

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2020**

	Note	Group		Bank	
		30 September 2020 RM'000	31 December 2019 RM'000	30 September 2020 RM'000	31 December 2019 RM'000
<b>ASSETS</b>					
Cash and short-term funds	9	3,702,806	2,381,504	3,701,559	2,370,512
Deposits and placements with banks and other financial institutions	10	577,424	1,089,510	577,424	1,089,510
Derivative financial assets	11	18,023	2,913	18,023	2,913
Debt instruments at fair value through other comprehensive income ("FVOCI")	12	1,436,129	897,817	1,436,129	897,817
Equity instruments at FVOCI	13	18,719	16,483	18,719	16,483
Debt instruments at amortised cost	14	100,224	792,846	100,224	792,846
Equity instrument at fair value through profit & loss ("FVTPL")	15	-	1,486	-	1,486
Loans and advances	16	8,451,705	7,487,408	8,451,705	7,487,408
Other assets	17	11,356	5,522	10,838	4,743
Right-of-use assets		29,647	29,947	27,260	26,607
Tax recoverable		20,544	24,611	20,394	24,611
Deferred tax assets		2,306	8,306	2,173	8,016
Statutory deposits with Bank Negara Malaysia		7,130	99,600	7,130	99,600
Investment in a subsidiary		-	-	1,000	1,000
Property and equipment		51,208	54,032	50,372	53,064
Intangible assets		2,352	1,376	2,352	1,376
<b>TOTAL ASSETS</b>		<b>14,429,573</b>	<b>12,893,361</b>	<b>14,425,302</b>	<b>12,877,992</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	18	7,580,645	7,155,539	7,585,466	7,168,887
Deposits and placements of banks and other financial institutions	19	3,695,376	2,718,660	3,695,376	2,718,660
Derivative financial liabilities	11	22,038	2,877	22,038	2,877
Other liabilities	20	161,370	161,676	157,250	151,873
Provision for taxation		-	1,200	-	-
Subordinated loan	21	1,289,336	1,273,640	1,289,336	1,273,640
<b>TOTAL LIABILITIES</b>		<b>12,748,765</b>	<b>11,313,592</b>	<b>12,749,466</b>	<b>11,315,937</b>
Share capital		760,518	760,518	760,518	760,518
Reserves		920,290	819,251	915,318	801,537
<b>TOTAL EQUITY</b>		<b>1,680,808</b>	<b>1,579,769</b>	<b>1,675,836</b>	<b>1,562,055</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>14,429,573</b>	<b>12,893,361</b>	<b>14,425,302</b>	<b>12,877,992</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	28	<b>6,975,887</b>	<b>5,591,993</b>	<b>6,975,887</b>	<b>5,591,993</b>

*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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September	30 September	30 September	30 September
		<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
		RM'000	RM'000	RM'000	RM'000
<b>Group</b>					
Interest income	22	<b>92,614</b>	130,125	<b>310,548</b>	390,645
Interest expense	23	<b>(42,510)</b>	(78,479)	<b>(157,463)</b>	(227,102)
Net interest income		<b>50,104</b>	51,646	<b>153,085</b>	163,543
Other operating income	24	<b>14,000</b>	32,260	<b>44,228</b>	81,625
Other operating expenses	25	<b>(34,236)</b>	(34,742)	<b>(99,339)</b>	(104,790)
Operating profit before allowance for expected credit losses		<b>29,868</b>	49,164	<b>97,974</b>	140,378
Allowance for impairment on loans and advances and other financial assets	26	<b>(3,775)</b>	(41,806)	<b>5,467</b>	(87,934)
Profit before taxation		<b>26,093</b>	7,358	<b>103,441</b>	52,444
Taxation		<b>(5,068)</b>	(3,354)	<b>(24,772)</b>	(15,627)
<b>Profit for the financial period</b>		<b>21,025</b>	4,004	<b>78,669</b>	36,817
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified subsequently to profit or loss when specific conditions are met:</b>					
- Net fair value changes in debt instrument at FVOCI, net of tax		<b>6,039</b>	296	<b>22,367</b>	3,514
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>					
- Net gain on foreign exchange translation		-	-	<b>3</b>	-
Other comprehensive income, net of tax		<b>6,039</b>	296	<b>22,370</b>	3,514
Total comprehensive income for the period, net of tax		<b>27,064</b>	4,300	<b>101,039</b>	40,331
Earnings per share					
- Basic/fully diluted (sen)				<b>10.34</b>	4.84

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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Note	3rd Quarter Ended		Nine Months Ended	
		30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
<b>Bank</b>					
Interest income	22	92,614	130,125	310,548	390,645
Interest expense	23	(42,510)	(78,479)	(157,463)	(227,102)
Net interest income		50,104	51,646	153,085	163,543
Other operating income	24	13,948	24,896	51,566	75,799
Other operating expenses	25	(32,508)	(32,797)	(94,096)	(98,926)
Operating profit before allowance for expected credit losses		31,544	43,745	110,555	140,416
Allowance for impairment on loans and advances and other financial assets	26	(3,775)	(41,806)	5,467	(87,934)
Profit before taxation		27,769	1,939	116,022	52,482
Taxation		(4,907)	(2,097)	(24,611)	(11,836)
<b>Profit for the financial period</b>		<b>22,862</b>	<b>(158)</b>	<b>91,411</b>	<b>40,646</b>
<b>Other comprehensive income:</b>					
<b>Items that will not be reclassified subsequently to profit or loss when specific conditions are met:</b>					
- Net fair value changes in debt instrument at FVOCI, net of tax		6,039	296	22,367	3,514
<b>Items that will be reclassified subsequently to profit or loss when specific conditions are met:</b>					
- Net gain on foreign exchange translation		-	-	3	-
Other comprehensive income, net of tax		6,039	296	22,370	3,514
Total comprehensive income for the period, net of tax		<b>28,901</b>	<b>138</b>	<b>113,781</b>	<b>44,160</b>
<b>Earnings per share</b>					
- Basic/fully diluted (sen)				<b>12.02</b>	<b>5.34</b>

