

Industrial and Commercial Bank of China (Malaysia) Berhad

Registration No. 201001000001 (839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2020

Industrial and Commercial Bank of China (Malaysia) Berhad

Registration No. 201001000001 (839839 M)

(Incorporated in Malaysia)

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed financial statements for the half year ended 30 June 2020 have been prepared from the Bank's accounting records and that they are in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Guidelines on Financial Reporting for Financial Institutions (BNM/RH/PD 032-13) issued by Bank Negara Malaysia ("BNM") on 27 September 2019.

Wang Qiang
Chief Executive Officer/Managing Director

Date: 27 July 2020

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	30 Jun 2020 RM'000	31 Dec 2019 RM'000
ASSETS			
Cash and short-term funds	10	462,311	1,177,767
Deposits and placements with banks and other financial institutions	11	-	171,563
Financial investments measured at fair value through other comprehensive income ("FVOCI")	12	597,830	594,788
Financial investments measured at amortised cost	13	193,830	117,163
Loans, advances and financing	14	3,019,825	2,914,539
Derivative financial assets	15	5,086	2,014
Other assets	16	16,408	15,980
Statutory deposits with Bank Negara Malaysia		33,089	41,317
Tax recoverable		11,048	5,850
Property and equipment		4,759	6,196
Right-of-use assets		7,589	9,936
Intangible asset		-	-
Deferred tax assets		9,814	11,905
TOTAL ASSETS		4,361,589	5,069,018
LIABILITIES			
Deposits from customers	17	2,196,632	2,868,356
Deposits and placements of banks and other financial institutions	18	891,039	933,714
Derivative financial liabilities	15	2,997	2,639
Other liabilities	19	59,453	81,268
Lease liabilities		7,707	9,918
Provision for commitments and contingencies	20	4,878	7,004
Provision for taxation		517	345
TOTAL LIABILITIES		3,163,223	3,903,244
EQUITY			
Share capital		832,609	832,609
Reserves		365,757	333,165
EQUITY ATTRIBUTABLE TO OWNER OF THE BANK		1,198,366	1,165,774
TOTAL LIABILITIES AND EQUITY		4,361,589	5,069,018
COMMITMENTS AND CONTINGENCIES			
	28	2,580,119	2,646,461

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019 and the accompanying explanatory notes on pages 7 to 27 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 27 July 2020.

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020**

	Note	2nd quarter ended		Year-To-Date ended	
		30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Interest income	21	40,711	51,437	86,638	101,869
Interest expense	21	(14,143)	(21,884)	(29,454)	(43,465)
Net interest income	21	26,568	29,553	57,184	58,404
Net fee income	22	2,762	3,021	4,814	5,302
Net trading income	23	1,998	3,629	8,522	7,901
Other operating income		35	23	64	56
Net operating income		31,363	36,226	70,584	71,663
Other operating expenses	24	(16,253)	(17,996)	(33,767)	(35,017)
Operating profit		15,110	18,230	36,817	36,646
Write-back of/(Allowance for) impairment on loans, advances and financing	25	1,261	3,852	(5,736)	(2,896)
Allowance for impairment on other financial assets	26	(84)	(187)	(95)	(104)
Profit before taxation		16,287	21,895	30,986	33,646
Tax expense		(3,262)	(4,946)	(6,286)	(7,357)
Profit for the financial period		13,025	16,949	24,700	26,289
Other comprehensive income for the financial period, net of tax					
Items that are or may be reclassified subsequently (from)/to profit or loss					
Foreign currency translation reserve					
- Currency translation differences in respect of foreign operations		(140)	149	1,270	(157)
Fair value reserve					
- Changes in fair value		6,232	3,336	8,712	8,332
- Amount transferred to profit or loss		-	162	-	162
- Deferred tax adjustment		(1,495)	(801)	(2,090)	(2,000)
		4,737	2,697	6,622	6,494
Total other comprehensive income for the financial period		4,597	2,846	7,892	6,337
Total comprehensive income for the financial period		17,622	19,795	32,592	32,626
Basic earnings per ordinary share (sen):		1.57	2.04	2.97	3.16

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	← Non-distributable →			Distributable		Total Equity RM'000
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Fair value Reserve RM'000	Regulatory Reserve RM'000	Retained Earnings RM'000	
At 1 January 2019	832,609	(295)	1,992	17,644	254,076	1,106,026
Total comprehensive (expense)/income for the financial period						
Other comprehensive (expense)/income for the financial period, net of tax						
Items that are or may be reclassified subsequently (from)/to profit or loss						
Foreign currency translation reserve						
- Currency translation differences in respect of foreign operations	-	(157)	-	-	-	(157)
Fair value reserve						
- Changes in fair value	-	-	8,332	-	-	8,332
- Amount transferred to profit or loss	-	-	162	-	-	162
- Deferred tax adjustment	-	-	(2,000)	-	-	(2,000)
	-	-	6,494	-	-	6,494
Total other comprehensive (expense)/income for the financial period	-	(157)	6,494	-	-	6,337
Profit for the financial period	-	-	-	-	26,289	26,289
Total comprehensive (expense)/income for the financial period	-	(157)	6,494	-	26,289	32,626
At 30 June 2019	832,609	(452)	8,486	17,644	280,365	1,138,652

