

Industrial and Commercial Bank of China (Malaysia) Berhad

(Registration No. 201001000001 (839839 M))

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2021

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 2021 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
Managing Director/Chief Executive Officer

Date: 27 July 2021

Industrial and Commercial Bank of China (Malaysia) Berhad

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Registration No. 201001000001 (839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2021

	Note	30 Jun 2021	31 Dec 2020
		RM'000	RM'000
ASSETS			
Cash and short-term funds	10	947,998	744,489
Deposits and placements with banks and other financial institutions	11	197,202	129,834
Financial investments measured at fair value through other comprehensive income ("FVOCI")	12	485,819	542,881
Financial investments measured at amortised cost	13	327,559	223,679
Loans, advances and financing	14	2,259,515	2,379,326
Derivative financial assets	15	2,520	2,313
Other assets	16	16,625	16,549
Statutory deposits with Bank Negara Malaysia		18,426	20,402
Tax recoverable		5,871	9,163
Property and equipment		4,999	3,753
Right-of-use assets		9,221	10,800
Intangible asset		-	-
Deferred tax assets		11,247	11,158
TOTAL ASSETS		4,287,002	4,094,347
LIABILITIES			
Deposits from customers	17	2,010,838	1,976,414
Deposits and placements of banks and other financial institutions	18	980,886	840,051
Derivative financial liabilities	15	1,794	3,190
Other liabilities	19	42,989	44,599
Lease liabilities		9,034	10,549
Provision for commitments and contingencies	20	3,938	5,453
Provision for taxation		274	235
TOTAL LIABILITIES		3,049,753	2,880,491
EQUITY			
Share capital		832,609	832,609
Reserves		404,640	381,247
EQUITY ATTRIBUTABLE TO OWNER OF THE BANK		1,237,249	1,213,856
TOTAL LIABILITIES AND EQUITY		4,287,002	4,094,347
COMMITMENTS AND CONTINGENCIES	27	2,312,978	2,257,653

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 2020 and 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 2021.

**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD 30 JUNE 2021**

	Note	2nd quarter ended		Year-To-Date ended	
		30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
		RM'000	RM'000	RM'000	RM'000
Interest income	21	28,694	40,711	58,170	86,638
Interest expense	21	(8,231)	(14,143)	(15,885)	(29,454)
Net interest income	21	20,463	26,568	42,285	57,184
Non-interest income	22	8,580	4,795	17,991	13,400
Net operating income		29,043	31,363	60,276	70,584
Other operating expenses	23	(15,619)	(16,253)	(32,321)	(33,767)
Operating profit		13,424	15,110	27,955	36,817
Write-back of/(Allowance for) impairment on loans, advances and financing	24	566	1,261	8,503	(5,736)
Write-back of/(Allowance for) impairment on other financial assets	25	67	(84)	36	(95)
Profit before taxation		14,057	16,287	36,494	30,986
Tax expense		(3,655)	(3,262)	(9,185)	(6,286)
Profit for the financial period		10,402	13,025	27,309	24,700
Other comprehensive income, net of tax Items that are or may be reclassified subsequently to/(from) profit or loss					
Foreign currency translation reserve					
- Currency translation differences in respect of foreign operations		50	(140)	1,190	1,270
Fair value reserve					
- Changes in fair value		(715)	6,232	(6,615)	8,712
- Amount transferred from profit or loss		(104)	-	(104)	-
- Deferred tax adjustment		196	(1,495)	1,613	(2,090)
		(623)	4,737	(5,106)	6,622
Total other comprehensive (expense)/income for the financial period		(573)	4,597	(3,916)	7,892
Total comprehensive income for the financial period		9,829	17,622	23,393	32,592
Basic earnings per ordinary share (sen):		1.25	1.57	3.28	2.97

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 2020 and accompanying explanatory notes on pages 7 to 27 attached to the unaudited condensed interim financial statements.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021

	← 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 2020	832,609	(261)	11,383	17,644	304,399	1,165,774
Total comprehensive income for the financial period						
Other comprehensive income, net of tax						
Items that are or may be reclassified subsequently to profit or loss						
Foreign currency translation reserve	-	1,270	-	-	-	1,270
- Currency translation differences in respect of foreign operations						
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

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021 (continued)