*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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

	← Non-distributable			→ Distributable		
	Share capital	Foreign exchange reserve	Fair value through other comprehensive reserve	Regulatory reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Group</b>						
Balance as at 1 January 2020	<b>760,518</b>	-	<b>12,539</b>	<b>33,607</b>	<b>773,105</b>	<b>1,579,769</b>
Profit for the financial period	-	-	-	-	<b>78,669</b>	<b>78,669</b>
Other comprehensive income, net of tax	-	<b>3</b>	<b>22,367</b>	-	-	<b>22,370</b>
Total comprehensive income for the financial period, net of tax	-	<b>3</b>	<b>22,367</b>	-	<b>78,669</b>	<b>101,039</b>
Transfer from regulatory reserve to retained profits	-	-	-	<b>(28,407)</b>	<b>28,407</b>	-
<b>At 30 September 2020</b>	<b>760,518</b>	<b>3</b>	<b>34,906</b>	<b>5,200</b>	<b>880,181</b>	<b>1,680,808</b>
Balance as at 1 January 2019	760,518	-	8,193	16,191	741,578	1,526,480
Profit for the financial period	-	-	-	-	36,817	36,817
Other comprehensive income, net of tax	-	-	3,514	-	-	3,514
Total comprehensive income for the financial period, net of tax	-	-	3,514	-	36,817	40,331
Transfer from retained profits to regulatory reserve	-	-	-	17,416	(17,416)	-
At 30 September 2019	760,518	-	11,707	33,607	760,979	1,566,811

*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 NINE MONTHS ENDED 30 SEPTEMBER 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
<b>Bank</b>						
Balance as at 1 January 2020	<b>760,518</b>	-	<b>12,539</b>	<b>33,607</b>	<b>755,391</b>	<b>1,562,055</b>
Profit for the financial period	-	-	-	-	<b>91,411</b>	<b>91,411</b>
Other comprehensive income, net of tax	-	<b>3</b>	<b>22,367</b>	-	-	<b>22,370</b>
Total comprehensive income for the financial period, net of tax	-	<b>3</b>	<b>22,367</b>	-	<b>91,411</b>	<b>113,781</b>
Transfer from regulatory reserve to retained profits	-	-	-	<b>(28,407)</b>	<b>28,407</b>	-
<b>At 30 September 2020</b>	<b>760,518</b>	<b>3</b>	<b>34,906</b>	<b>5,200</b>	<b>875,209</b>	<b>1,675,836</b>
Balance as at 1 January 2019	760,518	-	8,193	16,191	726,128	1,511,030
Profit for the financial period	-	-	-	-	40,646	40,646
Other comprehensive income, net of tax	-	-	3,514	-	-	3,514
Total comprehensive income for the financial period, net of tax	-	-	3,514	-	40,646	44,160
Transfer from retained profits to regulatory reserve	-	-	-	17,416	(17,416)	-
At 30 September 2019	760,518	-	11,707	33,607	749,358	1,555,190

*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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

	Note	Group		Bank	
		30 September <u>2020</u> RM'000	30 September <u>2019</u> RM'000	30 September <u>2020</u> RM'000	30 September <u>2019</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		103,441	52,444	116,022	52,482
<i>Adjustment for:</i>					
Depreciation of property and equipment	25	4,823	5,523	4,691	5,021
Depreciation of right-of-use assets	25	6,459	6,365	5,458	5,333
Amortisation of intangible assets	25	740	539	740	539
Amortisation of premium less accretion of discount	22	5,295	1,106	5,295	1,106
Allowance for impairment on loans and advances and other financial assets	26	(5,500)	89,612	(5,500)	89,612
Interest income from debt instruments at FVOCI	22	(33,626)	(15,558)	(33,626)	(15,558)
Interest income from debt instruments at amortised cost	22	(8,904)	(13,398)	(8,904)	(13,398)
Interest expense on subordinated loan	23	14,666	27,768	14,666	27,768
Finance cost on lease liabilities	25	1,086	996	987	856
Unrealised foreign exchange gain	24	(1,756)	(255)	(1,756)	(255)
Net loss on revaluation of derivatives	24	4,051	202	4,051	202
Unrealised loss on equity instrument at FVTPL	24	1,486	6	1,486	6
Property and equipment written off	25	1	3	1	3
Dividend income received from equity instruments at FVOCI		(60)	(60)	(60)	(60)
Dividend income received from subsidiary	24	-	-	(8,857)	(15,450)
Operating profit before changes in operating activities		92,202	155,293	94,694	138,207
<b>(INCREASE)/ DECREASE IN OPERATING ASSETS</b>					
Deposits and placements with banks and other financial institutions		512,125	(315,112)	512,125	(315,112)
Loans and advances		(954,669)	(743,788)	(954,669)	(743,788)
Right-of-use assets		(6,159)	-	(6,111)	-
Other assets		(3,934)	(5,636)	(4,195)	(5,458)
Statutory deposits with Bank Negara Malaysia		92,470	(16,700)	92,470	(16,700)
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES</b>					
Deposits from customers		425,106	(629,335)	416,579	(632,580)
Deposits and placements of banks and other financial institutions		976,716	225,082	976,716	225,082
Other liabilities		1,461	186	6,161	(46)
Subordinated loan		19,619	43,865	19,619	43,865
Cash used in operating activities		1,154,937	(1,286,145)	1,153,389	(1,306,530)

