

BANGKOK BANK BERHAD
199401014060 (299740-W)
(Incorporated in Malaysia)

Unaudited Interim Condensed Financial Statements
30 September 2020

199401014060 (299740-W)

**Bangkok Bank Berhad
(Incorporated in Malaysia)**

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**Bangkok Bank Berhad
(Incorporated in Malaysia)**

Performance review for the nine-month period ended 30 September 2020 and commentary on the prospects

Bangkok Bank Berhad ("BBB") registered a profit before tax ("PBT") of RM3.7 million for the nine-month period ended 30 September 2020 as compared with RM4.3 million recorded during the previous corresponding period. Net interest income decreased by RM5.8 million as compared with previous corresponding period due to loan contraction as well as cascading effect of Overnight Policy Rate (OPR) and Federal Fund Rate (FED) reduction in 2020 which caused negative impact to the Bank's earning. The Bank has taken a proactive stance, with a pre-emptive macro provision established since the onset of COVID-19 pandemic.

Gross loans dropped from RM3.4 billion as at 31 December 2019 to RM 3.2 billion as at 30 September 2020 as a result of the deeper economic uncertainties from the recent pandemic. Loan growth in near term remains challenging in view sharp contraction of 17.1% on GDP in Q2 2020, reflecting the impact of pandemic and Movement Control Order (MCO).

Deposits from customers decreased from RM3.0 billion as at 31 December 2019 to RM2.2 billion as at 30 September 2020. The Bank has heightened efforts on gathering customer deposits to maintain prudent liquidity position and to pace with loan drawdown. Liquidity coverage ratio and net stable funding ratio are well above regulatory requirements as at 30 September 2020.

Overall, the Bank is expected to remain sound supported by strong capital base. The Bank will continue to realign product offerings to changing market condition and assess key downside risks stemming from the evolving nature and prolonged impact of the COVID-19 outbreak.

Bangkok Bank Berhad
(Incorporated in Malaysia)
Unaudited interim condensed statements of financial position as at 30 September 2020

	Note	Group		Bank	
		30.9.2020 RM'000	31.12.2019 RM'000	30.9.2020 RM'000	31.12.2019 RM'000
Assets					
Cash and short-term funds		512,701	486,493	512,574	486,366
Deposits and placements with banks and other financial institutions		-	30,047	-	30,047
Financial assets at fair value through other comprehensive income ("FVOCI")	12	761,320	1,169,519	761,320	1,169,519
Financial assets at amortised costs	13	101,110	102,351	101,110	102,351
Loans, advances and financing	14	2,955,051	3,206,001	2,955,051	3,206,001
Derivative assets		563	2,100	563	2,100
Tax recoverable		17,301	18,593	17,295	18,590
Other assets	15	6,146	6,538	6,146	6,538
Statutory deposit with Bank Negara Malaysia	16	-	65,479	-	65,479
Investment in subsidiary		-	-	10	10
Property and equipment	17	126,013	129,182	126,013	129,182
Intangible assets		514	706	514	706
Right-of-use assets	18	7,345	7,444	7,345	7,444
Deferred tax assets		8,589	5,150	8,589	5,150
Total assets		4,496,653	5,229,603	4,496,530	5,229,483
Liabilities and shareholder's equity					
Deposits from customers	19	2,194,231	2,982,698	2,194,231	2,982,698
Deposits and placements from banks and other financial institutions	20	993,241	939,981	993,241	939,981
Derivative liabilities		357	1,398	357	1,398
Other liabilities	21	40,148	44,768	40,146	44,766
Total liabilities		3,227,977	3,968,845	3,227,975	3,968,843

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

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Bangkok Bank Berhad
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Unaudited interim condensed statements of financial position as at
30 September 2020 (cont'd.)

	Note	Group		Bank	
		30.9.2020 RM'000	31.12.2019 RM'000	30.9.2020 RM'000	31.12.2019 RM'000
Liabilities and shareholder's equity (cont'd.)					
Share capital		1,000,000	1,000,000	1,000,000	1,000,000
FVOCI reserve		23,889	16,939	23,889	16,939
Retained profits		244,787	243,819	244,666	243,701
Shareholder's equity		<u>1,268,676</u>	<u>1,260,758</u>	<u>1,268,555</u>	<u>1,260,640</u>
Total liabilities and shareholder's equity		<u>4,496,653</u>	<u>5,229,603</u>	<u>4,496,530</u>	<u>5,229,483</u>
Commitments and contingencies	27	<u>2,619,254</u>	<u>2,866,651</u>	<u>2,619,254</u>	<u>2,866,651</u>