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (continued)

	← Non-distributable →			Distributable		
	Share Capital RM'000	Foreign Currency Translation Reserve RM'000	Fair value Reserve RM'000	Regulatory Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 January 2020	832,609	(261)	11,383	17,644	304,399	1,165,774
Total comprehensive income for the financial period						
Other comprehensive income for the financial period, net of tax						
Items that are or may be reclassified subsequently to profit or loss						
Foreign currency translation reserve						
- Currency translation differences in respect of foreign operations	-	1,270	-	-	-	1,270
Fair value reserve						
- Changes in fair value	-	-	8,712	-	-	8,712
- Deferred tax adjustment	-	-	(2,090)	-	-	(2,090)
	-	-	6,622	-	-	6,622
Total other comprehensive income for the financial period	-	1,270	6,622	-	-	7,892
Profit for the financial period	-	-	-	-	24,700	24,700
Total comprehensive income for the financial period	-	1,270	6,622	-	24,700	32,592
At 30 June 2020	832,609	1,009	18,005	17,644	329,099	1,198,366

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019 and the accompanying explanatory notes on pages 7 to 27 attached to the unaudited condensed interim financial statements.

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

	Note	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Cash flows used in operating activities			
Profit before taxation		30,986	33,646
Adjustments for:			
Depreciation of property and equipment		1,780	1,801
Depreciation of right-of-use assets		2,389	2,308
Interest expense on lease liabilities		146	228
Property and equipment written off		4	-
Allowance for impairment on loans, advances and financing		5,736	2,896
Allowance for impairment on other financial assets		95	104
Net unrealised (gains)/losses arising from derivative trading		(2,713)	568
Transfer to/(from) foreign currency translation reserve		1,270	(157)
Accretion of discounts net of amortisation of premiums of financial investments measured at FVOCI		329	419
Accretion of discounts net of amortisation of premiums of financial investments measured at amortised cost		131	52
Operating profit before working capital changes		40,153	41,865
Changes in operating assets			
Deposits and placements with banks and other financial institutions		171,565	(178,366)
Loans, advances and financing		(113,148)	(42,240)
Other assets		(428)	(1,633)
Statutory deposits with Bank Negara Malaysia		8,228	(755)
Changes in operating liabilities			
Deposits from customers		(671,724)	(284,203)
Deposits and placements of banks and other financial institutions		(42,675)	94,500
Other liabilities		(21,815)	22,837
Provision for commitments and contingencies		-	(1)
Cash used in operations		(629,844)	(347,996)
Income taxes paid		(11,312)	(10,964)
Net cash used in operating activities		(641,156)	(358,960)
Cash flows used in investing activities			
Purchase of property and equipment		(347)	(797)
Net proceeds from financial investments measured at FVOCI		5,341	-
Net purchase of financial investments measured at amortised cost		(76,908)	-
Net cash used in investing activities		(71,914)	(797)

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020 (continued)

	Note	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Cash flows used in financing activity			
Payment of lease liabilities		<u>(2,399)</u>	<u>(2,424)</u>
Net cash used in financing activity		<u>(2,399)</u>	<u>(2,424)</u>
Net decrease in cash and cash equivalents		(715,469)	(362,181)
Cash and cash equivalents at beginning of the financial period		1,177,767	1,017,586
		462,298	655,405
Add: Write-back of credit loss for the financial period		<u>13</u>	<u>86</u>
Cash and cash equivalents at end of the financial period		<u>462,311</u>	<u>655,491</u>
Cash and cash equivalents comprise:			
Cash and short-term funds	10	<u>462,311</u>	<u>655,491</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2019 and the accompanying explanatory notes on pages 7 to 27 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 27 July 2020.

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2020

1. General Information

Industrial and Commercial Bank of China (Malaysia) Berhad is principally engaged in the provision of banking and other related financial services.

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

2. Basis of Preparation

The unaudited condensed interim financial statements for the half year ended 30 June 2020 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and the Guidelines on Financial Reporting for Financial Institutions (BNM/RH/PD 032-13) issued by Bank Negara Malaysia (“BNM”) on 27 September 2019.

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank as at and for the financial year ended 31 December 2019. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2019.

All the significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2019, except for the adoption of the following Amendments during the financial period:-

Amendments effective for annual periods beginning on or after 1 January 2020

- Amendments to MFRS 3, *Business Combinations - Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements* and MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*
- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement* and MFRS 7, *Financial Instruments: Disclosures - Interest Rate Benchmark Reform*

Amendments effective for annual periods beginning on or after 1 June 2020

- Amendment to MFRS 16, *Leases - Covid-19-Related Rent Concessions*

2. Basis of Preparation *(continued)*

The following are accounting standards and amendments that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Bank.