**INTERIM FINANCIAL STATEMENTS**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>	<b>30 September</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Note	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>INCREASE/(DECREASE) IN OPERATING LIABILITIES (CONTINUED)</b>				
Taxes paid	<b>(22,954)</b>	(32,084)	<b>(21,600)</b>	(28,104)
Net cash used in operating activities	<b>1,131,983</b>	(1,318,229)	<b>1,131,789</b>	(1,334,634)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of property and equipment	<b>(2,001)</b>	(374)	<b>(2,001)</b>	(372)
Purchase of intangible assets	<b>(1,716)</b>	(1,220)	<b>(1,716)</b>	(1,220)
Purchases of debt instruments at FVOCI	<b>(706,380)</b>	(350,060)	<b>(706,380)</b>	(350,060)
Proceeds from maturity of debt instruments at FVOCI	<b>188,003</b>	190,000	<b>188,003</b>	190,000
Purchases of debt instruments at amortised cost	<b>(2,300,000)</b>	(2,250,000)	<b>(2,300,000)</b>	(2,250,000)
Proceeds from maturity of debt instruments at amortised cost	<b>2,990,000</b>	2,400,000	<b>2,990,000</b>	2,400,000
Interest received on debt instruments at FVOCI	<b>35,436</b>	15,072	<b>35,436</b>	15,072
Interest received on debts instruments at amortised cost	<b>11,526</b>	17,855	<b>11,526</b>	17,855
Dividend income received from equity instruments at FVOCI	<b>60</b>	60	<b>60</b>	60
Dividend income received from subsidiary	-	-	<b>8,857</b>	15,450
Net cash (used in)/generated from investing activities	<b>214,928</b>	21,333	<b>223,785</b>	36,785
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payment of lease liabilities	<b>(7,020)</b>	(6,935)	<b>(5,938)</b>	(5,822)
Interest paid on subordinated loan	<b>(18,589)</b>	(54,143)	<b>(18,589)</b>	(54,143)
Net cash used in financing activity	<b>(25,609)</b>	(61,078)	<b>(24,527)</b>	(59,965)
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD</b>				
	<b>1,321,302</b>	(1,357,974)	<b>1,331,047</b>	(1,357,814)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD</b>				
	<b>2,381,504</b>	3,558,553	<b>2,370,512</b>	3,553,078
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD</b>				
9	<b>3,702,806</b>	2,200,579	<b>3,701,559</b>	2,195,264

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**1 Review of Group Performance and Commentary of Prospects**

For the nine months ended 30 September 2020, the Group recorded profit before taxation of RM103.4 million, increased by RM51.0 million or 97.25% mainly due to lower allowance for expected credit losses ("ECL") by RM93.40 million, which partially offset by lower net interest income by RM10.46 million mainly due to reductions of Overnight Policy Rate ("OPR") from 3.00% to 1.75% by Bank Negara Malaysia ("BNM") and lower other operating income by RM37.4 million.

The economy undermined by COVID-19 outbreak has inevitably brought adverse impact across the Malaysian banking industry. The outbreak which significantly limits key economic and market activities, coupled with OPR unprecedented steepest decline within the year, have both increased the banks' pressure in interest margin and operating revenue. The Bank remains resilient with its impact is relatively softened as compared to the industry, underpinned by the Bank's strong capital buffer and prudence in both management strategy and business approach. These sound governance and practices lead to continuous improvement in the Bank's asset quality of loan portfolio. Amid the uncertainties and challenging macroeconomic environment posed by COVID-19, The Bank remains vigilant and continue to strengthen operating efficiency and exercise prudence in financing policy, to ensure the Bank continues to be well-managed.

**2 Group Accounting Policies**

The unaudited condensed consolidated interim financial statements for the nine months ended 30 September 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

**MFRS 9 and Financial reporting requirements**

MFRS 9 impairment methodology requires the "expected credit losses model" which also emphasizes on forward-looking information to reflect instruments' expected credit losses. Given the unprecedented exceptional circumstances of the pandemic, the outlook of economic for both domestically and globally are uncertain. However, the shock is temporary in nature due to significant measures announced by the Government to mitigate the impact of Covid-19 on the economy. As such, in computing the expected credit losses during the period, the Bank has exercised judgment based on information available on-hand. The bank will continue to review and monitor closely of the current expectation for material changes.

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**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.

**5 Unusual Items Due To Their Nature, Size Or Incidence**

With the outbreak of Covid-19 pandemic, global and domestic economies have been greatly affected and it is expected to be continued to 2021.