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed income statements
For the financial period ended 30 September 2020

	Note	Group			
		Third Quarter Ended		Cumulative 9 Months Ended	
		1.7.2020 to 30.09.2020	1.7.2019 to 30.09.2019	1.1.2020 to 30.09.2020	1.1.2019 to 30.09.2019
		RM'000	RM'000	RM'000	RM'000
Interest income	22	38,214	55,957	130,992	176,790
Interest expense	23	(15,862)	(32,008)	(64,154)	(104,302)
Net interest income		22,352	23,949	66,838	72,488
Non-interest income	25	3,204	3,066	9,778	10,021
Net income		25,556	27,015	76,616	82,509
Overhead expenses	26	(14,752)	(14,089)	(42,914)	(43,094)
Operating profit		10,804	12,926	33,702	39,415
(Allowance for)/writeback of expected credit losses, net	24	2,160	(14,022)	(29,970)	(35,077)
Profit/(loss) before taxation		12,964	(1,096)	3,732	4,338
Taxation		(3,242)	1,109	(2,764)	(3,404)
Net profit for the financial period		9,722	13	968	934
Earnings per share (sen)					
- basic		0.97	0.00	0.10	0.09
- diluted		0.97	0.00	0.10	0.09

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed income statements
For the financial period ended 30 September 2020 (cont'd.)

	Note	Bank			
		Third Quarter Ended		Cumulative 9 Months Ended	
		1.7.2020	1.7.2019	1.1.2020	1.1.2019
		to	to	to	to
		30.09.2020	30.09.2019	30.09.2020	30.09.2019
		RM'000	RM'000	RM'000	RM'000
Interest income	22	38,214	55,957	130,992	176,790
Interest expense	23	(15,862)	(32,008)	(64,154)	(104,302)
Net interest income		22,352	23,949	66,838	72,488
Non-interest income	25	3,203	3,064	9,772	10,010
Net income		25,555	27,013	76,610	82,498
Overhead expenses	26	(14,752)	(14,089)	(42,912)	(43,092)
Operating profit		10,803	12,924	33,698	39,406
(Allowance for)/writeback of expected credit losses, net	24	2,160	(14,022)	(29,970)	(35,077)
Profit/(loss) before taxation		12,963	(1,098)	3,728	4,329
Taxation		(3,242)	1,110	(2,763)	(3,402)
Net profit for the financial period		9,721	12	965	927
Earnings per share (sen)					
- basic		0.97	0.00	0.10	0.09
- diluted		0.97	0.00	0.10	0.09

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

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Bangkok Bank Berhad
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Unaudited interim condensed statements of comprehensive income
For the financial period ended 30 September 2020

	Group			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2020	1.7.2019	1.1.2020	1.1.2019
	to	to	to	to
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>9,722</u>	<u>13</u>	<u>968</u>	<u>934</u>
Other comprehensive income that will be reclassified to the income statement subsequently:				
Net gain on financial assets at FVOCI	1,024	3,419	8,843	8,034
Income tax relating to components of other comprehensive income	<u>(251)</u>	<u>(803)</u>	<u>(1,893)</u>	<u>(1,793)</u>
Other comprehensive income for the period, net of tax	<u>773</u>	<u>2,616</u>	<u>6,950</u>	<u>6,241</u>
Total comprehensive income for the period, net of tax	<u>10,495</u>	<u>2,629</u>	<u>7,918</u>	<u>7,175</u>

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Unaudited interim condensed statements of comprehensive income
For the financial period ended 30 September 2020 (cont'd.)

	Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2020	1.7.2019	1.1.2020	1.1.2019
	to	to	to	to
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Net profit for the period	<u>9,721</u>	<u>12</u>	<u>965</u>	<u>927</u>
Other comprehensive income that will be reclassified to the income statement subsequently:				
Net gain on financial assets at FVOCI	1,024	3,419	8,843	8,034
Income tax relating to components of other comprehensive income	<u>(251)</u>	<u>(803)</u>	<u>(1,893)</u>	<u>(1,793)</u>
Other comprehensive income for the period, net of tax	<u>773</u>	<u>2,616</u>	<u>6,950</u>	<u>6,241</u>
Total comprehensive income for the period, net of tax	<u>10,494</u>	<u>2,628</u>	<u>7,915</u>	<u>7,168</u>