	← 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 2021	832,609	(127)	18,739	17,644	344,991	1,213,856
Total comprehensive income/(expense) for the financial period						
Other comprehensive income/(expense), net of tax						
Items that are or may be reclassified subsequently to/(from) profit or loss						
Foreign currency translation reserve	-	1,190	-	-	-	1,190
- Currency translation differences in respect of foreign operations						
Fair value reserve						
- Changes in fair value	-	-	(6,615)	-	-	(6,615)
- Amount transferred from profit or loss	-	-	(104)	-	-	(104)
- Deferred tax adjustment	-	-	1,613	-	-	1,613
	-	-	(5,106)	-	-	(5,106)
Total other comprehensive income/(expense) for the financial period	-	1,190	(5,106)	-	-	(3,916)
Profit for the financial period	-	-	-	-	27,309	27,309
Total comprehensive income/(expense) for the financial period	-	1,190	(5,106)	-	27,309	23,393
At 30 June 2021	832,609	1,063	13,633	17,644	372,300	1,237,249

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 2020 and 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 2021.

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE
FINANCIAL PERIOD ENDED 31 JUNE 2021**

	30 Jun 2021	30 Jun 2020
	RM'000	RM'000
Cash flows from/(used in) operating activities		
Profit before taxation	36,494	30,986
Adjustments for:		
Depreciation of property and equipment	707	1,780
Depreciation of right-of-use assets	2,417	2,389
Interest expense on lease liabilities	94	146
Property and equipment written off	1	4
(Write-back of)/Allowance for impairment on loans, advances and financing	(8,503)	5,736
(Write-back of)/Allowance for impairment on other financial assets	(36)	95
Net unrealised gains arising from derivative trading	(1,603)	(2,713)
Transfer to foreign currency translation reserve	1,190	1,270
Accretion of discounts net of amortisation of premiums of financial investments measured at FVOCI	327	329
Accretion of discounts net of amortisation of premiums of financial investments measured at amortised cost	855	131
Operating profit before working capital changes	<u>31,943</u>	<u>40,153</u>
Changes in operating assets		
Deposits and placements with banks and other financial institutions	(67,368)	171,565
Loans, advances and financing	126,799	(113,148)
Other assets	(76)	(428)
Statutory deposits with Bank Negara Malaysia	1,976	8,228
Changes in operating liabilities		
Deposits from customers	34,424	(671,724)
Deposits and placements of banks and other financial institutions	140,835	(42,675)
Other liabilities	(1,610)	(21,815)
Cash from/(used in) operations	266,923	(629,844)
Income taxes paid	(4,814)	(11,312)
Income taxes refunded	484	-
Net cash from/(used in) operating activities	<u>262,593</u>	<u>(641,156)</u>
Cash flows used in investing activities		
Purchase of property and equipment	(1,954)	(347)
Net proceeds from financial investments measured at FVOCI	50,120	5,341
Net purchase of financial investments measured at amortised cost	(104,794)	(76,908)
Net cash used in investing activities	<u>(56,628)</u>	<u>(71,914)</u>

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE
FINANCIAL PERIOD ENDED 30 JUNE 2021 (continued)**

	Note	30 Jun 2021 RM'000	30 Jun 2020 RM'000
Cash flows used in financing activity			
Net payment of lease liabilities		(2,447)	(2,399)
Net cash used in financing activity		<u>(2,447)</u>	<u>(2,399)</u>
Net increase/(decrease) in cash and cash equivalents		203,518	(715,469)
Cash and cash equivalents at beginning of the financial period		<u>744,489</u>	<u>1,177,767</u>
		948,007	462,298
Add: (Allowance for)/Write-back of credit loss for the financial period		(9)	13
Cash and cash equivalents at end of the financial period		<u><u>947,998</u></u>	<u><u>462,311</u></u>
Cash and cash equivalents comprise:			
Cash and short-term funds	10	<u><u>947,998</u></u>	<u><u>462,311</u></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 2020 and 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 2021.

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2021**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 2021 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 2020. 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 2020.