MFRSs effective for annual periods beginning on or after 1 January 2021

- MFRS 17, *Insurance Contracts*

Amendments effective for annual periods beginning on or after 1 January 2022

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 3, *Business Combinations - Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018-2020)*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 116, *Property, Plant and Equipment - Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts-Cost of Fulfilling a Contract*
- Amendments to MFRS 141, *Agriculture (Annual Improvements to MFRS Standards 2018-2020)*

Amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Bank does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual period beginning on 1 January 2021 as it is not applicable to the Bank.

The Bank plans to apply from the annual period beginning on 1 January 2022, the abovementioned accounting standards and amendments that are effective for annual periods beginning on or after 1 January 2022, except for Amendments to MFRS 1, Amendments to MFRS 3, Amendments to MFRS 101, Amendments to MFRS 116, Amendments to MFRS 137 and Amendments to MFRS 141 which are not applicable to the Bank.

The initial applications of the abovementioned accounting standards and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Bank.

3. Auditors’ Report on Preceding Annual Financial Statements

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

4. Seasonality or Cyclical Factors

The business operations of the Bank are not subject to material seasonal or cyclical fluctuations.

5. Unusual Items due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the half year ended 30 June 2020.

6. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Bank for the half year ended 30 June 2020.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the half year ended 30 June 2020.

8. Dividend Paid

No dividend was paid during the half year ended 30 June 2020.

9. Significant Events

Since the beginning of the 2020, novel coronavirus (“COVID-19”) has continued to widely spread across the world. Economic turmoil associated with the COVID-19 pandemic has caused wide-ranging and severe impact upon the supply and demand chain of various sectors. In Malaysia, the Federal Government had taken precautionary and preventive measures in response to the COVID-19 pandemic including implementing various phases of Movement Control Order (“MCO”) and business closure. As a result, the Malaysian economy has been impacted by this challenging macro-economic environment (e.g. spillover effects of MCO, slowdown in trade activities, low commodity prices etc.).

To support economic activities and cushion them from the COVID-19 pandemic fallout, the Government has announced stimulus package of RM260 million while BNM implemented financial relief measures aimed to ride over this difficult time. In addition, BNM further reduced the Overnight Policy Rate (“OPR”) by 25 basis points to 1.75% (cumulative cut to date of 125 basis points of OPR in 2020) on 7 July 2020, in order to provide additional policy stimulus to accelerate the pace of economic recovery.

Based on the significant events above, there may be possible resultant deterioration of credit grading of the Bank’s borrowers that may warrant higher expected credit loss (“ECL”) allowances. The Bank is currently analysing the impact to ensure the ECL level remains reflective of prevailing market developments and business operating environment. Moreover, the Bank will continuously monitor the domestic and global economy development to timely identify and assess potential risk impact to the bank.

There are no material events subsequent to the statement of financial position date that require adjustments to the unaudited condensed interim financial statements.

10. Cash and short-term funds

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Cash and balances with banks and other financial institutions	117,918	92,623
Money at call and deposits and placements maturing within one month	344,480	1,085,244
	462,398	1,177,867
Less: Allowance for credit loss	(87)	(100)
	462,311	1,177,767

An analysis of changes in the gross carrying amount and the corresponding allowance for credit loss is as follows:-

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount				
At 1 January 2019	1,017,713	-	-	1,017,713
New assets originated	883,875	-	-	883,875
Assets derecognised or repaid	(723,721)	-	-	(723,721)
At 31 December 2019	1,177,867	-	-	1,177,867
At 1 January 2020	1,177,867	-	-	1,177,867
New assets originated	98,357	-	-	98,357
Assets derecognised or repaid	(813,826)	-	-	(813,826)
At 30 June 2020	462,398	-	-	462,398
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for credit loss				
At 1 January 2019	127	-	-	127
New assets originated	139	-	-	139
Assets derecognised or repaid	(203)	-	-	(203)
Changes in model/risk parameter	37	-	-	37
At 31 December 2019	100	-	-	100
At 1 January 2020	100	-	-	100
New assets originated	30	-	-	30
Assets derecognised or repaid	(43)	-	-	(43)
At 30 June 2020	87	-	-	87

11. Deposits and placements with banks and other financial institutions

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Licensed Malaysian banks	-	171,563
Less: Allowance for credit loss	-	-
	<u>-</u>	<u>171,563</u>

An analysis of changes in the gross carrying amount and the corresponding allowance for credit loss is as follows:-

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount				
At 1 January 2019	12,473	-	-	12,473
New assets originated	171,563	-	-	171,563
Assets derecognised or repaid	(12,473)	-	-	(12,473)
At 31 December 2019	<u>171,563</u>	<u>-</u>	<u>-</u>	<u>171,563</u>
At 1 January 2020	171,563	-	-	171,563
New assets originated	-	-	-	-
Assets derecognised or repaid	(171,563)	-	-	(171,563)
At 30 June 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for credit loss				
At 1 January 2019	6	-	-	6
New assets originated	4	-	-	4
Assets derecognised or repaid	(6)	-	-	(6)
Foreign exchange adjustments	(4)	-	-	(4)
At 31 December 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 2020	-	-	-	-
New assets originated	-	-	-	-
Assets derecognised or repaid	(2)	-	-	(2)
Foreign exchange adjustments	2	-	-	2
At 30 June 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

