2,913	17,751	2,913
Debt instruments at fair value through other comprehensive income ("FVOCI")	12	1,378,493	897,817	1,378,493	897,817
Equity instruments at FVOCI	13	18,719	16,483	18,719	16,483
Debt instruments at amortised cost	14	500,850	792,846	500,850	792,846
Equity instrument at fair value through profit & loss ("FVTPL")	15	-	1,486	-	1,486
Loans and advances	16	8,768,200	7,487,408	8,768,200	7,487,408
Other assets	17	36,110	5,522	35,516	4,743
Right-of-use assets		31,916	29,947	29,196	26,607
Tax recoverable		18,564	24,611	18,414	24,611
Deferred tax assets		4,044	8,306	3,753	8,016
Statutory deposits with Bank Negara Malaysia		7,850	99,600	7,850	99,600
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		53,241	54,032	52,362	53,064
Intangible assets		970	1,376	970	1,376
TOTAL ASSETS		13,875,010	12,893,361	13,870,421	12,877,992
LIABILITIES AND EQUITY					
Deposits from customers	18	7,954,866	7,155,539	7,961,063	7,168,887
Deposits and placements of banks and other financial institutions	19	2,769,983	2,718,660	2,769,983	2,718,660
Derivative financial liabilities	11	17,542	2,877	17,542	2,877
Other liabilities	20	148,360	161,676	144,383	151,873
Provision for taxation		-	1,200	-	-
Subordinated loan	21	1,330,515	1,273,640	1,330,515	1,273,640
TOTAL LIABILITIES		12,221,266	11,313,592	12,223,486	11,315,937
Share capital		760,518	760,518	760,518	760,518
Reserves		893,226	819,251	886,417	801,537
TOTAL EQUITY		1,653,744	1,579,769	1,646,935	1,562,055
TOTAL LIABILITIES AND EQUITY		13,875,010	12,893,361	13,870,421	12,877,992
COMMITMENTS AND CONTINGENCIES	28	6,116,352	5,591,993	6,116,352	5,591,993

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Group					
Interest income	22	103,095	131,827	217,934	260,520
Interest expense	23	(52,206)	(76,170)	(114,953)	(148,623)
Net interest income		50,889	55,657	102,981	111,897
Other operating income	24	15,318	24,318	30,228	49,365
Other operating expenses	25	(32,869)	(33,661)	(65,103)	(70,048)
Operating profit before allowance for expected credit losses		33,338	46,314	68,106	91,214
Allowance for impairment on loans and advances and other financial assets	26	(8,761)	(38,069)	9,242	(46,128)
Profit before taxation		24,577	8,245	77,348	45,086
Taxation		(6,905)	(1,214)	(19,704)	(12,273)
Profit for the financial period		17,672	7,031	57,644	32,813
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss when specific conditions are met:					
- Net fair value changes in debt instrument at FVOCI, net of tax		13,397	2,030	16,328	3,218
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
- Net gain on foreign exchange translation		(11)	-	3	-
Other comprehensive income, net of tax		13,386	2,030	16,331	3,218
Total comprehensive income for the period, net of tax		31,058	9,061	73,975	36,031
Earnings per share					
- Basic/fully diluted (sen)				7.58	4.31

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019

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

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2020 RM'000	30 June 2019 RM'000	30 June 2020 RM'000	30 June 2019 RM'000
Bank					
Interest income	22	103,095	131,827	217,934	260,520
Interest expense	23	(52,206)	(76,170)	(114,953)	(148,623)
Net interest income		50,889	55,657	102,981	111,897
Other operating income	24	24,202	33,091	37,618	50,903
Other operating expenses	25	(31,073)	(31,655)	(61,588)	(66,129)
Operating profit before allowance for expected credit losses		44,018	57,093	79,011	96,671
Allowance for impairment on loans and advances and other financial assets	26	(8,761)	(38,069)	9,242	(46,128)
Profit before taxation		35,257	19,024	88,253	50,543
Taxation		(6,905)	14	(19,704)	(9,739)
Profit for the financial period		28,352	19,038	68,549	40,804
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss when specific conditions are met:					
- Net fair value changes in debt instrument at FVOCI, net of tax		13,397	2,030	16,328	3,218
Items that will be reclassified subsequently to profit or loss when specific conditions are met:					
- Net gain on foreign exchange translation		(11)	-	3	-
Other comprehensive income, net of tax		13,386	2,030	16,331	3,218
Total comprehensive income for the period, net of tax		41,738	21,068	84,880	44,022
Earnings per share					
- Basic/fully diluted (sen)				9.01	5.37