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 2020. The following are the accounting standards, interpretations and amendments that have been issued by the Malaysian Accounting Standards Board (“MASB”) but have not been adopted by the Bank:-

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 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)*

MFRSs and amendments effective for annual periods beginning on or after 1 January 2023

- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 101, *Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

2. Basis of preparation (continued)

MFRSs, interpretations and 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 plans to apply the abovementioned accounting standards and amendments:-

- From the annual period beginning on 1 January 2022 those 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 116, Amendments to MFRS 137 and Amendments to MFRS 141 which are not applicable to the Bank.
- From the annual period beginning on 1 January 2023 those amendments that are effective for annual periods beginning on or after 1 January 2023, except for MFRS 17 and Amendments to MFRS 101, insofar as this standard relates to the *Classification of Liabilities as Current or Non-current* which is not applicable to the Bank.

The initial applications of the 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 2020 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 2021.

6. Changes in Estimates

There was 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 2021.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the half year ended 30 June 2021.

8. Dividend Paid

No dividend was paid during the half year ended 30 June 2021.

9. Significant Events

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

10. Cash and short-term funds

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Cash and balances with banks and other financial institutions	37,245	58,165
Money at call and deposit placements maturing within one month	910,783	686,344
	<u>948,028</u>	<u>744,509</u>
Less: Allowance for credit loss	(30)	(20)
	<u>947,998</u>	<u>744,489</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 2021	744,509	-	-	744,509
New assets originated	521,619	-	-	521,619
Assets derecognised or repaid	(318,100)	-	-	(318,100)
At 30 June 2021	<u>948,028</u>	<u>-</u>	<u>-</u>	<u>948,028</u>
At 1 January 2020	1,177,867	-	-	1,177,867
New assets originated	145,913	-	-	145,913
Assets derecognised or repaid	(579,271)	-	-	(579,271)
At 31 December 2020	<u>744,509</u>	<u>-</u>	<u>-</u>	<u>744,509</u>
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for credit loss				
At 1 January 2021	20	-	-	20
New assets originated	27	-	-	27
Assets derecognised or repaid	(18)	-	-	(18)
Foreign exchange adjustments	1	-	-	1
At 30 June 2021	<u>30</u>	<u>-</u>	<u>-</u>	<u>30</u>
At 1 January 2020	100	-	-	100
New assets originated	50	-	-	50
Assets derecognised or repaid	(141)	-	-	(141)
Changes in model/risk parameter	12	-	-	12
Foreign exchange adjustments	(1)	-	-	(1)
At 31 December 2020	<u>20</u>	<u>-</u>	<u>-</u>	<u>20</u>

11. Deposits and placements with banks and other financial institutions

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Licensed Malaysian banks	172,290	129,834
Licensed investment bank	24,912	-
	<u>197,202</u>	<u>129,834</u>
Less: Allowance for credit loss	-	-
	<u>197,202</u>	<u>129,834</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 2021	129,834	-	-	129,834
New assets originated	147,394	-	-	147,394
Assets derecognised or repaid	(80,026)	-	-	(80,026)
At 30 June 2021	<u>197,202</u>	<u>-</u>	<u>-</u>	<u>197,202</u>
At 1 January 2020	171,563	-	-	171,563
New assets originated	89,665	-	-	89,665
Assets derecognised or repaid	(131,394)	-	-	(131,394)
At 31 December 2020	<u>129,834</u>	<u>-</u>	<u>-</u>	<u>129,834</u>
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for credit loss				
At 1 January 2021	-	-	-	-
New assets originated	19	-	-	19
Assets derecognised or repaid	(19)	-	-	(19)
At 30 June 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 2020	-	-	-	-
New assets originated	4	-	-	4
Assets derecognised or repaid	(4)	-	-	(4)
At 31 December 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 2021	31 Dec 2020
	RM'000	RM'000
Malaysian Government Securities	192,943	195,849
Malaysian Government Investment Issues	212,202	245,251
Malaysian Government Guaranteed Sukuk	30,519	30,771
Corporate bonds	50,155	71,010
	<u>485,819</u>	<u>542,881</u>

(ii) By maturity structure

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Within one year	85,215	116,289
More than one year to three years	216,371	217,716
More than three years to five years	184,233	208,876
	<u>485,819</u>	<u>542,881</u>