The Bank has participated to the measures announced by BNM to assist borrowers/customers affected by the Covid-19 pandemic by allowing moratorium on repayment to all bank loans to (except for credit card balances) small and medium-sized enterprises (SMEs) and individuals for loans that are not in arrears exceeding 90 days as at 1 April 2020 and the loan must be in Malaysia Ringgit. For corporate borrowers, financial institutions are strongly encouraged to facilitate requests for moratorium/Reschedules and Restructured (“R&R”) which enables companies to preserve jobs and resume economic activities. The bank will review the financial difficulties faced by borrowers/customers affected by the pandemic, to resume loan repayment post 6-month automatic moratorium (beginning 1 October 2020), to provide flexibilities to offer further moratorium/ R&R to borrowers/customers. The purpose of the Repayment Assistance Program is to help affected borrowers/customers recover from the impact of the Covid-19 pandemic, reduce the effects of economic scarring and sustain the recovery of the economy.

**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 nine months ended 30 September 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 nine months ended 30 September 2020.

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**9 Cash and Short-term Funds**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Cash and balances with banks and other financial institutions	<b>143,357</b>	274,685	<b>142,110</b>	263,693
Money at call and deposit placements maturing within one month	<b>3,559,531</b>	2,106,868	<b>3,559,531</b>	2,106,868
	<b>3,702,888</b>	2,381,553	<b>3,701,641</b>	2,370,561
Less: allowance for ECL	<b>(82)</b>	(49)	<b>(82)</b>	(49)
	<b>3,702,806</b>	2,381,504	<b>3,701,559</b>	2,370,512

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

	<b>Group and Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 January	<b>49</b>	24
ECL allowance charge during the financial period/year (Note 26)	<b>33</b>	25
As at 30 September 2020/31 December 2019	<b>82</b>	49

**10 Deposits and Placements with Banks and Other Financial Institutions**

	<b>Group and Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia Licensed banks	<b>296,166</b>	-
	<b>281,281</b>	1,089,572
	<b>577,447</b>	1,089,572
Less: allowance for ECL	<b>(23)</b>	(62)
	<b>577,424</b>	1,089,510

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

	<b>Group and Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 January	<b>62</b>	12
ECL allowance (written-back)/charge during the financial period/year (Note 26)	<b>(39)</b>	50
As at 30 September 2020/31 December 2019	<b>23</b>	62

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**11 Derivative Financial Assets/(Liabilities)**

	<b>Group and Bank</b>	
	<b>30 September</b>	31 December
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Derivative financial assets	<b>18,023</b>	2,913
Derivative financial liabilities	<b>(22,038)</b>	(2,877)
	<b>(4,015)</b>	<b>36</b>

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

	<b>Group and Bank</b>	
	<b>30 September</b>	31 December
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Money market instrument:		
Malaysian Government Securities ("MGS")	<b>522,949</b>	358,654
Malaysian Government Investment Issue ("MGII")	<b>730,379</b>	407,473
Unquoted securities		
Corporate bond	<b>121,751</b>	101,719
Foreign bond	<b>61,283</b>	30,060
Less: allowance for ECL	<b>(233)</b>	(89)
	<b>182,801</b>	131,690
	<b>1,436,129</b>	<b>897,817</b>

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**

	<b>Group and Bank</b>	
	<b>30 September</b>	31 December
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
As at 1 January	<b>89</b>	19
ECL allowance charge during the financial period/year (Note 26)	<b>144</b>	70
As at 30 September 2020/31 December 2019	<b>233</b>	<b>89</b>

**13 Equity Instruments at FVOCI**

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**14 Debt Instruments at Amortised Cost**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
At amortised cost:		
Money market instrument:		
Negotiable instruments of deposits	<b>100,224</b>	792,846
	<b>100,224</b>	<b>792,846</b>

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

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

**16 Loans and Advances**

**At amortised cost**

**(i) By type**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	<b>351,525</b>	410,275
Terms loans		
- Housing loans	<b>394,711</b>	362,399
- Syndicated term loans	<b>3,574,591</b>	3,512,566
- Other term loans	<b>1,792,124</b>	1,456,418
Bills receivables	<b>236,468</b>	130,466
Trust receipts	<b>2,421</b>	3,994
Claims on customers under acceptance credits	<b>574,299</b>	647,252
Revolving credits	<b>1,714,767</b>	1,171,218
Staff loans	<b>1,877</b>	2,122
Gross loans and advances	<b>8,642,783</b>	7,696,710
Less: Allowance for ECL	<b>(191,078)</b>	(209,302)
Total net loans and advances	<b>8,451,705</b>	<b>7,487,408</b>

**(ii) By geographical distribution**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	<b>5,171,311</b>	4,950,630
Other countries	<b>3,471,472</b>	2,746,080
Gross loans and advances	<b>8,642,783</b>	<b>7,696,710</b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**16 Loans and Advances (Continued)**

**At amortised cost (continued)**

**(iii) By interest rate sensitivity**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate		
- Other fixed rate loans	1,348,008	1,329,443
Variable rate		
- Base lending rate/base rate plus	1,576,270	1,575,013
- Cost of funds plus	5,206,346	4,327,544
- Other variable rates	512,159	464,710
Gross loans and advances	<b>8,642,783</b>	<b>7,696,710</b>