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

	← Non-distributable			→ Distributable		Total
	Share capital	Foreign exchange reserve	Fair value through other comprehensive reserve	Regulatory reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
Balance as at 1 January 2020	760,518	-	12,539	33,607	773,105	1,579,769
Profit for the financial period	-	-	-	-	57,644	57,644
Other comprehensive income, net of tax	-	3	16,328	-	-	16,331
Total comprehensive income for the financial period, net of tax	-	3	16,328	-	57,644	73,975
At 30 June 2020	760,518	3	28,867	33,607	830,749	1,653,744
Balance as at 1 January 2019	760,518	-	8,193	16,191	741,578	1,526,480
Profit for the financial period	-	-	-	-	32,813	32,813
Other comprehensive income, net of tax	-	-	3,218	-	-	3,218
Total comprehensive income for the financial period, net of tax	-	-	3,218	-	32,813	36,031
Transfer from retained profits to regulatory reserve	-	-	-	17,416	(17,416)	-
At 30 June 2019	760,518	-	11,411	33,607	756,975	1,562,511

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2020

	← Non-distributable		Fair value		→ Distributable	
	Share capital	Foreign exchange reserve	through other comprehensive reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Bank						
Balance as at 1 January 2020	760,518	-	12,539	33,607	755,391	1,562,055
Profit for the financial period	-	-	-	-	68,549	68,549
Other comprehensive income, net of tax	-	3	16,328	-	-	16,331
Total comprehensive income for the financial period, net of tax	-	3	16,328	-	68,549	84,880
At 30 June 2020	760,518	3	28,867	33,607	823,940	1,646,935
Balance as at 1 January 2019	760,518	-	8,193	16,191	726,128	1,511,030
Profit for the financial period	-	-	-	-	40,804	40,804
Other comprehensive income, net of tax	-	-	3,218	-	-	3,218
Total comprehensive income for the financial period, net of tax	-	-	3,218	-	40,804	44,022
Transfer from retained profits to regulatory reserve	-	-	-	17,416	(17,416)	-
At 30 June 2019	760,518	-	11,411	33,607	749,516	1,555,052

The Unaudited Condensed Financial Statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Note	Group		Bank	
		30 June <u>2020</u> RM'000	30 June <u>2019</u> RM'000	30 June <u>2020</u> RM'000	30 June <u>2019</u> RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation		77,348	45,086	88,253	50,543
<i>Adjustment for:</i>					
Depreciation of property and equipment	25	3,220	3,684	3,132	3,346
Depreciation of right-of-use assets	25	4,376	4,248	3,707	3,560
Amortisation of intangible assets	25	406	327	406	327
Amortisation of premium less accretion of discount	22	3,000	759	3,000	759
Allowance for impairment on loans and advances and other financial assets	26	(9,259)	46,128	(9,259)	46,128
Interest income from debt instruments at FVOCI	22	(20,703)	(10,186)	(20,703)	(10,186)
Interest income from debt instruments at amortised cost	22	(6,662)	(11,389)	(6,662)	(11,389)
Interest expense on subordinated loan	23	12,139	19,011	12,139	19,011
Finance cost on lease liabilities	25	716	686	646	589
Unrealised foreign exchange loss/(gain)	24	1,207	(129)	1,207	(129)
Net (gain)/loss on revaluation of derivatives	24	(173)	320	(173)	320
Unrealised loss/(gain) on equity instrument at FVTPL	24	1,486	(549)	1,486	(549)
Property and equipment written off	25	-	1	-	1
Dividend income received from equity instruments at FVOCI		(45)	(45)	(45)	(45)
Dividend income received from subsidiary	24	-	-	(8,857)	(15,450)
Operating profit before changes in operating activities		67,056	97,952	68,277	86,836
(INCREASE)/ DECREASE IN OPERATING ASSETS					
Deposits and placements with banks and other financial institutions		(35,034)	(925,276)	(35,034)	(925,276)
Loans and advances		(1,270,469)	(669,153)	(1,270,469)	(669,153)
Right-of-use assets		(6,345)	-	(6,296)	-
Other assets		(31,560)	(3,952)	(31,745)	(3,990)
Statutory deposits with Bank Negara Malaysia		91,750	(17,700)	91,750	(17,700)
INCREASE/(DECREASE) IN OPERATING LIABILITIES					
Deposits from customers		799,327	72,850	792,176	65,995
Deposits and placements of banks and other financial institutions		51,323	305,840	51,323	305,840
Other liabilities		(10,571)	(4,007)	(5,398)	(2,785)
Subordinated loan		59,025	26,660	59,025	26,660
Cash used in operating activities		(285,498)	(1,116,786)	(286,391)	(1,133,573)