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

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount				
At 1 January 2021	542,881	-	-	542,881
New assets originated	64	-	-	64
Assets derecognised or repaid	(50,511)	-	-	(50,511)
Changes in fair value	(6,615)	-	-	(6,615)
At 30 June 2021	<u>485,819</u>	<u>-</u>	<u>-</u>	<u>485,819</u>
At 1 January 2020	594,788	-	-	594,788
New assets originated or purchased	14,359	-	-	14,359
Assets derecognised or repaid	(75,759)	-	-	(75,759)
Changes in fair value	9,493	-	-	9,493
At 31 December 2020	<u>542,881</u>	<u>-</u>	<u>-</u>	<u>542,881</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	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for credit loss				
At 1 January 2020	1,728	-	-	1,728
Assets derecognised or repaid	(104)	-	-	(104)
At 30 June 2021	<u>1,624</u>	<u>-</u>	<u>-</u>	<u>1,624</u>
At 1 January 2020	1,542	-	-	1,542
Assets derecognised or repaid	(282)	-	-	(282)
Changes due to change in credit risk	80	-	-	80
Changes in model/risk parameter	388	-	-	388
At 31 December 2020	<u>1,728</u>	<u>-</u>	<u>-</u>	<u>1,728</u>

The carrying amounts of financial investments measured at FVOCI are their respective 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 2021	31 Dec 2020
	RM'000	RM'000
Malaysian Government Investment Issues	32,087	32,127
Financial institutions' securities	67,563	45,946
Corporate bonds	148,093	126,121
Other debt securities		
- Cagamas bonds	80,390	20,000
	<u>328,133</u>	<u>224,194</u>
Less: Allowance for credit loss	(574)	(515)
	<u>327,559</u>	<u>223,679</u>

(ii) By maturity structure

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Within one year	15,196	50,642
More than one year to three years	312,937	173,552
	<u>328,133</u>	<u>224,194</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 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
At 1 January 2021	224,194	-	-	224,194
New assets originated or purchased	184,881	-	-	184,881
Assets derecognised or repaid	(80,942)	-	-	(80,942)
At 30 June 2021	328,133	-	-	328,133
At 1 January 2020	117,256	-	-	117,256
New assets originated or purchased	137,669	-	-	137,669
Assets derecognised or repaid	(30,731)	-	-	(30,731)
At 31 December 2020	224,194	-	-	224,194
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Allowance for credit loss				
At 1 January 2021	515	-	-	515
New assets originated or purchased	273	-	-	273
Assets derecognised or repaid	(214)	-	-	(214)
At 30 June 2021	574	-	-	574
At 1 January 2020	93	-	-	93
New assets originated	382	-	-	382
Assets derecognised or repaid	(279)	-	-	(279)
Changes due to change in credit risk	273	-	-	273
Changes in model/risk parameter	40	-	-	40
Foreign exchange adjustments	6	-	-	6
At 31 December 2020	515	-	-	515

14. Loans, advances and financing**(i) By type**

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Overdrafts	29,290	32,380
Term loans		
- Housing loans	105,920	99,943
- Syndicated term loans	404,889	554,715
- Other term loans	336,143	271,957
Bridging loans	150,277	150,293
Bills receivable	348,798	192,672
Revolving credits	823,605	1,005,863
Bankers' acceptances	105,003	122,140
Staff loans	1,694	1,774
Credit card loans	921	1,408
	<hr/>	<hr/>
Gross loans, advances and financing	2,306,540	2,433,145
Less: Allowance for credit loss		
- Stage 1 (12-month ECL)	(36,021)	(35,616)
- Stage 2 (Lifetime ECL - non-credit impaired)	(9,816)	(17,070)
- Stage 3 (Lifetime ECL - credit impaired)	(1,188)	(1,133)
	<hr/>	<hr/>
	(47,025)	(53,819)
	<hr/>	<hr/>
Net loans, advances and financing	<u>2,259,515</u>	<u>2,379,326</u>

(ii) By type of customer

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Domestic banking institutions	24,802	30,402
Domestic non-bank financial institutions		
- Others	60,020	-
Domestic business enterprises		
- Small medium enterprises	86,720	93,461
- Others	1,605,136	1,728,271
Individuals	49,286	48,615
Foreign entities	480,576	532,396
	<hr/>	<hr/>
	2,306,540	2,433,145

(iii) By interest rate sensitivity

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Fixed rate loan	2,615	3,182
Variable rate		
- Base rate/base lending rate plus	90,545	88,442
- Cost plus	2,119,097	2,244,870
- Other variable rates	94,283	96,651
	<hr/>	<hr/>
	2,306,540	2,433,145