**(iv) By economic sector**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	348,340	388,628
Mining and quarrying	729,757	752,604
Manufacturing	1,591,057	1,381,043
Electricity, gas and water supply	512,966	91,200
Construction	456,230	521,060
Real estate	2,337,096	2,099,519
Wholesale and retail trade and restaurants and hotels	176,348	227,521
Transport, storage and communication	73,838	113,583
Finance, insurance and business services	1,253,630	1,014,484
Education, health and others	383,405	365,746
Household	780,116	741,322
	<b>8,642,783</b>	<b>7,696,710</b>

**(v) By residual contractual maturity - remaining**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Up to one month	1,463,995	1,538,127
More than one month to three months	732,775	620,351
More than three months to six months	334,631	171,076
More than six months to twelve months	230,101	166,523
More than twelve months	5,881,281	5,200,633
Gross loans and advances	<b>8,642,783</b>	<b>7,696,710</b>

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 NINE MONTHS ENDED 30 SEPTEMBER 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 September 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)	633,016	(631,878)	(1,138)	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(18,957)	19,746	(789)	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(11,162)	11,162	-
Changes due to change in credit risk	(1,359,715)	(218,236)	(40,758)	(1,618,709)
New loans and advances originated	2,500,016	73,362	-	2,573,378
Bad debts written-off	-	-	(8,596)	(8,596)
<b>Gross carrying amount as at 30 September 2020</b>	<b>7,909,812</b>	<b>531,112</b>	<b>201,859</b>	<b>8,642,783</b>
<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)
<b>Gross carrying amount as at 31 December 2019</b>	<b>6,155,452</b>	<b>1,299,280</b>	<b>241,978</b>	<b>7,696,710</b>

NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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
<b>30 September 2020</b>				
As at 1 January 2020	20,427	67,052	121,823	209,302
Transferred to 12-month ECL (stage 1)	33,988	(33,940)	(48)	-
Transferred to lifetime ECL (non-credit impaired) (stage 2)	(409)	585	(176)	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(195)	195	-
New loans and advances originated	10,856	2,137	-	12,993
(Reversal)/allowance during the financial period	(3,755)	685	(5,052)	(8,122)
Full settlement	(187)	(2,583)	(11,729)	(14,499)
Amount written-off	-	-	(8,596)	(8,596)
<b>Allowance for ECL as at 30 September 2020</b>	<b>60,920</b>	<b>33,741</b>	<b>96,417</b>	<b>191,078</b>
<b>31 December 2019</b>				
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)
<b>Allowance for ECL as at 31 December 2019</b>	<b>20,427</b>	<b>67,052</b>	<b>121,823</b>	<b>209,302</b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**16 Loans and Advances (Continued)**

**(viii) Gross credit impaired loans and advances**

**(a) Movements in credit impaired loans and advances**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
As at 1 January	241,978	68,056
Classified as credit impaired during the financial period/year	6,973	183,336
Reclassified as non-credit impaired during the financial period/year	(1,927)	(518)
Amount recovered	(36,569)	(7,305)
Amount written-off	(8,596)	(1,591)
As at 30 September 2020/31 December 2019	<u>201,859</u>	<u>241,978</u>
Less: Lifetime ECL (credit impaired) (Stage 3)	<u>(96,417)</u>	<u>(121,823)</u>
	<u><u>105,442</u></u>	<u><u>120,155</u></u>
Ratio of net impaired loans and advances to gross loans and advances less Lifetime ECL (credit impaired) (Stage 3)	<u>1.234%</u>	<u>1.586%</u>

**(b) By geographical distribution**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	177,969	218,502
Other countries	23,890	23,476
	<u>201,859</u>	<u>241,978</u>

**(c) By economic sector**

	<b>Group and Bank</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	9,903	21,678
Manufacturing	56,300	77,370
Electricity, gas and water supply	23,890	23,476
Construction	2,892	3,465
Wholesale and retail trade and restaurants and hotels	-	6,633
Education, health and others	77,431	75,704
Household	19,746	20,503
Real estate	11,697	13,149
	<u>201,859</u>	<u>241,978</u>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**17 Other Assets**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	8,304	2,577	8,194	2,206
Sundry deposits	2,830	2,782	2,421	2,373
Prepayment	252	350	247	345
Precious metal inventories	278	336	278	336
	<b>11,664</b>	<b>6,045</b>	<b>11,140</b>	<b>5,260</b>
Less: allowance for ECL	<b>(308)</b>	<b>(523)</b>	<b>(302)</b>	<b>(517)</b>
	<b>11,356</b>	<b>5,522</b>	<b>10,838</b>	<b>4,743</b>

**Movements in allowance for impairment on other assets**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
As at 1 January	523	128	517	119
ECL allowance (write-back)/charge during the financial period/year (Note 26)	<b>(144)</b>	451	<b>(144)</b>	448
Amounts written-off	<b>(71)</b>	<b>(56)</b>	<b>(71)</b>	<b>(50)</b>
As at 30 September 2020/31 December 2019	<b>308</b>	<b>523</b>	<b>302</b>	<b>517</b>