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Bangkok Bank Berhad
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Unaudited interim condensed statements of changes in equity
For the financial period ended 30 September 2020

Group	<--- Non-distributable--->		Distributable	Total
	Share capital	FVOCI reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	1,000,000	11,074	245,264	1,256,338
Total comprehensive income	-	6,241	934	7,175
At 30 September 2019	<u>1,000,000</u>	<u>17,315</u>	<u>246,198</u>	<u>1,263,513</u>
At 1 January 2020	1,000,000	16,939	243,819	1,260,758
Total comprehensive income	-	6,950	968	7,918
At 30 September 2020	<u>1,000,000</u>	<u>23,889</u>	<u>244,787</u>	<u>1,268,676</u>
Bank	<--- Non-distributable--->		Distributable	Total
	Share capital	FVOCI reserve	Retained profits	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2019	1,000,000	11,074	245,154	1,256,228
Total comprehensive income	-	6,241	927	7,168
At 30 September 2019	<u>1,000,000</u>	<u>17,315</u>	<u>246,081</u>	<u>1,263,396</u>
At 1 January 2020	1,000,000	16,939	243,701	1,260,640
Total comprehensive income	-	6,950	965	7,915
At 30 September 2020	<u>1,000,000</u>	<u>23,889</u>	<u>244,666</u>	<u>1,268,555</u>

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Bangkok Bank Berhad
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Unaudited interim condensed statements of cash flows
For the financial period ended 30 September 2020

	Note	Group		Bank	
		1.1.2020 to 30.09.2020 RM'000	1.1.2019 to 30.09.2019 RM'000	1.1.2020 to 30.09.2020 RM'000	1.1.2019 to 30.09.2019 RM'000
Cash flows from operating activities					
Profit before taxation		3,732	4,338	3,728	4,329
Adjustments for:					
Depreciation	26	3,578	3,188	3,578	3,188
Amortisation of intangible assets	26	192	316	192	316
Depreciation of right-of-use assets	26	910	977	910	977
Property and equipment written off		-	108	-	108
Interest expense on lease liability	18	185	261	185	261
Interest income from debt instruments at amortised cost	22	(3,766)	(3,725)	(3,766)	(3,725)
Interest income from debt instruments at FVOCI	22	(25,616)	(26,522)	(25,616)	(26,522)
Allowance for ECL made	24	30,765	37,054	30,765	37,054
Write back of impairment losses of financial assets at amortised cost		-	(2)	-	(2)
Unrealised loss/(gain) on foreign exchange forward	25	496	47	496	47
Dividend from financial assets at FVOCI	25	(105)	(102)	(105)	(102)
Amortisation of premium, net of (accretion of discount)	22	1,098	184	1,098	184
Operating profit before working capital changes		11,469	16,122	11,465	16,113

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Bangkok Bank Berhad
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Unaudited interim condensed statements of cash flows
For the financial period ended 30 September 2020 (cont'd.)

	Group		Bank	
	1.1.2020 to 30.09.2020 RM'000	1.1.2019 to 30.09.2019 RM'000	1.1.2020 to 30.09.2020 RM'000	1.1.2019 to 30.09.2019 RM'000
Cash flows from operating activities (cont'd.)				
Balance carried forward	11,469	16,122	11,465	16,113
Decrease in operating assets:				
Loans, advances and financing	220,315	120,139	220,315	120,139
Other assets	392	132	392	132
Statutory deposits with Bank Negara Malaysia	65,479	(2,483)	65,479	(2,483)
Increase/(Decrease) in operating liabilities:				
Deposits from customers	(788,467)	215,403	(788,467)	215,403
Deposits and placement from banks and other financial institutions	53,260	(614,074)	53,260	(614,074)
Other liabilities	(4,954)	(3,016)	(4,951)	(3,014)
Cash generated from operating activities	(442,506)	(267,777)	(442,507)	(267,784)
Taxes paid	(12,175)	(14,409)	(12,174)	(14,410)
Taxes refunded	5,374	12,101	5,374	12,101
Net cash used in operating activities	(449,307)	(270,085)	(449,307)	(270,093)
Cash flows from investing activities				
Purchase of financial assets at FVOCI	(1,458,711)	(1,678,866)	(1,458,711)	(1,678,866)
Proceeds from sale of financial assets at FVOCI	1,900,471	1,360,403	1,900,471	1,360,403
Proceeds from partial redemption/ interest of financial assets at amortised costs	5,021	4,982	5,021	4,982
Purchase of property and equipment	(409)	(593)	(409)	(593)
Purchase of intangible assets	-	(27)	-	(27)
Dividend from financial assets at FVOCI	105	102	105	102
Net cash generated from/ (used in) investing activities	446,477	(313,999)	446,477	(313,999)

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

Bangkok Bank Berhad
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Unaudited interim condensed statements of cash flows
For the financial period ended 30 September 2020 (cont'd.)