14. Loans, advances and financing (continued)**(iv) By sector**

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Primary agriculture	30,780	30,111
Manufacturing	266,558	276,409
Electricity, gas and water	61,958	64,615
Construction	231,550	133,218
Real estate	290,392	417,636
Wholesale & retail trade and restaurants & hotels	340,569	406,264
Transport, storage and communication	157,210	105,371
Finance, insurance and business services	606,315	468,086
Education, health and others	199,077	413,899
Household	122,131	117,536
	<u>2,306,540</u>	<u>2,433,145</u>

(v) By purpose

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Purchase of properties		
- Non-residential	179,371	128,374
- Residential	107,259	101,352
Construction	85,840	156,650
Credit card	921	1,408
Personal use	947	1,110
Mergers and acquisitions	150,277	150,293
Working capital	1,520,247	1,595,483
Other purpose	261,678	298,475
	<u>2,306,540</u>	<u>2,433,145</u>

(vi) By geographical distribution

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Within Malaysia	1,841,537	1,968,584
Outside Malaysia	465,003	464,561
	<u>2,306,540</u>	<u>2,433,145</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 2021	31 Dec 2020
	RM'000	RM'000
Maturity within one year	1,595,863	1,805,857
More than one year to three years	385,888	353,365
More than three years to five years	110,285	62,269
More than five years	214,504	211,654
	<u>2,306,540</u>	<u>2,433,145</u>

14. Loans, advances and financing (continued)**(viii) Impaired loans, advances and financing****(a) Movement in impaired loans, advances and financing**

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
At 1 January 2021/1 January 2020	1,133	1,117
Impaired during the financial period	64	74
Reclassified as performing during the financial period	(45)	(42)
Amount written off during the financial period	-	-
Exchange differences	36	(16)
At 30 June 2021/31 December 2020	<u>1,188</u>	<u>1,133</u>
As % of gross loans, advances and financing	<u>0.05%</u>	<u>0.05%</u>

(b) By sector

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Wholesale & retail trade and restaurants & hotels	1,121	1,085
Household	67	48
	<u>1,188</u>	<u>1,133</u>

(c) By purpose

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Working capital	1,121	1,085
Credit card	67	48
	<u>1,188</u>	<u>1,133</u>

(d) By geographical distribution

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Within Malaysia	67	48
Outside Malaysia	1,121	1,085
	<u>1,188</u>	<u>1,133</u>

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 2021	1,837,621	594,391	1,133	2,433,145
New assets originated	613,187	106,215	3	719,405
Assets derecognised or repaid	(495,410)	(350,636)	-	(846,046)
Transfer to Stage 1	106	(61)	(45)	-
Transfer to Stage 2	(125)	125	-	-
Transfer to Stage 3	-	(61)	61	-
Foreign exchange adjustments	-	-	36	36
At 30 June 2021	<u>1,955,379</u>	<u>349,973</u>	<u>1,188</u>	<u>2,306,540</u>
At 1 January 2020	2,171,675	784,428	1,117	2,957,220
New assets originated	843,155	206,144	2	1,049,301
Assets derecognised or repaid	(1,342,051)	(231,309)	-	(1,573,360)
Transfer to Stage 1	165,636	(165,594)	(42)	-
Transfer to Stage 2	(794)	794	-	-
Transfer to Stage 3	-	(72)	72	-
Foreign exchange adjustments	-	-	(16)	(16)
At 31 December 2020	<u>1,837,621</u>	<u>594,391</u>	<u>1,133</u>	<u>2,433,145</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 2021	35,616	17,070	1,133	53,819
New assets originated	7,181	2,740	3	9,924
Assets derecognised or repaid	(6,734)	(7,368)	-	(14,102)
Transfer to Stage 1	46	(1)	(45)	-
Transfer to Stage 2	(1)	1	-	-
Transfer to Stage 3	-	(2)	2	-
Changes due to change in credit risk	(244)	(2,624)	59	(2,809)
Foreign exchange adjustments	157	-	36	193
At 30 June 2021	<u>36,021</u>	<u>9,816</u>	<u>1,188</u>	<u>47,025</u>
At 1 January 2020	27,460	14,104	1,117	42,681
New assets originated	9,170	4,595	2	13,767
Assets derecognised or repaid	(10,842)	(4,515)	-	(15,357)
Transfer to Stage 1	2,821	(2,779)	(42)	-
Transfer to Stage 2	(3)	3	-	-
Changes due to change in credit risk	4,154	4,412	72	8,638
Changes in model/risk parameter	2,973	1,250	-	4,223
Foreign exchange adjustments	(117)	-	(16)	(133)
At 31 December 2020	<u>35,616</u>	<u>17,070</u>	<u>1,133</u>	<u>53,819</u>