INTERIM FINANCIAL STATEMENTS

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Group		Bank	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
Note	RM'000	RM'000	RM'000	RM'000
INCREASE/(DECREASE) IN OPERATING LIABILITIES (CONTINUED)				
Taxes paid	(15,750)	(26,441)	(14,400)	(24,103)
Net cash used in operating activities	(301,248)	(1,143,227)	(300,791)	(1,157,676)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property and equipment	(2,430)	(846)	(2,430)	(844)
Purchase of intangible assets	-	(708)	-	(708)
Purchases of debt instruments at FVOCI	(645,867)	(210,060)	(645,867)	(210,060)
Proceeds from maturity of debt instruments at FVOCI	188,003	70,000	188,003	70,000
Purchases of debt instruments at amortised cost	(1,600,000)	(1,100,000)	(1,600,000)	(1,100,000)
Proceeds from maturity of debt instruments at amortised cost	1,890,000	700,000	1,890,000	700,000
Interest received on debt instruments at FVOCI	14,083	9,154	14,083	9,154
Interest received on debts instruments at amortised cost	8,658	866,529	8,658	866,529
Dividend income received from equity instruments at FVOCI	45	45	45	45
Dividend income received from subsidiary	-	-	8,857	15,450
Net cash (used in)/generated from investing activities	(147,508)	334,114	(138,651)	349,566
CASH FLOWS FROM FINANCING ACTIVITIES				
Payment of lease liabilities	(4,721)	(4,628)	(3,998)	(3,886)
Interest paid on subordinated loan	(14,289)	(44,808)	(14,289)	(44,808)
Net cash used in financing activity	(19,010)	(49,436)	(18,287)	(48,694)
NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD				
	(467,766)	(858,549)	(457,729)	(856,804)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD				
	2,381,504	3,558,553	2,370,512	3,553,078
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD				
9	1,913,738	2,700,004	1,912,783	2,696,274

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

1 Review of Group Performance and Commentary of Prospects

For the six months ended 30 June 2020, the Group recorded profit before taxation of RM77.4 million, after write back of allowance for impairment on loans and advances of RM9.2 million, offset by compressed net interest income following the reduction in the overnight policy rate ("OPR"). Meanwhile, business operation of the subsidiary company is temporary halted due to Movement Control Order ("MCO") imposed by the government began from 18 March 2020 to counter the COVID-19 pandemic. This has resulted in lower fee income by RM12.4 million as compared to corresponding period of 2019.

The Group's total assets rose marginally by 7.6%, while derivative financial assets grow of 509.4% and loans and advances grow of 17.1%. Economic contracted sharply in the second quarter of the year due to measures introduced to contain Covid-19 pandemic. Bank Negara Malaysia has slashed OPR four times this year for a cumulative 125bps reduction. For the full year of 2020, the World bank forecasts Malaysian economy to contract by 3.1% due to the significant impact of economic disruptions resulting from COVID-19. The IMF has revised GDP forecast to a 3.8% y-o-y contraction from the previously estimated 1.7% contraction.

Malaysia is expected to recuperate gradually after the local MCO is lifted. Under the current Recovery MCO, more economic activities are allowed. Disruption in the supply and demand chains will ease, paving the way for economic recovery towards end of year and subsequently in year 2021, if there's no second wave. The Bank will continue to monitor its asset quality, capital and liquidity closely.

2 Group Accounting Policies

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 have been prepared in accordance with MFRS134 Interim Financial Reporting issued by the Malaysian Accounting Standard Board ("MASB"). The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019.

The accounting policies adopted by the Bank for the interim financial report are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2019.

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

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

3 Audit Report

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

4 Seasonal or Cyclical Factors

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

5 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items in the six months ended 30 June 2020.

6 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect in the six months ended 30 June 2020.

7 Changes in Debt and Equity Securities

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

8 Dividend Paid

No dividend was paid during the six months ended 30 June 2020.

9 Cash and Short-term Funds

	<u>Group</u>		<u>Bank</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>	<u>30 June 2020</u>	<u>31 December 2019</u>
	RM'000	RM'000	RM'000	RM'000
Cash and balances with banks and other financial institutions	178,058	274,685	177,103	263,693
Money at call and deposit placements maturing within one month	1,735,746	2,106,868	1,735,746	2,106,868
	1,913,804	2,381,553	1,912,849	2,370,561
Less: allowance for ECL	(66)	(49)	(66)	(49)
	1,913,738	2,381,504	1,912,783	2,370,512

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

	<u>Group and Bank</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>
	RM'000	RM'000
As at 1 January	49	24
ECL allowance charge during the financial period/year (Note 26)	17	25
As at 30 June 2020/31 December 2019	66	49

10 Deposits and Placements with Banks and Other Financial Institutions

	<u>Group and Bank</u>	
	<u>30 June 2020</u>	<u>31 December 2019</u>
	RM'000	RM'000
Bank Negara Malaysia	150,043	-
Licensed banks	974,563	1,089,572
	1,124,606	1,089,572
Less: allowance for ECL	(42)	(62)
	1,124,564	1,089,510

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

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

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
As at 1 January	62	12
ECL allowance (written-back)/charge during the financial period/year (Note 26)	(20)	50
As at 30 June 2020/31 December 2019	<u>42</u>	<u>62</u>

11 Derivative Financial Assets/(Liabilities)

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
Derivative financial assets	17,751	2,913
Derivative financial liabilities	(17,542)	(2,877)
	<u>209</u>	<u>36</u>

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

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
Money market instrument:		
Malaysian Government Securities ("MGS")	523,762	358,654
Malaysian Government Investment Issue ("MGII")	701,098	407,473
Unquoted securities		
Corporate bond	121,965	101,719
Foreign bond	31,816	30,060
Less: allowance for ECL	(148)	(89)
	<u>153,633</u>	<u>131,690</u>
	<u>1,378,493</u>	<u>897,817</u>