	Note	Group		Bank	
		1.1.2020 to 30.09.2020 RM'000	1.1.2019 to 30.09.2019 RM'000	1.1.2020 to 30.09.2020 RM'000	1.1.2019 to 30.09.2019 RM'000
Cash flows from financing activities					
Payment of lease liabilities	18	(1,009)	(949)	(1,009)	(949)
Net cash used in financing activities		(1,009)	(949)	(1,009)	(949)
Net (decrease) in cash and cash equivalents		(3,839)	(585,033)	(3,839)	(585,041)
Cash and cash equivalents at beginning of financial period		516,540	1,070,782	516,413	1,070,664
Cash and cash equivalents at end of financial period		512,701	485,749	512,574	485,623
Cash and cash equivalents comprise:					
Cash and short-term funds		512,701	485,749	512,574	485,623
Deposits and placements of banks and other financial institutions		-	-	-	-
		512,701	485,749	512,574	485,623

These unaudited interim condensed financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019 and accompanying explanatory notes attached to these unaudited interim condensed financial statements.

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**Bangkok Bank Berhad
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Notes to the unaudited interim condensed financial statements - 30 September 2020

1. Corporate information

Bangkok Bank Berhad ("the Bank") is a public limited liability licensed bank, incorporated and domiciled in Malaysia. The registered office of the Bank is located at 1-45-01, Menara Bangkok Bank, Laman Sentral Berjaya, 105 Jalan Ampang, 50450 Kuala Lumpur.

The principal activities of the Bank are banking and related financial services.

The Bank also controls a wholly-owned subsidiary named BBL Nominees (Tempatan) Sdn. Bhd. The principal activity of its subsidiary is provision of nominees services to local clients of the Bank.

There have been no significant changes in the nature of the principal activities during the financial period.

The holding company of the Bank is Bangkok Bank Public Company Limited, a bank incorporated in Thailand.

2. Basis of preparation of the financial statements

2.1 Basis of preparation and presentation of the unaudited interim condensed financial statements

The unaudited interim condensed financial statements have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and IAS 34: Interim Financial Reporting issued by the International Accounting Standards Board ("IASB").

The unaudited interim condensed financial statements have been prepared under the historical cost convention except for the following assets which are stated at fair value: financial assets at FVTPL, financial assets at FVOCI and derivatives. The unaudited interim condensed financial statements are presented in Ringgit Malaysia ("RM"), which is the Bank's functional currency and all values are rounded to the nearest thousand ("RM'000") except when otherwise indicated.

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

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2. Basis of preparation of the financial statements (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted in the preparation of the unaudited interim condensed financial statements are consistent with those followed in the preparation of the annual financial statements for the year ended 31 December 2019, except for the adoption of new standard, IC Interpretations and amendments to standards effective as of 1 January 2020 as follows:

Descriptions	Effective for annual periods beginning on or after
Amendment to MFRS 3 <i>Business Combinations: Definition of a Business</i>	1 January 2020
Amendments to MFRS 7 <i>Financial Instruments: Disclosures</i> , MFRS 9 <i>Financial Instruments</i> and MFRS 139 <i>Financial Instruments: Recognition and Measurement</i>	1 January 2020

The initial application of the accounting standards, annual improvements to standards and IC Interpretations are not expected to have any significant impact to the financial statements of the Group and the Bank.

2.3 Standards, amendments to standards, annual improvements to standards and IC Interpretations issued but not yet effective

As at the reporting date, the following are standards, amendments to standards, annual improvements to standards and IC Interpretations issued by the Malaysian Accounting Standards Board ("MASB") but not yet effective.

Descriptions	Effective for annual periods beginning on or after
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 101 <i>Presentation of Financial Statements</i> and MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Material</i>	1 January 2020
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group and the Bank plan to adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are expected to have no significant impact to the financial statements of the Group and the Bank upon their initial application.