15. Derivative financial assets/liabilities

	30 Jun 2021		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	201,311	1,032	504
- Currency swaps	125,839	650	452
- Interest rate swaps	200,000	838	838
Total recognised derivative assets/liabilities (Note 27)	527,150	2,520	1,794

	31 Dec 2020		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	158,625	1,565	362
- Currency swaps	285,185	748	2,828
Total recognised derivative assets/liabilities (Note 27)	443,810	2,313	3,190

16. Other assets

	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Interest receivable	11,915	11,714
Deposits	1,685	1,817
Other receivables and prepayments	2,015	3,018
Collateral pledged for derivative transactions	1,010	-
	16,625	16,549

17. Deposits from customers**(i) By type of deposits**

	30 Jun 2021 RM'000	31 Dec 2020 RM'000
Demand deposits	534,003	756,639
Fixed deposits	1,074,644	953,084
Savings deposits	158,917	161,608
Money market deposits	91,529	102,057
Others	151,745	3,026
	2,010,838	1,976,414

17. Deposits from customers (continued)**(ii) By type of customers**

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Business enterprises	1,030,526	1,091,242
Individuals	314,193	334,206
Foreign entities	665,845	550,690
Others	274	276
	<u>2,010,838</u>	<u>1,976,414</u>

(iii) By maturity structure of term deposits

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Due within six months	794,221	827,006
More than six months to one year	371,952	228,135
	<u>1,166,173</u>	<u>1,055,141</u>

18. Deposits and placements of banks and other financial institutions

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Licensed Malaysian banks	18,992	19,525
Licensed investment banks	50,317	50,151
Licensed Islamic banks	29,876	15,365
Other financial institutions	120,189	119,020
Foreign banks	761,512	635,990
	<u>980,886</u>	<u>840,051</u>

19. Other liabilities

	30 Jun 2021	31 Dec 2020
	RM'000	RM'000
Interest payable	9,194	10,985
Other payables and accruals	33,795	33,614
	<u>42,989</u>	<u>44,599</u>

20. Provision for commitments and contingencies

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	4,236	1,217	-	5,453
New commitments originated	700	111	-	811
Commitments derecognised	(1,298)	(577)	-	(1,875)
Transfer to Stage 1	216	(216)	-	-
Transfer to Stage 2	(2)	2	-	-
Changes due to change in credit risk	(448)	(3)	-	(451)
At 30 June 2021	<u>3,404</u>	<u>534</u>	<u>-</u>	<u>3,938</u>
At 1 January 2020	4,043	2,961	-	7,004
New commitments originated	1,799	637	-	2,436
Commitments derecognised	(2,133)	(2,707)	-	(4,840)
Transfer to Stage 1	19	(19)	-	-
Transfer to Stage 2	(369)	369	-	-
Transfer to Stage 3	-	(3)	3	-
Changes due to change in credit risk	568	(167)	(3)	398
Changes in model/risk parameter	309	146	-	455
At 31 December 2020	<u>4,236</u>	<u>1,217</u>	<u>-</u>	<u>5,453</u>

21. Net Interest income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Interest income				
Loans, advances and financing	19,938	31,181	40,308	65,668
Money at call and deposits and placements with financial institutions	1,647	2,204	3,494	6,354
Financial investments measured at fair value through other comprehensive income	4,963	5,820	10,153	11,798
Financial investments measured at amortised cost	2,146	1,506	4,215	2,818
	<u>28,694</u>	<u>40,711</u>	<u>58,170</u>	<u>86,638</u>
Interest expense				
Deposits and placements of banks and other financial institutions	(3,086)	(4,924)	(5,665)	(11,167)
Deposits from customers	(5,145)	(9,219)	(10,220)	(18,287)
	<u>(8,231)</u>	<u>(14,143)</u>	<u>(15,885)</u>	<u>(29,454)</u>
Net interest income	<u>20,463</u>	<u>26,568</u>	<u>42,285</u>	<u>57,184</u>