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

Movements in allowance for impairment on corporate bond

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
As at 1 January	89	19
ECL allowance charge during the financial period/year (Note 26)	59	70
As at 30 June 2020/31 December 2019	<u>148</u>	<u>89</u>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
30 JUNE 2020**

13 Equity Instruments at FVOCI

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
At fair value:		
Unquoted securities		
Shares of corporations in Malaysia	18,719	16,483
	18,719	16,483

14 Debt Instruments at Amortised Cost

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
At amortised cost:		
Money market instrument:		
Negotiable instruments of deposits	500,850	792,846
	500,850	792,846

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

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
30 JUNE 2020**

16 Loans and Advances

At amortised cost

(i) By type

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
Overdrafts	352,953	410,275
Terms loans		
- Housing loans	380,937	362,399
- Syndicated term loans	4,049,498	3,512,566
- Other term loans	1,744,648	1,456,418
Bills receivables	444,944	130,466
Trust receipts	3,182	3,994
Claims on customers under acceptance credits	730,740	647,252
Revolving credits	1,258,349	1,171,218
Staff loans	1,928	2,122
Gross loans and advances	8,967,179	7,696,710
Less: Allowance for ECL	(198,979)	(209,302)
Total net loans and advances	8,768,200	7,487,408

(ii) By geographical distribution

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
Malaysia	5,570,177	4,950,630
Other countries	3,397,002	2,746,080
Gross loans and advances	8,967,179	7,696,710

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
30 JUNE 2020**

16 Loans and Advances (Continued)

At amortised cost (continued)

(iii) By interest rate sensitivity

	Group and Bank	
	30 June 2020	31 December 2019
	RM'000	RM'000
Fixed rate		
- Other fixed rate loans	1,623,053	1,329,443
Variable rate		
- Base lending rate/base rate plus	1,584,710	1,575,013
- Cost of funds plus	5,264,864	4,327,544
- Other variable rates	494,552	464,710
Gross loans and advances	8,967,179	7,696,710

(iv) By economic sector

	Group and Bank	
	30 June 2020	31 December 2019
	RM'000	RM'000
Primary agriculture	425,449	388,628
Mining and quarrying	757,789	752,604
Manufacturing	1,667,114	1,381,043
Electricity, gas and water supply	527,746	91,200
Construction	528,346	521,060
Real estate	2,325,853	2,099,519
Wholesale and retail trade and restaurants and hotels	171,582	227,521
Transport, storage and communication	113,152	113,583
Finance, insurance and business services	1,325,979	1,014,484
Education, health and others	379,308	365,746
Household	744,861	741,322
	8,967,179	7,696,710

(v) By residual contractual maturity - remaining

	Group and Bank	
	30 June 2020	31 December 2019
	RM'000	RM'000
Up to one month	1,707,419	1,538,127
More than one month to three months	861,053	620,351
More than three months to six months	260,943	171,076
More than six months to twelve months	242,387	166,523
More than twelve months	5,895,377	5,200,633
Gross loans and advances	8,967,179	7,696,710

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

16 Loans and Advances (Continued)

(vi) Changes in gross loans and advances carrying amount

Group and Bank

	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
<u>30 June 2020</u>				
As at 1 January 2020	6,155,452	1,299,280	241,978	7,696,710
Transferred to 12-month ECL (stage 1)	434,066	(432,928)	(1,138)	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(59,608)	60,397	(789)	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(11,162)	11,162	-
Changes due to change in credit risk	(1,002,220)	(343,337)	(40,478)	(1,386,035)
New loans and advances originated	2,592,998	63,506	-	2,656,504
Gross carrying amount as at 30 June 2020	<u>8,120,688</u>	<u>635,756</u>	<u>210,735</u>	<u>8,967,179</u>

	12 months ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
<u>31 December 2019</u>				
As at 1 January 2019	5,691,278	1,035,981	68,056	6,795,315
Transferred to 12-month ECL (stage 1)	113,141	(113,141)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(399,093)	399,611	(518)	-
Transferred to lifetime ECL (credit impaired) (stage 3)	(119,139)	(50,159)	169,298	-
Changes due to change in credit risk	(690,374)	24,999	4,128	(661,247)
New loans and advances originated	1,559,639	1,989	2,605	1,564,233
Bad debts written off	-	-	(1,591)	(1,591)
Gross carrying amount as at 31 December 2019	<u>6,155,452</u>	<u>1,299,280</u>	<u>241,978</u>	<u>7,696,710</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

16 Loans and Advances (Continued)

(vii) Movements in allowance for impairment on Loans and advances measured at amortised cost