2. Basis of preparation of the financial statements (cont'd.)

2.4 Significant accounting judgements, estimates and assumptions

The preparation of the Group's and the Bank's financial statements in accordance with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of revenue, expenses, assets and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgements, estimates and assumptions concerning the future and other key sources of estimation uncertainty at the reporting that, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Group's and the Bank's control and are reflected in the assumptions if and when they occur.

(a) Impairment losses on financial assets

The measurement of impairment losses under MFRS 9 across all categories of financial assets requires judgement, in particular, estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and assessment of significant increase in credit risk. These estimates are driven by a number of factors, changes which can result in different levels of allowances.

The Group and the Bank's Expected Credit Loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's and the Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Group's and the Bank's criteria for assessing if there has been a significant increase in credit risk resulting in impairment losses on financial assets to be measured on a lifetime basis and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs;
- ECL is adjusted with a management overlay where considered appropriate;
- Determination of associations between macroeconomic factors and the effect on PDs, LGDs and EADs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings.

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2. Basis of preparation of the financial statements (cont'd.)

2.4 Significant accounting judgements, estimates and assumptions (cont'd.)

(b) Deferred tax and current tax

In determining the Group's and the Bank's tax charge for the year involves estimation and judgement, which includes an interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Group and the Bank provide for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where an outflow is probable.

The recoverability of the Group's and the Bank's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax assets will be utilised.

3. Auditors' report on preceding annual financial statements

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

4. 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 Group and the Bank during the financial period ended 30 September 2020.

5. Comments about seasonal or cyclical factors

The business operations of the Group and the Bank are not materially affected by any seasonal or cyclical factors.

6. Changes in estimates

There were no significant changes in estimates of amounts reported in prior financial periods except for changes in ECL as the Group and the Bank has weighed in the economic impact of COVID-19 as well as global uncertainties in 2020 into its macroeconomic factors. As a result, ECL has increased significantly by RM30.0 million for the financial period ended 30 September 2020.

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7. Debt and equity securities

There were no issuances, repurchases and repayments of debt and equity securities during the nine months ended 30 September 2020.

8. Subsequent events

There were no material events subsequent to the end of the current period that require disclosure or adjustments to the interim condensed financial statements.

9. Changes in composition of the Group

There were no changes in the composition of the Group during the financial period ended 30 September 2020.

10. Dividends paid

No dividend was declared or paid during the financial period ended 30 September 2020.

11. Segmental information

As the Group does not have foreign operations, the Group is not required to present separate identifiable geographical segments.

12. Financial assets at fair value through other comprehensive income

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Debt instruments		
Malaysian Government Securities	84,582	20,421
Government Investment Issues	378,384	472,102
Negotiable Instruments of Deposit	80,130	561,966
Corporate bonds	205,454	103,417
	<u>748,550</u>	<u>1,157,906</u>
Equity instruments		
Unquoted shares	12,770	11,613
	<u>761,320</u>	<u>1,169,519</u>

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12. Financial assets at fair value through other comprehensive income (cont'd.)

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

	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total RM'000
Group and Bank				
At 1 January 2020	262	-	-	262
New debt instruments originated	21	-	-	21
Debt instruments derecognised	(145)	-	-	(145)
ECL allowance written back	(74)	-	-	(74)
At 30 September 2020	<u>64</u>	<u>-</u>	<u>-</u>	<u>64</u>
Group and Bank				
At 1 January 2019	19	-	731	750
New debt instruments originated	152	-	-	152
ECL allowance charged	97	-	-	97
Debt instruments derecognised	(6)	-	(731)	(737)
At 31 December 2019	<u>262</u>	<u>-</u>	<u>-</u>	<u>262</u>

13. Financial assets at amortised cost

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Debt instruments		
Corporate bonds	101,119	102,374
Unquoted securities:		
Corporate bonds	<u>568</u>	<u>568</u>
	101,687	102,942
Less: allowance for ECL	<u>(577)</u>	<u>(591)</u>
	<u>101,110</u>	<u>102,351</u>

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13. Financial assets at amortised cost (cont'd.)