22. Non-interest income**(i) Net fee income**

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Commission	27	9	29	26
- Service charges and fees	745	608	1,854	1,372
- Loan processing fees	177	179	320	346
- Syndication fees	300	550	300	550
- Guarantee fees	1,159	1,108	2,582	1,833
- Commitment fees	171	211	325	587
- Other loan related fee income	2	35	2	35
- Other fee income	8	122	33	196
	<u>2,589</u>	<u>2,822</u>	<u>5,445</u>	<u>4,945</u>
Fee expense:				
- Brokerage fees	(41)	(32)	(81)	(67)
- Other fee expense	(15)	(28)	(526)	(64)
	<u>(56)</u>	<u>(60)</u>	<u>(607)</u>	<u>(131)</u>
Net fee income	<u>2,533</u>	<u>2,762</u>	<u>4,838</u>	<u>4,814</u>

(ii) Net trading income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) from dealing in foreign exchange	2,038	2,671	12,324	(19,903)
Net gains/(losses) arising from derivative trading	1,279	(156)	(2,131)	23,649
Net unrealised revaluation gains in foreign exchange	543	689	165	2,063
Net unrealised gains/(losses) arising from derivative trading	1,043	(1,206)	1,603	2,713
	<u>4,903</u>	<u>1,998</u>	<u>11,961</u>	<u>8,522</u>

(iii) Net investment income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Net gains on redemption on financial investments at FVOCI	459	-	459	-
Net gains on redemption on financial investments at amortised cost	683	-	683	-
	<u>1,142</u>	<u>-</u>	<u>1,142</u>	<u>-</u>

22. Non-interest income (continued)**(iv) Other income**

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Other operating income	2	35	50	64
Total non-interest income	8,580	4,795	17,991	13,400

23. Other operating expenses

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries, allowance and bonuses	9,108	9,478	19,833	19,597
- Pension fund contributions	969	1,047	2,141	2,142
- Other staff costs	1,679	1,301	2,600	2,749
Promotion and marketing related expenses:				
- Advertising and promotion	46	28	156	217
- Others	9	21	46	153
Establishment costs:				
- Depreciation of property and equipment	338	888	707	1,780
- Depreciation of right-of-use assets	1,231	1,200	2,417	2,389
- Interest expense on lease liabilities	46	69	94	146
- Expenses relating to short-term leases	-	28	3	56
- Expenses relating to leases of low-value assets	30	11	56	17
- Property and equipment written off	-	-	1	4
- Others	451	502	905	1,011
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	72	71	143	143
• audit related services	3	29	7	58
- Professional fees	115	117	186	313
- Licence fee	85	83	171	169
- Membership fee	111	97	182	182
- Others	1,326	1,283	2,673	2,641
	15,619	16,253	32,321	33,767

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

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
(Write-back of)/Allowance for credit loss				
- Loans, advances and financing	840	(358)	(6,988)	7,862
- Provision for commitments and contingencies	(1,406)	(903)	(1,515)	(2,126)
	<u>(566)</u>	<u>(1,261)</u>	<u>(8,503)</u>	<u>5,736</u>

25. (Write-back of)/Allowance for impairment on other financial assets

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2021	30 Jun 2020	30 Jun 2021	30 Jun 2020
	RM'000	RM'000	RM'000	RM'000
(Write-back of)/Allowance for credit loss				
- Cash and short-term funds	22	(26)	9	(13)
- Deposits and placements with banks and other financial institutions	-	-	-	(2)
- Financial investments measured at FVOCI	(104)	-	(104)	-
- Financial investments measured at amortised cost	15	110	59	110
	<u>(67)</u>	<u>84</u>	<u>(36)</u>	<u>95</u>

26. 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 2021	30 Jun 2020
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>106,052</u>	<u>199,100</u>
As a percentage of total credit exposures	<u>2.18%</u>	<u>4.20%</u>
Percentage of outstanding credit exposures to connected parties which are non-performing or in default	<u>0%</u>	<u>0%</u>