Group and Bank

	12-month ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
<u>30 June 2020</u>				
As at 1 January 2020	20,427	67,052	121,823	209,302
Transferred to 12-month ECL (stage 1)	26,201	(26,153)	(48)	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(644)	819	(175)	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(195)	195	-
New loans and advances originated	8,293	1,976	-	10,269
(Reversal)/allowance during the financial period	(10,057)	14,336	(3,779)	500
Full settlement	(1,042)	(8,321)	(11,729)	(21,092)
Allowance for ECL as at 30 June 2020	43,178	49,514	106,287	198,979

	12-month ECL (Stage 1) RM'000	Lifetime ECL (non- credit impaired) (Stage 2) RM'000	Lifetime ECL (credit impaired) (Stage 3) RM'000	Total RM'000
<u>31 December 2019</u>				
As at 1 January 2019	18,052	52,089	32,044	102,185
Transferred to 12-month ECL (stage 1)	9,080	(9,080)	-	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(1,505)	1,505	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	(830)	(3,437)	4,267	-
New loans and advances originated	10,086	9,666	2,605	22,357
(Reversal)/allowance during the financial year	(10,107)	23,208	84,498	97,599
Full settlement	(4,349)	(6,899)	-	(11,248)
Amount written-off	-	-	(1,591)	(1,591)
Allowance for ECL as at 31 December 2019	20,427	67,052	121,823	209,302

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

16 Loans and Advances (Continued)

(viii) Gross credit impaired loans and advances

(a) Movements in credit impaired loans and advances

	Group and Bank	
	30 June	31 December
	2020	2019
As at 1 January	241,978	68,056
Classified as credit impaired during the financial period/year	6,801	183,336
Reclassified as non-credit impaired during the financial period/year	(1,927)	(518)
Amount recovered	(36,117)	(7,305)
Amount written-off	-	(1,591)
As at 30 June 2020/31 December 2019	210,735	241,978
Less: Lifetime ECL (credit impaired) (Stage 3)	(106,287)	(121,823)
	104,448	120,155
	1.179%	1.586%

(b) By geographical distribution

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
Malaysia	186,148	218,502
Other countries	24,587	23,476
	210,735	241,978

(c) By economic sector

	Group and Bank	
	30 June	31 December
	2020	2019
	RM'000	RM'000
Primary agriculture	9,994	21,678
Manufacturing	56,227	77,370
Electricity, gas and water supply	24,587	23,476
Construction	2,842	3,465
Wholesale and retail trade and restaurants and hotels	6,472	6,633
Education, health and others	76,812	75,704
Household	21,685	20,503
Real estate	12,116	13,149
	210,735	241,978

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

17 Other Assets

	Group		Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Other receivables	32,334	2,577	32,153	2,206
Sundry deposits	2,830	2,782	2,421	2,373
Prepayment	915	350	905	345
Precious metal inventories	298	336	298	336
	36,377	6,045	35,777	5,260
Less: allowance for ECL	(267)	(523)	(261)	(517)
	36,110	5,522	35,516	4,743

Movements in allowance for impairment on other assets

	Group		Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
As at 1 January	523	128	517	119
ECL allowance (write-back)/charge during the financial period/year (Note 26)	(235)	451	(235)	448
Amounts written-off	(21)	(56)	(21)	(50)
As at 30 June 2020/31 December 2019	267	523	261	517

18 Deposits From Customers

(i) By type of deposits

	Group		Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Demand deposits	2,171,521	2,330,275	2,177,718	2,343,623
Savings deposits	363,319	300,451	363,319	300,451
Fixed deposits	4,818,670	4,221,215	4,818,670	4,221,215
Negotiable instruments of deposits	601,356	303,598	601,356	303,598
	7,954,866	7,155,539	7,961,063	7,168,887

(ii) By type of customers

	Group		Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
Business enterprises	3,186,226	2,622,120	3,192,423	2,635,468
Individuals	3,160,463	3,266,465	3,160,463	3,266,465
Others	1,608,177	1,266,954	1,608,177	1,266,954
	7,954,866	7,155,539	7,961,063	7,168,887

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

18 Deposits From Customers (Continued)

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

	Group and Bank	
	30 June	31 December
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Due within six months	3,414,113	3,522,523
Six months to one year	2,005,913	1,000,214
One year to three years	-	2,076
	<u>5,420,026</u>	<u>4,524,813</u>

19 Deposits and Placements Of Banks and Other Financial Institutions

	Group and Bank	
	30 June	31 December
	<u>2020</u>	<u>2019</u>
	RM'000	RM'000
Bank Negara Malaysia	15,111	43,382
Licensed banks	2,753,043	2,674,283
Licensed investment banks	156	148
Licensed Islamic banks	1,670	844
Other financial institutions	3	3
	<u>2,769,983</u>	<u>2,718,660</u>

20 Other Liabilities

	Group		Bank	
	30 June	31 December	30 June	31 December
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Accrued expenses	10,710	35,711	9,737	33,984
Margin deposits	36,810	36,517	36,810	36,517
Other liabilities	61,437	53,524	61,240	48,861
Lease liabilities	32,617	30,398	29,810	26,985
Allowance for ECL on commitments and contingencies (Note 20 (i))	6,786	5,526	6,786	5,526
	<u>148,360</u>	<u>161,676</u>	<u>144,383</u>	<u>151,873</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