12. Financial investments measured at fair value through other comprehensive income

(i) By type	30 Jun 2020 RM'000	31 Dec 2019 RM'000
Malaysian Government Securities	195,191	210,942
Malaysian Government Investment Issues	244,930	227,266
Malaysian Government Guaranteed Sukuk	30,801	30,366
Financial institutions' securities	30,310	29,638
Corporate bonds	81,502	81,463
Other debt securities		
- Cagamas bonds	15,096	15,113
	<u>597,830</u>	<u>594,788</u>

(ii) By maturity structure	30 Jun 2020 RM'000	31 Dec 2019 RM'000
Within one year	85,935	74,850
More than one year to three years	143,160	172,775
More than three years to five years	368,735	347,163
	<u>597,830</u>	<u>594,788</u>

(iii) Movement of gross carrying amount and the allowance for credit loss to other comprehensive income

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
At 1 January 2019	589,715	-	-	589,715
New assets originated	476	-	-	476
Assets derecognised or repaid	(6,886)	-	-	(6,886)
Changes in fair value	11,483	-	-	11,483
At 31 December 2019	<u>594,788</u>	-	-	<u>594,788</u>
At 1 January 2020	594,788	-	-	594,788
New assets originated or purchased	14,929	-	-	14,929
Changes in fair value	8,712	-	-	8,712
Assets derecognised or repaid	(20,599)	-	-	(20,599)
At 30 June 2020	<u>597,830</u>	-	-	<u>597,830</u>

12. Financial investments measured at fair value through other comprehensive income (continued)**(iii) Movement of gross carrying amount and the allowance for credit loss to other comprehensive income (continued)**

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Allowance for credit loss				
At 1 January 2019	693	-	-	693
New assets originated	507	-	-	507
Assets derecognised or repaid	(28)	-	-	(28)
Changes in model/risk parameter	370	-	-	370
At 31 December 2019	<u>1,542</u>	<u>-</u>	<u>-</u>	<u>1,542</u>
At 1 January/30 June 2020	<u>1,542</u>	<u>-</u>	<u>-</u>	<u>1,542</u>

The carrying amount of financial investments measured at FVOCI is their fair values. Accordingly, the recognition of allowance for credit loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss, and credit to other comprehensive income.

13. Financial investments measured at amortised cost

(i) By type	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Malaysian Government Investment Issues	32,168	32,207
Financial institutions' securities	15,414	-
Corporate bonds	126,451	65,049
Other debt securities		
- Cagamas bonds	20,000	20,000
	<u>194,033</u>	<u>117,256</u>
Less: Allowance for credit loss	<u>(203)</u>	<u>(93)</u>
	<u>193,830</u>	<u>117,163</u>
(ii) By maturity structure	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Within one year	20,000	-
More than one year to three years	139,033	82,256
More than three years to five years	35,000	35,000
	<u>194,033</u>	<u>117,256</u>

13. Financial investments measured at amortised cost (continued)**(iii) Movement of gross carrying amount and allowance for credit loss to profit or loss**

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount				
At 1 January 2019	117,362	-	-	117,362
Assets derecognised or repaid	(106)	-	-	(106)
At 31 December 2019	<u>117,256</u>	<u>-</u>	<u>-</u>	<u>117,256</u>
At 1 January 2020	117,256	-	-	117,256
New assets originated or purchased	76,829	-	-	76,829
Assets derecognised or repaid	(52)	-	-	(52)
At 30 June 2020	<u>194,033</u>	<u>-</u>	<u>-</u>	<u>194,033</u>
Allowance for credit loss				
At 1 January 2019	93	-	-	93
New assets originated	45	-	-	45
Assets derecognised or repaid	(12)	-	-	(12)
Changes in model/risk parameter	(33)	-	-	(33)
At 31 December 2019	<u>93</u>	<u>-</u>	<u>-</u>	<u>93</u>
At 1 January 2020	93	-	-	93
New assets originated or purchased	110	-	-	110
At 30 June 2020	<u>203</u>	<u>-</u>	<u>-</u>	<u>203</u>