Movements in the allowance for ECL on financial assets at amortised cost are as follows:

	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total RM'000
Group and Bank				
At 1 January 2020	23	-	568	591
ECL allowance written back	(14)	-	-	(14)
At 30 September 2020	9	-	568	577
Group and Bank				
At 1 January 2019	-	-	571	571
ECL allowance charged	23	-	-	23
Debt instruments derecognised	-	-	(3)	(3)
At 31 December 2019	23	-	568	591

14. Loans, advances and financing

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
At amortised cost		
Overdrafts	68,675	105,419
Term loans:		
- Housing loans	2,271	2,361
- Syndicated term loan	168,979	149,644
- Other term loans	790,023	920,145
Revolving credits	1,362,319	1,511,777
Bills receivables	214,096	103,011
Trust receipts	126,436	128,803
Bankers' acceptances	439,846	477,628
Staff loans	403	461
	3,173,048	3,399,249
Unearned interest	(2,132)	(2,992)
Gross loans, advances and financing	3,170,916	3,396,257
Less: allowance for ECL		
- Stage 1	(69,410)	(50,974)
- Stage 2	(39,276)	(27,201)
- Stage 3	(107,179)	(112,081)
Net loans, advances and financing	2,955,051	3,206,001

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14. Loans, advances and financing (cont'd.)

(i) The maturity structure of loans, advances and financing are as follows:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Maturing within one year	2,713,022	2,601,876
One year to three years	246,155	213,145
Three years to five years	101,442	250,711
Over five years	110,297	330,525
	<u>3,170,916</u>	<u>3,396,257</u>

(ii) Loans, advances and financing according to economic sectors are as follows:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Primary agriculture	366,216	334,796
Mining and quarrying	11,633	12,072
Manufacturing	951,437	981,219
Electricity, gas and water supply	33,619	6,259
Construction	376,325	421,765
Wholesale and retail trade and restaurants and hotels	309,935	371,422
Transport, storage and communication	68,269	76,657
Finance, insurance, real estate and business activities	993,005	1,116,992
Household	60,477	75,075
	<u>3,170,916</u>	<u>3,396,257</u>

(iii) Loans, advances and financing according to type of customer are as follows:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Domestic non-bank financial institutions	524,827	592,610
Domestic business enterprises:		
- Small medium enterprises	430,492	302,759
- Others	2,155,120	2,425,813
Individuals	60,477	75,075
	<u>3,170,916</u>	<u>3,396,257</u>

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14. Loans, advances and financing (cont'd.)

(iv) Loans, advances and financing according to interest/profit rate sensitivity are as follows:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Fixed rate		
- Other fixed rate loan/financing	54,789	58,434
Variable rate		
- Base lending rate plus	186,070	233,280
- Cost-plus	1,986,835	2,232,654
- Other variable rates	943,222	871,889
	<u>3,170,916</u>	<u>3,396,257</u>

(v) Loans, advances and financing according to geographical distribution are as follows:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Malaysia	<u>3,170,916</u>	<u>3,396,257</u>

(vi) Movements in impaired loans, advances and financing are as follows:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Balance as at 1 January	149,328	97,550
Classified as impaired during the period/year	1,292	73,665
Amount recovered during the period/year	(12,332)	(20,755)
Amount written off during the period/year	(5,026)	(1,132)
Balance as at 30 September/31 December	<u>133,262</u>	<u>149,328</u>
Allowance for ECL Stage 3	<u>(107,179)</u>	<u>(112,081)</u>
Net impaired loans, advances and financing	<u>26,083</u>	<u>37,247</u>
Ratio of net impaired loans, advances and financing to gross loans, advances and financing less Stage 3 ECL allowance	<u>0.85%</u>	<u>1.13%</u>

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14. Loans, advances and financing (cont'd.)

(vii) Movements in the allowance for ECL on loans, advances and financing are as follows:

	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total RM'000
Group and Bank				
At 1 January 2020	50,974	27,201	112,081	190,256
New loans, advances and financing originated	567	-	-	567
Loans, advances and financing derecognised (other than write-off)	(2,085)	(968)	-	(3,053)
Transfer to Stage 1	28	(28)	-	-
Transfer to Stage 2	(5,762)	5,762	-	-
Transfer to Stage 3	-	-	-	-
Net changes in loan loss allowances	25,688	7,309	124	33,121
Amount written off	-	-	(5,026)	(5,026)
At 30 September 2020	<u>69,410</u>	<u>39,276</u>	<u>107,179</u>	<u>215,865</u>
Group and Bank				
At 1 January 2019	55,571	19,803	65,659	141,033
New loans, advances and financing originated	3,781	-	-	3,781
Loans, advances and financing derecognised (other than write-off)	(5,212)	(1,059)	(1,716)	(7,987)
Transfer to Stage 1	1,165	(1,165)	-	-
Transfer to Stage 2	(4,284)	4,284	-	-
Transfer to Stage 3	(1,591)	(4)	1,595	-
Net changes in loan loss allowances	1,544	5,342	47,675	54,561
Amount written off	-	-	(1,132)	(1,132)
At 31 December 2019	<u>50,974</u>	<u>27,201</u>	<u>112,081</u>	<u>190,256</u>

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14. Loans, advances and financing (cont'd.)