27. Commitments and contingencies

The commitments and contingencies comprise the following:-

	30 Jun 2021			
	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	19,939	-	19,939	3,988
Transaction-related contingent items	471,735	-	235,868	112,527
Short-term self-liquidating trade-related contingencies	159,992	-	31,998	24,508
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	77,562	-	38,781	36,589
- Not exceeding one year	1,015,441	-	203,088	195,232
Unutilised credit card lines	41,159	-	8,232	6,174
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	327,150	1,682	4,641	2,801
Interest rate related contracts:				
- One year to five years	200,000	838	8,838	6,838
Total	2,312,978	2,520	551,385	388,657

Note 15

27. Commitments and contingencies (continued)

	31 Dec 2020			
	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	92,242	-	92,242	40,140
Transaction-related contingent items	325,894	-	162,947	111,875
Short-term self-liquidating trade-related contingencies	162,483	-	32,496	20,765
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	83,240	-	41,620	39,723
- Not exceeding one year	1,108,773	-	221,755	219,376
Unutilised credit card lines	41,211	-	8,242	6,182
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	443,810	2,313	6,542	2,461
Total	2,257,653	2,313	565,844	440,522

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.

28. 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 2021	31 Dec 2020
	RM'000	RM'000
Common Equity Tier 1 (“CET1”) Capital/Tier 1 Capital		
Paid-up share capital	832,609	832,609
Retained earnings	344,991	344,991
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	1,063	(127)
Unrealised gains on financial investments measured at FVOCI	12,008	17,010
	<u>1,208,315</u>	<u>1,212,127</u>
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	(11,247)	(11,158)
- 55% cumulative gains of financial investments measured at FVOCI	(6,605)	(9,356)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	<u>(35,496)</u>	<u>(38,158)</u>
Total CET1 Capital/Tier 1 Capital	<u>1,172,819</u>	<u>1,173,969</u>
Tier 2 Capital		
Allowance for credit loss	17,573	16,386
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	<u>35,217</u>	<u>34,030</u>
Total Capital	<u>1,208,036</u>	<u>1,207,999</u>
CET1 capital ratio	37.955%	38.629%
Tier 1 capital ratio	37.955%	38.629%
Total capital ratio	39.095%	39.749%

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

	30 Jun 2021		31 Dec 2020	
	Exposures	Risk-weighted	Exposures	Risk-weighted
	RM'000	Assets	RM'000	Assets
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	4,871,061	2,817,365	4,699,942	2,741,626
Total RWA for market risk	-	8,992	-	8,266
Total RWA for operational risk	-	263,660	-	289,193
	<u>4,871,061</u>	<u>3,090,017</u>	<u>4,699,942</u>	<u>3,039,085</u>

29. Performance Review

For the half year ended 30 June 2021, the Bank recorded profit before tax of RM36.49 million, which is higher by RM5.51 million or 17.8% when compared against the previous corresponding period in 2020. The Bank's total operating income was made up of net interest income of RM42.29 million and non-interest income of RM17.99 million, which contributed 70.2% and 29.8% respectively to the Bank's total operating income (30 June 2020: RM57.18 million (81.0%) and RM13.40 million (19.0%) respectively).

Net interest income declined by RM14.90 million or 26.1% when compared to the corresponding period of 2020 as a result of lower interest margin following the overnight policy rate cuts in 2020. However, non-interest income improved year-on-year by RM4.59 million or 34.3% contributed by greater net trading income of RM3.44 million and higher net investment income of RM1.14 million.

The Bank incurred other operating expenses of RM32.32 million for the financial period, RM1.45 million or 4.3% lower as compared to the operating expenses for the half year ended 30 June 2020 due to lower establishment costs. During the financial period, a write-back of allowance for impairment of RM8.50 million was made on loans, advances and financing due to repayments from borrowers and upgrade of certain borrowers' credit rating. As compared with the same period in prior year, allowance for impairment for loans, advances and financing has decreased by RM14.24 million or 248.2%.

As at 30 June 2021, total assets improved by RM192.66 million or 4.7% to RM4.29 billion as compared to 31 December 2020 due to higher investment in non-loan assets. However, the Bank's gross loans, advances and financing declined by RM126.61 million or 5.2% to RM2.31 billion as compared to RM2.43 billion as at 31 December 2020. Deposits from customers stood at RM2.01 billion, which grew slightly by RM34.42 million or 1.7% when compared to the balance of RM1.98 billion as at the end of financial year 2020.