20 Other Liabilities (Continued)

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

	Group and Bank 30 June 2020			
	12 months	Lifetime ECL	Lifetime ECL	Total
	ECL	(non-credit	(credit	
	(Stage 1)	impaired)	impaired)	
RM'000	(Stage 2)	(Stage 3)		
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2020	2,831	2,695	-	5,526
Transferred to 12 months ECL (stage 1)	2,112	(2,112)	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(20)	20	-
New loans and advances originated (Reversal)/allowance during the financial period	2,664	29	-	2,693
Full settlement	(944)	134	(20)	(830)
Amount written-off	(407)	(196)	-	(603)
As at 30 June 2020	-	-	-	-
	6,256	530	-	6,786

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

21 Subordinated Loan

	GROUP AND BANK	
	30 June	31 December
	2020	2019
	RM'000	RM'000
At cost	1,254,725	1,254,725
Interest accrued	3,095	5,120
Foreign exchange difference	72,695	13,795
	<u>1,330,515</u>	<u>1,273,640</u>

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

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

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

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

22 Interest Income

	2nd Quarter Ended Group and Bank		Six Months Ended Group and Bank	
	30 June <u>2020</u> RM'000	30 June <u>2019</u> RM'000	30 June <u>2020</u> RM'000	30 June <u>2019</u> RM'000
Loans and advances				
- Interest income on non-credit impaired loans and advances	73,206	79,758	150,456	157,315
- Interest income on credit impaired loans and advances	2,693	892	4,382	1,390
Money at call and deposit placement with financial institutions	14,698	41,434	38,310	80,999
Debt instruments at FVOCI	11,584	5,551	20,703	10,186
Debt instruments at amortised cost	2,505	4,543	6,662	11,389
Other interest income	331	-	421	-
	105,017	132,178	220,934	261,279
Amortisation of premium less accretion of discount	(1,922)	(351)	(3,000)	(759)
Total interest income	103,095	131,827	217,934	260,520

23 Interest Expense

	2nd Quarter Ended Group and Bank		Six Months Ended Group and Bank	
	30 June <u>2020</u> RM'000	30 June <u>2019</u> RM'000	30 June <u>2020</u> RM'000	30 June <u>2019</u> RM'000
Deposits and placements of banks and other financial institutions	7,378	5,666	17,489	10,917
Deposits from customers	39,270	60,835	84,748	118,435
Subordinated loan	5,156	9,537	12,139	19,011
Others	402	132	577	260
	52,206	76,170	114,953	148,623

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

24 Other Operating Income

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Group				
Fees income:				
- Fee on loans and advances	4,062	3,275	6,860	7,698
- Service charges and fees	805	12,393	4,122	25,620
- Guarantee fees	3,111	3,989	6,392	7,849
	7,978	19,657	17,374	41,167
Fees expense:				
- Commission related expenses	(17)	(4,383)	(1,029)	(9,102)
Net fee income	7,961	15,274	16,345	32,065
Foreign exchange income/(loss):				
- Realised	8,077	7,697	15,827	16,359
- Unrealised	8,589	357	(1,207)	129
Net (loss)/gain on revaluation of derivatives	(8,459)	329	173	(320)
Unrealised (loss)/gain on equity instrument at FVTPL	(933)	371	(1,486)	549
Gain from derivative financial instrument	-	-	460	-
Revenue from sale of precious metal products	36	235	59	514
Dividend income:	-	-		
- Equity instruments at FVOCI	45	45	45	45
Other income	2	10	12	24
	15,318	24,318	30,228	49,365
	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Bank				
Fees income:				
- Fee on loans and advances	4,062	3,275	6,860	7,698
- Service charges and fees	761	1,283	1,524	2,508
- Guarantee fees	3,111	3,989	6,392	7,849
	7,934	8,547	14,776	18,055
Foreign exchange income/(loss):				
- Realised	8,077	7,697	15,827	16,359
- Unrealised	8,589	357	(1,207)	129
Net (loss)/gain on revaluation of derivatives	(8,459)	329	173	(320)
Unrealised (loss)/gain on equity instrument at FVTPL	(933)	371	(1,486)	549
Gain from derivative financial instrument	-	-	460	-
Revenue from sale of precious metal products	36	235	59	514
Dividend income:	-	-		
- Equity instruments at FVOCI	45	45	45	45
- Subsidiary	8,857	15,450	8,857	15,450
Other income	56	60	114	122
	24,202	33,091	37,618	50,903