**18 Deposits From Customers**

**(i) By type of deposits**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	1,947,073	2,330,275	1,951,894	2,343,623
Savings deposits	376,322	300,451	376,322	300,451
Fixed deposits	4,654,363	4,221,215	4,654,363	4,221,215
Negotiable instruments of deposits	602,887	303,598	602,887	303,598
	<b>7,580,645</b>	<b>7,155,539</b>	<b>7,585,466</b>	<b>7,168,887</b>

**(ii) By type of customers**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	2,579,431	2,622,120	2,584,252	2,635,468
Individuals	3,204,988	3,266,465	3,204,988	3,266,465
Others	1,796,226	1,266,954	1,796,226	1,266,954
	<b>7,580,645</b>	<b>7,155,539</b>	<b>7,585,466</b>	<b>7,168,887</b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**18 Deposits From Customers (Continued)**

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

	<b>Group and Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	3,181,598	3,522,523
Six months to one year	2,075,652	1,000,214
One year to three years	-	2,076
	<b><u>5,257,250</u></b>	<b><u>4,524,813</u></b>

**19 Deposits and Placements Of Banks and Other Financial Institutions**

	<b>Group and Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Bank Negara Malaysia	15,237	43,382
Licensed banks	3,679,312	2,674,283
Licensed investment banks	159	148
Licensed Islamic banks	666	844
Other financial institutions	2	3
	<b><u>3,695,376</u></b>	<b><u>2,718,660</u></b>

**20 Other Liabilities**

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Accrued expenses	16,547	35,711	15,306	33,984
Margin deposits	40,352	36,517	40,352	36,517
Other liabilities	64,343	53,524	63,942	48,861
Lease liabilities	30,435	30,398	27,957	26,985
Allowance for ECL on commitments and contingencies (Note 20 (i))	9,693	5,526	9,693	5,526
	<b><u>161,370</u></b>	<b><u>161,676</u></b>	<b><u>157,250</u></b>	<b><u>151,873</u></b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**20 Other Liabilities (Continued)**

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

	Group and Bank 30 September 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)	2,137	(2,137)	-	-
Transfer to lifetime ECL (non-credit impaired) (stage 2)	(2)	2	-	-
Transferred to lifetime ECL (credit impaired) (stage 3)	-	(20)	20	-
New loans and advances originated (Reversal)/allowance during the financial period	4,399 (1)	17 (191)	-	4,416 (212)
Full settlement	(32)	(5)	-	(37)
Amount written-off	-	-	-	-
<b>As at 30 September 2020</b>	<b>9,332</b>	<b>361</b>	<b>-</b>	<b>9,693</b>

	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 (896)	348 1,415	-	2,361 511
Full settlement	(3,003)	(393)	-	(3,396)
<b>As at 31 December 2019</b>	<b>2,831</b>	<b>2,695</b>	<b>-</b>	<b>5,526</b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**21 Subordinated Loan**

	<b>GROUP AND BANK</b>	
	<b>30 September</b>	<b>31 December</b>
	<b>2020</b>	<b>2019</b>
	<b>RM'000</b>	<b>RM'000</b>
At cost	<b>1,254,725</b>	1,254,725
Interest accrued	<b>1,286</b>	5,120
Foreign exchange difference	<b>33,325</b>	13,795
	<b><u>1,289,336</u></b>	<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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

**22 Interest Income**

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 September</b>	30 September	<b>30 September</b>	30 September
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loans and advances				
- Interest income on non-credit impaired loans and advances	<b>62,158</b>	79,703	<b>212,614</b>	237,018
- Interest income on credit impaired loans and advances	<b>1,669</b>	2,569	<b>6,051</b>	3,959
Money at call and deposit placement with financial institutions	<b>15,343</b>	40,819	<b>53,653</b>	121,818
Debt instruments at FVOCI	<b>12,923</b>	5,372	<b>33,626</b>	15,558
Debt instruments at amortised cost	<b>2,242</b>	2,009	<b>8,904</b>	13,398
Other interest income	<b>574</b>	-	<b>995</b>	-
	<b>94,909</b>	130,472	<b>315,843</b>	391,751
Amortisation of premium less accretion of discount	<b>(2,295)</b>	(347)	<b>(5,295)</b>	(1,106)
Total interest income	<b>92,614</b>	130,125	<b>310,548</b>	390,645

**23 Interest Expense**

	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>Group and Bank</b>		<b>Group and Bank</b>	
	<b>30 September</b>	30 September	<b>30 September</b>	30 September
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Deposits and placements of banks and other financial institutions	<b>3,001</b>	9,042	<b>20,490</b>	19,959
Deposits from customers	<b>36,333</b>	60,514	<b>121,081</b>	178,949
Subordinated loan	<b>2,527</b>	8,757	<b>14,666</b>	27,768
Others	<b>649</b>	166	<b>1,226</b>	426
	<b>42,510</b>	78,479	<b>157,463</b>	227,102