14. Loans, advances and financing

(i) By type	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Overdrafts	30,959	32,663
Term loans		
- Housing loans	97,048	92,228
- Syndicated term loans	753,151	871,854
- Other term loans	372,417	468,032
Bridging loans	150,296	150,360
Bills receivable	278,169	45,217
Revolving credits	1,264,802	1,163,572
Bankers' acceptances	120,760	129,072
Staff loans	1,830	1,881
Credit card loans	1,283	2,341
Gross loans, advances and financing	3,070,715	2,957,220
Less: Allowance for credit loss		
- Stage 1 (12-month ECL)	(28,326)	(27,460)
- Stage 2 (Lifetime ECL - non-credit impaired)	(21,350)	(14,104)
- Stage 3 (Lifetime ECL - credit impaired)	(1,214)	(1,117)
	(50,890)	(42,681)
Net loans, advances and financing	3,019,825	2,914,539
(ii) By type of customer	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Domestic banking institutions	36,003	41,605
Domestic non-bank financial institutions		
- Others	100,039	50,011
Domestic business enterprises		
- Small medium enterprises	118,100	159,574
- Others	2,091,905	1,760,138
Individuals	49,305	49,707
Foreign entities	675,363	896,185
	3,070,715	2,957,220
(iii) By interest rate sensitivity	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Fixed rate loans	3,113	4,221
Variable rate		
- Base rate/base lending rate plus	82,430	79,142
- Cost plus	2,884,464	2,770,958
- Other variable rates	100,708	102,899
	3,070,715	2,957,220

14. Loans, advances and financing (continued)

(iv) By sector	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Primary agriculture	-	52,700
Manufacturing	290,051	287,228
Construction	185,167	188,240
Real estate	445,065	465,811
Wholesale & retail trade and restaurants & hotels	559,462	672,883
Transport, storage and communication	303,013	127,928
Finance, insurance and business services	703,675	609,356
Education, health and others	469,039	440,940
Household	115,243	112,134
	<u>3,070,715</u>	<u>2,957,220</u>
(v) By purpose	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Purchase of properties		
- Non residential	147,227	154,884
- Residential	98,532	93,762
Purchase of fixed assets (excluding properties)	150,007	174,162
Construction	196,188	218,733
Credit card	1,283	2,341
Personal use	1,152	1,172
Mergers and acquisitions	150,296	150,360
Working capital	2,059,348	1,838,404
Other purpose	266,682	323,402
	<u>3,070,715</u>	<u>2,957,220</u>
(vi) By geographical distribution	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Within Malaysia	2,567,081	2,300,064
Outside Malaysia	503,634	657,156
	<u>3,070,715</u>	<u>2,957,220</u>
Concentration by location for loans, advances and financing is based on the geographical location where the credit risk resides.		
(vii) By residual contractual maturity	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Maturity within one year	2,286,030	1,757,675
More than one year to three years	456,569	781,213
More than three years to five years	106,863	209,336
More than five years	221,253	208,996
	<u>3,070,715</u>	<u>2,957,220</u>

14. Loans, advances and financing (continued)**(viii) Impaired loans, advances and financing**

(a) Movement in impaired loans, advances and financing	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
At beginning of the financial period	1,117	1,188
Impaired during the financial period	65	41
Reclassified as non-impaired during the financial period	(23)	(22)
Amount written off during the financial period	-	(73)
Exchange differences	55	(17)
At end of the financial period	1,214	1,117
As % of gross loans, advances and financing	0.04%	0.04%
(b) By sector	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Wholesale & retail trade and restaurants & hotels	1,156	1,105
Household	58	12
	1,214	1,117
(c) By purpose	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Working capital	1,156	1,105
Credit card	58	12
	1,214	1,117
(d) By geographical distribution	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Within Malaysia	58	12
Outside Malaysia	1,156	1,105
	1,214	1,117

Concentration by location for impaired loans, advances and financing is based on the geographical location where the credit risk resides.

14. Loans, advances and financing (continued)**(ix) Movements in gross loans, advances and financing**

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	2,758,952	276,715	1,188	3,036,855
New assets originated	1,506,969	113,636	9	1,620,614
Assets derecognised or repaid	(1,417,642)	(282,459)	(1)	(1,700,102)
Transfer to Stage 1	1,868	(1,847)	(21)	-
Transfer to Stage 2	(678,415)	678,415	-	-
Transfer to Stage 3	-	(32)	32	-
Write-offs	-	-	(73)	(73)
Foreign exchange adjustments	(57)	-	(17)	(74)
At 31 December 2019	<u>2,171,675</u>	<u>784,428</u>	<u>1,117</u>	<u>2,957,220</u>
At 1 January 2020	2,171,675	784,428	1,117	2,957,220
New assets originated	470,791	149,057	3	619,851
Assets derecognised or repaid	(455,511)	(50,896)	(4)	(506,411)
Transfer to Stage 1	323	(305)	(18)	-
Transfer to Stage 2	(709)	709	-	-
Transfer to Stage 3	-	(61)	61	-
Foreign exchange adjustments	-	-	55	55
At 30 June 2020	<u>2,186,569</u>	<u>882,932</u>	<u>1,214</u>	<u>3,070,715</u>