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

25 Other Operating Expenses

Group	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
<u>Personnel expenses</u>				
Salaries & wages	16,486	16,335	31,812	30,885
Bonuses	4,266	2,421	7,098	8,832
Defined contribution plan ("EPF")	2,132	1,842	4,508	4,469
Staff welfare expenses	588	1,043	1,118	1,741
Other personnel costs	1,208	1,347	2,880	3,611
	<u>24,680</u>	<u>22,988</u>	<u>47,416</u>	<u>49,538</u>
<u>Marketing expenses</u>				
Entertainment	147	251	956	610
Other marketing	97	708	443	1,413
	<u>244</u>	<u>959</u>	<u>1,399</u>	<u>2,023</u>
<u>Establishment costs</u>				
Rental of premises	13	3	25	23
Depreciation of property and equipment	1,570	1,838	3,220	3,684
Depreciation of right-of-use assets	2,136	2,126	4,376	4,248
Finance cost on lease liabilities	332	333	716	686
Amortisation of intangible assets	200	183	406	327
Repairs and maintenance	374	345	549	597
Property and equipment written off	-	-	-	1
Information technology expenses	919	490	1,669	681
Other establishment costs	555	496	1,287	1,280
	<u>6,099</u>	<u>5,814</u>	<u>12,248</u>	<u>11,527</u>
<u>Administration and general expenses</u>				
Insurance premium	-	1,313	128	1,321
Auditors' remuneration				
- statutory audit fees	86	55	142	110
- regulatory related service	36	25	67	52
Travelling and accommodation	111	420	405	911
Telecommunication and utilities	310	366	622	716
Printing, stationery and postage	219	353	809	806
Legal and professional fees	105	54	172	194
Other administration and general expenses	956	1,107	1,654	2,395
	<u>1,823</u>	<u>3,693</u>	<u>3,999</u>	<u>6,505</u>
<u>Other expenses</u>				
Cost of sales of precious metal	23	207	41	455
	<u>23</u>	<u>207</u>	<u>41</u>	<u>455</u>
	<u>32,869</u>	<u>33,661</u>	<u>65,103</u>	<u>70,048</u>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED
30 JUNE 2020**

25 Other Operating Expenses

	2nd Quarter Ended		Six Months Ended	
	30 June	30 June	30 June	30 June
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	RM'000	RM'000	RM'000	RM'000
Bank				
<u>Personnel expenses</u>				
Salaries & wages	15,654	15,589	30,216	29,459
Bonuses	3,935	2,271	6,654	8,421
Defined contribution plan ("EPF")	2,094	1,756	4,384	4,288
Staff welfare expenses	561	954	1,033	1,601
Other personnel costs	1,180	1,293	2,791	3,516
	<u>23,424</u>	<u>21,863</u>	<u>45,078</u>	<u>47,285</u>
<u>Marketing expenses</u>				
Entertainment	146	248	953	601
Other marketing	97	707	443	1,412
	<u>243</u>	<u>955</u>	<u>1,396</u>	<u>2,013</u>
<u>Establishment costs</u>				
Rental of premises	1	3	5	23
Depreciation of property and equipment	1,526	1,672	3,132	3,346
Depreciation of right-of-use assets	1,804	1,782	3,707	3,560
Finance cost on lease liabilities	298	286	646	589
Amortisation of intangible assets	200	183	406	327
Repairs and maintenance	374	340	547	592
Property and equipment written off	-	-	-	1
Information technology expenses	915	489	1,663	673
Other establishment costs	555	458	1,281	1,238
	<u>5,673</u>	<u>5,213</u>	<u>11,387</u>	<u>10,349</u>
<u>Administration and general expenses</u>				
Insurance premium	-	1,313	120	1,313
Auditors' remuneration				
- statutory audit fees	71	45	116	89
- regulatory related service	33	23	61	47
Travelling and accommodation	83	391	358	851
Telecommunication and utilities	295	330	575	649
Printing, stationery and postage	215	256	736	653
Legal and professional fees	105	52	172	192
Other administration and general expenses	908	1,007	1,548	2,233
	<u>1,710</u>	<u>3,417</u>	<u>3,686</u>	<u>6,027</u>
<u>Other expenses</u>				
Cost of sales of precious metal	23	207	41	455
	<u>23</u>	<u>207</u>	<u>41</u>	<u>455</u>
	<u>31,073</u>	<u>31,655</u>	<u>61,588</u>	<u>66,129</u>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

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

	2nd Quarter Ended		Six Months Ended	
	30 June <u>2020</u> RM'000	30 June <u>2019</u> RM'000	30 June <u>2020</u> RM'000	30 June <u>2019</u> RM'000
Group and Bank				
Allowance/(written-back) for impairment on:				
Cash and short-term funds				
- Stage 1	43	4	17	(3)
Deposits and placements with banks and other financial institutions				
- Stage 1	27	2	(20)	6
Debt instruments at FVOCI				
- Stage 1	69	(4)	59	168
Other assets				
- Stage 1	(303)	72	(235)	143
Loans and advances				
- Stage 1	20,085	(7,484)	(2,806)	(5,997)
- Stage 2	(5,257)	(6,656)	7,991	(1,718)
- Stage 3	(7,079)	52,114	(15,508)	53,759
Commitments and contingencies				
- Stage 1	1,182	312	1,313	(1,593)
- Stage 2	(6)	(295)	(33)	1,407
- Stage 3	-	3	(20)	3
Bad debt recover during the financial period/year	-	1	-	(47)
	8,761	38,069	(9,242)	46,128