**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**25 Other Operating Expenses**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
<b>Group</b>				
<u>Personnel expenses</u>				
Salaries & wages	15,966	15,357	47,778	46,242
Bonuses	4,674	4,737	11,772	13,569
Defined contribution plan ("EPF")	2,731	2,599	7,239	7,068
Staff welfare expenses	836	555	1,954	2,296
Other personnel costs	1,603	1,934	4,483	5,545
	<b>25,810</b>	<b>25,182</b>	<b>73,226</b>	<b>74,720</b>
<u>Marketing expenses</u>				
Entertainment	57	200	1,013	810
Other marketing	188	1,148	631	2,561
	<b>245</b>	<b>1,348</b>	<b>1,644</b>	<b>3,371</b>
<u>Establishment costs</u>				
Rental of premises	144	-	169	23
Depreciation of property and equipment	1,603	1,839	4,823	5,523
Depreciation of right-of-use assets	2,083	2,117	6,459	6,365
Finance cost on lease liabilities	370	310	1,086	996
Amortisation of intangible assets	334	212	740	539
Repairs and maintenance	84	49	633	646
Property and equipment written off	1	2	1	3
Information technology expenses	889	304	2,558	985
Other establishment costs	525	777	1,812	2,057
	<b>6,033</b>	<b>5,610</b>	<b>18,281</b>	<b>17,137</b>
<u>Administration and general expenses</u>				
Insurance premium	537	8	665	1,329
Auditors' remuneration				
- statutory audit fees	65	56	207	166
- regulatory related service	27	26	94	78
Travelling and accommodation	48	622	453	1,533
Telecommunication and utilities	333	328	955	1,044
Printing, stationery and postage	295	268	1,104	1,074
Legal and professional fees	280	198	452	392
Other administration and general expenses	543	1,089	2,197	3,484
	<b>2,128</b>	<b>2,595</b>	<b>6,127</b>	<b>9,100</b>
<u>Other expenses</u>				
Cost of sales of precious metal	20	7	61	462
	<b>20</b>	<b>7</b>	<b>61</b>	<b>462</b>
	<b>34,236</b>	<b>34,742</b>	<b>99,339</b>	<b>104,790</b>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**25 Other Operating Expenses**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2020 RM'000	30 September 2019 RM'000	30 September 2020 RM'000	30 September 2019 RM'000
<b>Bank</b>				
<u>Personnel expenses</u>				
Salaries & wages	15,167	14,599	45,383	44,058
Bonuses	4,488	4,578	11,142	12,999
Defined contribution plan ("EPF")	2,631	2,510	7,015	6,798
Staff welfare expenses	762	493	1,795	2,094
Other personnel costs	1,573	1,875	4,364	5,391
	<u>24,621</u>	<u>24,055</u>	<u>69,699</u>	<u>71,340</u>
<u>Marketing expenses</u>				
Entertainment	57	200	1,010	801
Other marketing	188	1,149	631	2,561
	<u>245</u>	<u>1,349</u>	<u>1,641</u>	<u>3,362</u>
<u>Establishment costs</u>				
Rental of premises	139	-	144	23
Depreciation of property and equipment	1,559	1,675	4,691	5,021
Depreciation of right-of-use assets	1,751	1,773	5,458	5,333
Finance cost on lease liabilities	341	267	987	856
Amortisation of intangible assets	334	212	740	539
Repairs and maintenance	84	42	631	634
Property and equipment written off	1	2	1	3
Information technology expenses	888	302	2,551	975
Other establishment costs	520	773	1,801	2,011
	<u>5,617</u>	<u>5,046</u>	<u>17,004</u>	<u>15,395</u>
<u>Administration and general expenses</u>				
Insurance premium	537	8	657	1,321
Auditors' remuneration				
- statutory audit fees	54	44	170	133
- regulatory related service	24	22	85	69
Travelling and accommodation	48	581	406	1,432
Telecommunication and utilities	295	292	870	941
Printing, stationery and postage	286	210	1,022	863
Legal and professional fees	278	198	450	390
Other administration and general expenses	483	985	2,031	3,218
	<u>2,005</u>	<u>2,340</u>	<u>5,691</u>	<u>8,367</u>
<u>Other expenses</u>				
Cost of sales of precious metal	20	7	61	462
	<u>20</u>	<u>7</u>	<u>61</u>	<u>462</u>
	<u>32,508</u>	<u>32,797</u>	<u>94,096</u>	<u>98,926</u>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

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

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u> <u>2020</u> RM'000	<u>30 September</u> <u>2019</u> RM'000	<u>30 September</u> <u>2020</u> RM'000	<u>30 September</u> <u>2019</u> RM'000
<b>Group and Bank</b>				
Allowance/(written-back) for impairment on:				
Cash and short-term funds				
- Stage 1	16	1	33	(2)
Deposits and placements with banks and other financial institutions				
- Stage 1	(19)	18	(39)	24
Debt instruments at FVOCI				
- Stage 1	85	(34)	144	134
Other assets				
- Stage 1	91	123	(144)	266
Loans and advances				
- Stage 1	9,720	2,672	6,914	(3,325)
- Stage 2	(7,752)	3,549	239	1,831
- Stage 3	(1,273)	36,013	(16,781)	89,772
Commitments and contingencies				
- Stage 1	3,053	323	4,366	(1,270)
- Stage 2	(146)	772	(179)	2,179
- Stage 3	-	-	(20)	3
Bad debt recover during the financial period	-	(1,631)	-	(1,678)
	<u>3,775</u>	<u>41,806</u>	<u>(5,467)</u>	<u>87,934</u>