(x) Movements in allowance for credit loss on loans, advances and financing

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2019	15,954	11,640	1,188	28,782
New assets originated	21,171	1,859	9	23,039
Assets derecognised or repaid	(10,151)	(13,771)	(1)	(23,923)
Transfer to Stage 1	489	(468)	(21)	-
Transfer to Stage 2	(3,064)	3,064	-	-
Transfer to Stage 3	-	(1)	1	-
Changes due to change in credit risk	2,923	12,085	31	15,039
Changes in model/risk parameter	195	(304)	-	(109)
Write-offs	-	-	(73)	(73)
Foreign exchange adjustments	(57)	-	(17)	(74)
At 31 December 2019	<u>27,460</u>	<u>14,104</u>	<u>1,117</u>	<u>42,681</u>
At 1 January 2020	27,460	14,104	1,117	42,681
New assets originated	5,180	3,475	2	8,657
Assets derecognised or repaid	(4,050)	(1,595)	(4)	(5,649)
Transfer to Stage 1	23	(5)	(18)	-
Transfer to Stage 2	(3)	3	-	-
Transfer to Stage 3	-	(1)	1	-
Changes due to change in credit risk	(576)	5,369	61	4,854
Foreign exchange adjustments	292	-	55	347
At 30 June 2020	<u>28,326</u>	<u>21,350</u>	<u>1,214</u>	<u>50,890</u>

15. Derivatives financial assets/liabilities

	30 Jun 2020		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	703,834	3,342	1,793
- Currency swaps	330,972	1,744	1,204
Total recognised derivatives assets/liabilities (Note 28)	<u>1,034,806</u>	<u>5,086</u>	<u>2,997</u>
	31 Dec 2019		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	235,776	1,148	399
- Currency swaps	322,939	866	2,240
Total recognised derivatives assets/liabilities (Note 28)	<u>558,715</u>	<u>2,014</u>	<u>2,639</u>

16. Other assets

	30 Jun 2020 RM'000	31 Dec 2019 RM'000
Interest receivable	13,189	12,808
Deposits	1,759	1,742
Other receivables and prepayments	1,460	1,430
	<u>16,408</u>	<u>15,980</u>

17. Deposits from customers

(i) By type of deposit	30 Jun 2020 RM'000	31 Dec 2019 RM'000
Demand deposits	755,273	1,036,648
Fixed deposits	939,329	891,225
Savings deposits	147,397	121,515
Money market deposits	352,026	808,094
Other deposits	2,607	10,874
	<u>2,196,632</u>	<u>2,868,356</u>
(ii) By type of customer	30 Jun 2020 RM'000	31 Dec 2019 RM'000
Business enterprises	1,032,757	1,312,581
Individuals	312,546	334,556
Foreign entities	851,045	1,220,908
Others	284	311
	<u>2,196,632</u>	<u>2,868,356</u>

17. Deposits from customers (continued)

(iii) By maturity structure of term deposit	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Due within six months	1,070,187	1,427,651
More than six months to one year	221,168	271,668
	<u>1,291,355</u>	<u>1,699,319</u>

18. Deposits and placements of banks and other financial institutions

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Licensed Malaysian banks	13,293	26,878
Licensed investment banks	50,780	50,528
Licensed Islamic banks	12,373	4,776
Other financial institutions	134,733	182,655
Foreign banks	679,860	668,877
	<u>891,039</u>	<u>933,714</u>

19. Other liabilities

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Interest payable	14,808	20,189
Other payables and accruals	44,645	61,079
	<u>59,453</u>	<u>81,268</u>

20. Provision for commitments and contingencies

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
As at 1 January 2019	2,785	1,761	-	4,546
New assets originated	2,840	508	-	3,348
Assets derecognised or repaid	(2,042)	(706)	-	(2,748)
Transfer to Stage 1	291	(291)	-	-
Transfer to Stage 2	(1,101)	1,101	-	-
Changes due to change in credit risk	1,228	546	-	1,774
Changes in model/risk parameter	45	42	-	87
Foreign exchange adjustments	(3)	-	-	(3)
At 31 December 2019	<u>4,043</u>	<u>2,961</u>	<u>-</u>	<u>7,004</u>
As at 1 January 2020	4,043	2,961	-	7,004
New assets originated	652	202	-	854
Assets derecognised or repaid	(1,547)	(1,143)	-	(2,690)
Transfer to Stage 1	4	(4)	-	-
Transfer to Stage 2	(367)	367	-	-
Changes due to change in credit risk	56	(346)	-	(290)
At 30 June 2020	<u>2,841</u>	<u>2,037</u>	<u>-</u>	<u>4,878</u>

21. Interest income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Loans, advances and financing:				
- interest income other than from impaired loans	31,181	36,662	65,668	72,430
Money at call and deposit placements with financial institutions	2,204	7,389	6,354	14,759
Financial investments measured at FVOCI	5,820	6,076	11,798	12,067
Financial investments measured at amortised cost	1,506	1,310	2,818	2,613
	<u>40,711</u>	<u>51,437</u>	<u>86,638</u>	<u>101,869</u>
Interest expense				
Deposits and placements of banks and other financial institutions	(4,924)	(9,438)	(11,167)	(17,413)
Deposits from customers	(9,219)	(12,445)	(18,287)	(26,051)
Others	-	(1)	-	(1)
	<u>(14,143)</u>	<u>(21,884)</u>	<u>(29,454)</u>	<u>(43,465)</u>
Net interest income	<u>26,568</u>	<u>29,553</u>	<u>57,184</u>	<u>58,404</u>