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

27 Capital Adequacy

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

	Group		Bank	
	30 June 2020	31 December 2019	30 June 2020	31 December 2019
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 ("CET1") Capital</u>				
Paid-up ordinary share capital	760,518	760,518	760,518	760,518
Retained profits	773,105	773,105	755,391	755,391
Regulatory reserve	33,607	33,607	33,607	33,607
Fair value through other comprehensive reserve	28,867	12,539	28,867	12,539
Foreign exchange reserve	3	-	3	-
	<u>1,596,100</u>	<u>1,579,769</u>	<u>1,578,386</u>	<u>1,562,055</u>
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	(4,044)	(8,306)	(3,753)	(8,016)
- 55% of cumulative unrealised gains of FVOCI financial instruments	(15,877)	(6,896)	(15,877)	(6,896)
- Regulatory reserve attributable to financial assets	(33,607)	(33,607)	(33,607)	(33,607)
	<u>(53,528)</u>	<u>(48,809)</u>	<u>(53,237)</u>	<u>(48,519)</u>
Total CET1 capital / Total Tier 1 capital	<u>1,542,572</u>	<u>1,530,960</u>	<u>1,525,149</u>	<u>1,513,536</u>
<u>Tier-2 capital</u>				
General provision*	118,542	105,347	118,485	105,253
Subordinated loan	1,327,420	1,268,520	1,327,420	1,268,520
Less: Investment in a subsidiary company	-	-	(1,000)	(1,000)
Total Tier-2 capital	<u>1,445,962</u>	<u>1,373,867</u>	<u>1,444,905</u>	<u>1,372,773</u>
Total capital base	<u>2,988,534</u>	<u>2,904,827</u>	<u>2,970,054</u>	<u>2,886,309</u>
<u>Capital ratios</u>				
CET 1 capital ratio	15.301%	16.950%	15.208%	16.872%
Tier 1 capital ratio	15.301%	16.950%	15.208%	16.872%
Total capital ratio	29.644%	32.160%	29.616%	32.174%

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

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

27 Capital Adequacy (Continued)

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

	Group		Bank	
	30 June	31 December	30 June	31 December
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Credit risk	9,483,355	8,427,751	9,478,829	8,420,222
Market risk	5,027	5,047	5,027	5,047
Operational risk	592,888	599,522	544,770	545,542
Total risk-weighted assets	10,081,270	9,032,320	10,028,626	8,970,811

The total capital and capital adequacy ratios of the Group and the Bank are computed in accordance with Bank Negara Malaysia's Capital Adequacy Framework (Capital Components) dated 5 February 2020. The Bank has adopted the Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk.

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

28 Commitments and Contingencies

	Group and Bank					
	30 June 2020			31 December 2019		
	Principal	Credit	Risk	Principal	Credit	Risk
	RM'000	equivalent	weighted	RM'000	equivalent	weighted
		RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	2,238	2,238	2,238	2,547	2,547	2,547
Transaction-related contingent items	2,210,290	1,105,145	570,521	2,383,135	1,191,568	614,304
Short-term self-liquidation trade related contingencies	81,350	16,270	15,094	55,595	11,119	9,578
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,352,272	470,454	352,247	2,111,915	422,383	345,813
- Maturity exceeding one year	499,409	249,705	232,186	569,998	284,999	264,533
Foreign exchange related contracts:						
- Less than one year	600,732	7,710	3,611	218,308	2,591	1,274
Interest/Profit rate related contracts:						
- Less than one year	119,428	8,072	1,726	-	-	-
- More than five year	250,613	22,999	19,240	250,475	16,913	13,156
Unutilised credit card lines	20	4	3	20	4	3
Total	6,116,352	1,882,597	1,196,866	5,591,993	1,932,124	1,251,208

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

29 Credit Exposures Arising From Credit Transactions With Connected Parties

	Group and Bank	
	30 June 2020	31 December <u>2019</u>
Outstanding credit exposures with connected parties (RM'000)	1,361,874	1,401,496
Percentage of outstanding credit exposures to connected parties as total credit exposures	13%	15%
Percentage of outstanding credit exposures with connected parties non-performing or in default	0%	0%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008. However, the Bank has obtained exemption from Bank Negara Malaysia's for the above credit transaction exposures with connected parties.

30 Operations of Islamic Banking

No Islamic banking activities was involved for the second quarter ended 30 June 2020.

31 Valuation of Property, Plant and Equipment

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

32 Events Subsequent to Reporting Date

The widespread impact of the COVID-19 is difficult to reliably predict, the measurement of expected credit losses of the Bank are subject to change in near term based on macroeconomic factors and forward-looking information. The Group and the Bank will continuously and closely monitor the developments of COVID-19, evaluate and proactively address its impact on the Group's and the Bank's financial position and performance.

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

33 Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the second quarter ended 30 June 2020.