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**27 Capital Adequacy**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September 2020</b>	<b>31 December 2019</b>	<b>30 September 2020</b>	<b>31 December 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Common Equity Tier 1 ("CET1") Capital</u></b>				
Paid-up ordinary share capital	<b>760,518</b>	760,518	<b>760,518</b>	760,518
Retained profits	<b>801,512</b>	773,105	<b>783,798</b>	755,391
Regulatory reserve	<b>5,200</b>	33,607	<b>5,200</b>	33,607
Fair value through other comprehensive reserve	<b>34,906</b>	12,539	<b>34,906</b>	12,539
Foreign exchange reserve	<b>3</b>	-	<b>3</b>	-
	<b><u>1,602,139</u></b>	<u>1,579,769</u>	<b><u>1,584,425</u></b>	<u>1,562,055</u>
Regulatory adjustment applied in the calculation of CET 1 Capital				
- Deferred tax assets	<b>(2,306)</b>	(8,306)	<b>(2,173)</b>	(8,016)
- 55% of cumulative unrealised gains of FVOCI financial instruments	<b>(19,198)</b>	(6,896)	<b>(19,198)</b>	(6,896)
- Regulatory reserve attributable to financial assets	<b>(5,200)</b>	(33,607)	<b>(5,200)</b>	(33,607)
	<b><u>(26,704)</u></b>	<u>(48,809)</u>	<b><u>(26,571)</u></b>	<u>(48,519)</u>
Total CET1 capital / Total Tier 1 capital	<b><u>1,575,435</u></b>	<u>1,530,960</u>	<b><u>1,557,854</u></b>	<u>1,513,536</u>
<b><u>Tier-2 capital</u></b>				
General provision*	<b>110,200</b>	105,347	<b>110,194</b>	105,253
Subordinated loan	<b>1,288,050</b>	1,268,520	<b>1,288,050</b>	1,268,520
Less: Investment in a subsidiary company	<b>-</b>	-	<b>(1,000)</b>	(1,000)
Total Tier-2 capital	<b><u>1,398,250</u></b>	<u>1,373,867</u>	<b><u>1,397,244</u></b>	<u>1,372,773</u>
Total capital base	<b><u>2,973,685</u></b>	<u>2,904,827</u>	<b><u>2,955,098</u></b>	<u>2,886,309</u>
<b><u>Capital ratios</u></b>				
CET 1 capital ratio	<b>16.385%</b>	16.950%	<b>16.284%</b>	16.872%
Tier 1 capital ratio	<b>16.385%</b>	16.950%	<b>16.284%</b>	16.872%
Total capital ratio	<b>30.928%</b>	32.160%	<b>30.889%</b>	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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

**27 Capital Adequacy (Continued)**

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

	<b>Group</b>		<b>Bank</b>	
	<b>30 September</b>	31 December	<b>30 September</b>	31 December
	<b>2020</b>	2019	<b>2020</b>	2019
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Credit risk	<b>9,025,206</b>	8,427,751	<b>9,021,104</b>	8,420,222
Market risk	<b>3,644</b>	5,047	<b>3,644</b>	5,047
Operational risk	<b>586,073</b>	599,522	<b>541,933</b>	545,542
Total risk-weighted assets	<b>9,614,923</b>	9,032,320	<b>9,566,681</b>	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 NINE MONTHS ENDED 30 SEPTEMBER 2020**

**28 Commitments and Contingencies**

	<b>Group and Bank</b>					
	<b>30 September 2020</b>			<b>31 December 2019</b>		
	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>	<b>Principal</b>	<b>Credit</b>	<b>Risk</b>
	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>	<b>RM'000</b>	<b>equivalent</b>	<b>weighted</b>
		<b>RM'000</b>	<b>RM'000</b>		<b>RM'000</b>	<b>RM'000</b>
Direct credit substitutes	<b>6,338</b>	<b>6,338</b>	<b>4,405</b>	2,547	2,547	2,547
Transaction-related contingent items	<b>2,197,478</b>	<b>1,098,739</b>	<b>577,155</b>	2,383,135	1,191,568	614,304
Short-term self-liquidation trade related contingencies	<b>309,400</b>	<b>61,880</b>	<b>58,956</b>	55,595	11,119	9,578
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	<b>2,443,840</b>	<b>488,768</b>	<b>361,967</b>	2,111,915	422,383	345,813
- Maturity exceeding one year	<b>479,574</b>	<b>239,787</b>	<b>219,596</b>	569,998	284,999	264,533
Foreign exchange related contracts:						
- Less than one year	<b>1,082,438</b>	<b>16,516</b>	<b>3,811</b>	218,308	2,591	1,274
Interest/Profit rate related contracts:						
- Less than one year	<b>119,947</b>	<b>8,392</b>	<b>1,723</b>	-	-	-
- More than five year	<b>336,872</b>	<b>26,172</b>	<b>21,464</b>	250,475	16,913	13,156
Unutilised credit card lines	-	-	-	20	4	3
<b>Total</b>	<b>6,975,887</b>	<b>1,946,592</b>	<b>1,249,077</b>	5,591,993	1,932,124	1,251,208

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

**NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2020**

**29 Operations of Islamic Banking**

No Islamic banking activities was involved for the third quarter ended 30 September 2020.

**30 Valuation of Property, Plant and Equipment**

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

**31 Events Subsequent to Reporting Date**

The extent and persistence of COVID-19 pandemic continue impact the economic where the destruction level and the duration of containment remain uncertainties. Hence, 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.

**32 Changes in the Composition of the Group**

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