22. Net fee income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Fee income:				
- Commission	9	12	26	17
- Service charges and fees	608	692	1,372	1,386
- Loan processing fees	179	95	346	346
- Syndication fees	550	972	550	1,172
- Guarantee fees	1,108	841	1,833	1,700
- Commitment fees	211	334	587	544
- Other loans related fee income	35	33	35	58
- Other fees income	122	85	196	168
	<u>2,822</u>	<u>3,064</u>	<u>4,945</u>	<u>5,391</u>
Fee expense:				
- Brokerage fees	(32)	(32)	(67)	(54)
- Other fees expense	(28)	(11)	(64)	(35)
	<u>(60)</u>	<u>(43)</u>	<u>(131)</u>	<u>(89)</u>
Net fee income	<u>2,762</u>	<u>3,021</u>	<u>4,814</u>	<u>5,302</u>

23. Net trading income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Net gains/(losses) from dealing in foreign exchange	2,671	(7,683)	(19,903)	9,278
Net (losses)/gains arising from derivative trading	(156)	11,603	23,649	(779)
Net unrealised revaluation gains/(losses) in foreign exchange	689	(60)	2,063	(30)
Net unrealised (losses)/gains arising from derivative trading	(1,206)	(231)	2,713	(568)
	<u>1,998</u>	<u>3,629</u>	<u>8,522</u>	<u>7,901</u>

24. Other operating expenses	2nd quarter ended		Year-To-Date ended	
	30 Jun 2020 RM'000	30 Jun 2019 RM'000	30 Jun 2020 RM'000	30 Jun 2019 RM'000
Personnel costs:				
- Salaries, allowances and bonuses	9,478	10,238	19,597	20,426
- Pension fund contributions	1,047	1,046	2,142	2,088
- Other staff costs	1,301	1,701	2,749	2,767
Promotion and marketing related expenses:				
- Advertising and promotion	28	48	217	232
- Others	21	111	153	265
Establishment costs:				
- Depreciation of property and equipment	888	858	1,780	1,801
- Depreciation of right-of-use assets	1,200	1,157	2,389	2,308
- Interest expense of lease liabilities	69	114	146	228
- Rental of premises, motor vehicles, equipment and others	28	50	56	95
- Expenses relating to leases of low-value assets	11	-	17	11
- Property and equipment written off	-	-	4	-
- Others	502	504	1,011	965
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	71	68	143	135
• audit related services	29	27	58	54
- Professional fees	117	238	313	269
- Licence fee	83	77	169	154
- Membership fee	97	41	182	69
- Others	1,283	1,718	2,641	3,150
	<u>16,253</u>	<u>17,996</u>	<u>33,767</u>	<u>35,017</u>

25. (Write back of)/Allowance for impairment on loans, advances and financing

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
(Write-back of)/Allowance for credit loss				
- Loans, advances and financing	(358)	(4,582)	7,862	2,421
- Provision for commitments and contingencies	(903)	730	(2,126)	475
	<u>(1,261)</u>	<u>(3,852)</u>	<u>5,736</u>	<u>2,896</u>

26. Allowance for impairment on other financial assets

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2020	30 Jun 2019	30 Jun 2020	30 Jun 2019
	RM'000	RM'000	RM'000	RM'000
(Write-back of)/Allowance for credit loss				
- Cash and short-term funds	(26)	32	(13)	(86)
- Deposits and placements with banks and other financial institutions	-	(33)	(2)	2
- Financial investments measured at FVOCI	-	162	-	162
- Financial investments measured at amortised cost	110	26	110	26
	<u>84</u>	<u>187</u>	<u>95</u>	<u>104</u>

27. Credit exposure to connected parties

The credit exposures of the Bank to connected parties, as defined by BNM's "Guidelines on Credit Transactions and Exposures with Connected Parties" are as follows:-

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>199,100</u>	<u>173,958</u>
As a percentage of total credit exposures	<u>4.20%</u>	<u>3.09%</u>
Percentage of outstanding credit exposures to connected parties which are non-performing or in default	<u>0%</u>	<u>0%</u>

28. Commitments and contingencies

The commitments and contingencies comprise the following:-

	30 Jun 2020			
	Principal	Positive Value	Credit	Risk-
	Amount	of Derivative	Equivalent	Weighted
	RM'000	Contracts ^	Amount *	Assets *
	RM'000	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	77,085	-	77,085	15,417
Transaction-related contingent items	390,278		195,139	125,677
Short term self-liquidating trade-related contingencies	142,309	-	28,462	18,313
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	79,264	-	39,632	38,285
- Not exceeding one year	814,487	-	162,897	141,055
Unutilised credit card lines	41,890	-	8,378	6,283
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,034,806	5,086	14,110	6,582
Total	2,580,119	5,086	525,703	351,612

Note 15

^ The foreign exchange related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates and interest rates) of the underlying instruments. The underlying principal amounts of these derivative financial instruments and their corresponding gross positive fair values (derivative financial assets) as at respective reporting dates are as shown above.

* The credit equivalent and risk-weighted amounts are computed using credit conversion factors and risk-weighting rules as per Bank Negara Malaysia ("BNM") guidelines. The credit conversion factors and risk-weighting rules are based on guidelines of the revised Capital Adequacy Framework on the Standardised Approach.

28. Commitments and contingencies (continued)

	31 Dec 2019			
	Principal Amount RM'000	Positive Value of Derivative Contracts ^ RM'000	Credit Equivalent Amount * RM'000	Risk- Weighted Assets * RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	73,674	-	73,674	14,735
Transaction-related contingent items	528,489	-	264,244	186,131
Short term self-liquidating trade-related contingencies	127,550	-	25,510	21,238
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	206,672	-	103,336	69,814
- Not exceeding one year	1,110,377	-	222,076	200,122
Unutilised credit card lines	40,984	-	8,197	6,148
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	558,715	2,014	6,643	2,741
Total	2,646,461	2,014	703,680	500,929

Note 15

^ The foreign exchange related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates and interest rates) of the underlying instruments. The underlying principal amounts of these derivative financial instruments and their corresponding gross positive fair values (derivative financial assets) as at respective reporting dates are as shown above.

* The credit equivalent and risk-weighted amounts are computed using credit conversion factors and risk-weighting rules as per BNM guidelines. The credit conversion factors and risk-weighting rules are based on guidelines of the revised Capital Adequacy Framework on the Standardised Approach.

29. Capital adequacy

The total risk-weighted assets of the Bank are computed based on the following approaches:-

- (i) Standardised Approach for Credit risk;
- (ii) Standardised Approach for Market risk;
- (iii) Basic Indicator Approach for Operational risk.

The capital adequacy ratios of the Bank are analysed as follows:-

	30 Jun 2020	31 Dec 2019
	RM'000	RM'000
Common Equity Tier 1 (“CET1”) Capital		
Paid-up share capital	832,609	832,609
Retained earnings	304,399	304,399
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	1,009	(261)
Unrealised gains on financial investments measured at FVOCI	16,462	9,841
	1,172,123	1,164,232
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	(9,814)	(11,905)
- 55% cumulative gains of financial investments measured at FVOCI	(9,054)	(5,412)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(36,512)	(34,961)
Total CET1 Capital	1,135,611	1,129,271
Tier 2 Capital		
Allowance for credit loss	23,008	25,223
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	40,652	42,867
Total Capital	1,176,263	1,172,138
CET1 capital ratio	31.664%	29.937%
Tier 1 capital ratio	31.664%	29.937%
Total capital ratio	32.797%	31.073%

Breakdown of gross risk-weighted assets (“RWA”) in the various categories of risk-weights:-

	30 Jun 2020		31 Dec 2019	
	Principal RM'000	Risk- Weighted RM'000	Principal RM'000	Risk- Weighted RM'000
Total RWA for credit risk	4,922,358	3,252,199	5,800,536	3,429,422
Total RWA for market risk	-	10,843	-	14,229
Total RWA for operational risk	-	323,423	-	328,538
	4,922,358	3,586,465	5,800,536	3,772,189

30. Performance review

For the half year ended 30 June 2020, the Bank recorded profit before tax of RM30.99 million, lower by RM2.66 million or 7.9% when compared against the previous corresponding period in 2019. The Bank's total operating income was made up of net interest income of RM57.18 million, net trading income of RM8.52 million and net fee income of RM4.81 million, which contributed 81.0%, 12.1% and 6.8% to the Bank's total operating income respectively.

Net interest income reduced by RM1.22 million or 2.1% when compared to the corresponding period of 2019 as a result of cumulative OPR cut of 100 basis points in the first half of 2020. Net trading income has improved by RM0.62 million or 7.8% to RM8.52 million (30 June 2019: RM7.90 million). However, net fee income decreased by RM0.49 million or 9.2% to RM4.81 million (30 June 2019: RM5.30 million) mainly due to lower syndication fees earned in the financial period. For the half year ended 30 June 2020, the Bank registered other operating expenses of RM33.77 million attributable to lower personnel and administrative costs incurred. In addition, additional allowance for credit loss of RM5.83 million was made for impairment on loans, advances and financing and other financial assets.

As at 30 June 2020, total assets reduced by RM707.43 million or 14.0% to RM4.36 billion resulted from lower funding available from deposits from customers as compared to 31 December 2019. However, the Bank's gross loans, advances and financing grew by RM113.50 million or 3.8% to RM3.07 billion as compared to RM2.96 billion as at 31 December 2019. Deposits from customers stood at RM2.20 billion, which decreased by RM671.72 million or 23.4% when compared to the balance as at the end of financial year 2019.

Notwithstanding the challenging operating environment and impact of Covid-19 outbreak, the Bank will continue to uphold its commitments to grow with a view to sustaining business and enhancing profitability for the foreseeable future.