(viii) Impaired loans, advances and financing according to economic sector are as follows:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Manufacturing	122,217	124,621
Construction	-	1,421
Wholesale and retail trade and restaurants and hotels	9,496	21,679
Household	1,549	1,607
	<u>133,262</u>	<u>149,328</u>

15. Other assets

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Deposits and prepayments	2,460	2,742
Other receivables	3,686	3,796
	<u>6,146</u>	<u>6,538</u>

16. Statutory deposit with Bank Negara Malaysia

Effective 16 May 2020, Bank Negara Malaysia issued a guideline, that all banking institutions may recognise Malaysian Government Securities (MGS) and Malaysian Government Investment Issues (GII) as part of the Bank's Statutory Reserve Requirement compliance.

17. Property and equipment

During the nine months period ended 30 September 2020, the Group and the Bank acquired assets with a cost of RM409,000 (31.12.2019: RM2,176,000).

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18. Right-of-use assets and lease liabilities

	Group and Bank	
	30.9.2020	31.12.2019
Right-of-use assets	RM'000	RM'000
At 1 January 2020	7,444	8,057
Non-cash addition	811	629
Lease termination	-	(61)
Depreciation of right-of-use assets (Note 26)	(910)	(1,181)
At 30 September 2020	<u>7,345</u>	<u>7,444</u>
Lease liabilities		
At 1 January 2020	7,655	8,057
Non-cash addition	811	629
Lease termination	-	(64)
Accretion of interest expense (Note 23)	185	303
Lease payment	(1,009)	(1,270)
At 30 September 2020 (Note 21)	<u>7,642</u>	<u>7,655</u>

19. Deposits from customers

(i) By type of deposit:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Fixed deposits	1,749,673	2,269,367
Current accounts	161,092	313,976
Savings deposits	9,140	8,874
Short term deposits	274,326	390,481
	<u>2,194,231</u>	<u>2,982,698</u>

(ii) The maturity structure of fixed deposits and short term deposits are as follows:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Due within six months	1,837,085	2,281,116
Six months to one year	184,824	369,270
One year to three years	1,099	8,942
Over three years	991	520
	<u>2,023,999</u>	<u>2,659,848</u>

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19. Deposits from customers (cont'd.)

(iii) The deposits are sourced from the following customers:

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Business enterprises	1,756,830	2,433,973
Individuals	437,401	548,725
	<u>2,194,231</u>	<u>2,982,698</u>

20. Deposits and placements from banks and other financial institutions

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Licensed banks	608,398	391,256
Other financial institutions	384,843	548,725
	<u>993,241</u>	<u>939,981</u>

Included in deposits and placements are deposits and placements from the holding company and its branches amounting to RM196,722,000 (31.12.2019: RM287,785,000) as disclosed in Note 30.

21. Other liabilities

	Group		Bank	
	30.9.2020	31.12.2019	30.9.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Accruals	8,052	8,901	8,050	8,899
Allowance for ECL on commitments and contingencies	17,433	17,089	17,433	17,089
Lease liability (Note 18)	7,642	7,655	7,642	7,655
Other payables	7,021	11,123	7,021	11,123
	<u>40,148</u>	<u>44,768</u>	<u>40,146</u>	<u>44,766</u>

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21. Other liabilities (cont'd.)

Movements in the allowance for impairment on loan/financing commitments and financial guarantees are as follows:

	Stage 1 ECL RM'000	Stage 2 ECL RM'000	Stage 3 ECL RM'000	Total RM'000
Group and Bank				
At 1 January 2020	6,384	10,705	-	17,089
New loan/financing commitments, and financing guarantee originated	30	8	-	38
Loan/financing commitments, and financing guarantee derecognised	(202)	(26)	-	(228)
Transfer to Stage 1	119	(119)	-	-
Transfer to Stage 2	(562)	562	-	-
Transfer to Stage 3	-	(740)	740	-
Net changes in loan loss allowances	1,104	(2,942)	2,372	534
At 30 September 2020	<u>6,873</u>	<u>7,448</u>	<u>3,112</u>	<u>17,433</u>
Group and Bank				
At 1 January 2019	9,928	4,596	-	14,524
New loan/financing commitments, and financing guarantee originated	1,180	-	-	1,180
Loan/financing commitments, and financing guarantee derecognised	(539)	(52)	(6)	(597)
Transfer to Stage 1	1,414	(1,414)	-	-
Transfer to Stage 2	(7,743)	7,743	-	-
Transfer to Stage 3	-	-	-	-
Net changes in loan loss allowances	2,144	(168)	6	1,982
At 31 December 2019	<u>6,384</u>	<u>10,705</u>	<u>-</u>	<u>17,089</u>

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22. Interest income

	Group and Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2020	1.7.2019	1.1.2020	1.1.2019
	to	to	to	to
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing				
- Interest income other than recoveries from impaired loans	27,949	40,381	94,941	125,219
- Recoveries from impaired loans	177	(76)	277	415
- Interest income on impaired loans	341	831	1,403	1,805
Deposits and placements with banks and other financial institutions	1,618	3,365	6,087	19,288
Debt instruments at amortised cost	1,256	1,255	3,766	3,725
Debt instruments at FVOCI	7,547	10,365	25,616	26,522
	<u>38,888</u>	<u>56,121</u>	<u>132,090</u>	<u>176,974</u>
(Amortisation of premium)/ accretion of discounts, net				
- Financial assets at FVOCI	(674)	(164)	(1,098)	(184)
	<u>38,214</u>	<u>55,957</u>	<u>130,992</u>	<u>176,790</u>

23. Interest expense

	Group and Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2020	1.7.2019	1.1.2020	1.1.2019
	to	to	to	to
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Deposits from customers	14,892	28,390	59,074	90,088
Deposits and placements from banks and other financial institutions	918	3,490	4,895	13,953
Accretion of interest expense (Note 18)	52	128	185	261
	<u>15,862</u>	<u>32,008</u>	<u>64,154</u>	<u>104,302</u>

Included in interest expense on deposits and placements from banks and other financial institutions are interest expense on deposits and placements from the holding company and its branches amounting to RM2,688,000 (30.9.2019: RM10,301,000) as disclosed in Note 30.

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24. Allowance for/(writeback of) expected credit losses, net

	Group and Bank Cumulative 9 Months Ended 1.1.2020 to 30.9.2020			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Allowance for ECL made				
- Loans, advances and financing	31,408	13,035	2,046	46,489
- Commitment and contingencies	2,368	1,491	3,112	6,971
	<u>33,776</u>	<u>14,526</u>	<u>5,158</u>	<u>53,460</u>
Allowance for ECL written back				
- Cash and short term funds	(101)	-	-	(101)
- Deposits and placements with banks and other financial institutions	(10)	-	-	(10)
- Financial assets at FVOCI	(200)	-	-	(200)
- Financial assets at amortised costs	(14)	-	-	(14)
- Loans, advances and financing	(12,972)	(960)	(1,922)	(15,854)
- Statutory deposit with Bank Negara Malaysia	(21)	-	-	(21)
- Commitment and contingencies	(1,879)	(4,748)	-	(6,627)
	<u>(15,197)</u>	<u>(5,708)</u>	<u>(1,922)</u>	<u>(22,827)</u>
Impaired loans, advances and financing recovered	-	-	(663)	(663)
Total	<u>18,579</u>	<u>8,818</u>	<u>2,573</u>	<u>29,970</u>

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24. Allowance for/(writeback of) expected credit losses, net (cont'd.)

	Group and Bank			Total
	Third Quarter Ended			
	1.7.2020 to 30.9.2020			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL made				
- Cash and short term funds	26	-	-	26
- Loans, advances and financing	6,211	138	359	6,708
- Commitment and contingencies	578	1,279	-	1,857
	<u>6,815</u>	<u>1,417</u>	<u>359</u>	<u>8,591</u>
Allowance for ECL written back				
- Financial assets at FVOCI	(20)	-	-	(20)
- Financial assets at amortised costs	(1)	-	-	(1)
- Loans, advances and financing	(6,706)	-	(1,863)	(8,569)
- Commitment and contingencies	(83)	(1,417)	-	(1,500)
	<u>(6,810)</u>	<u>(1,417)</u>	<u>(1,863)</u>	<u>(10,090)</u>
Impaired loans, advances and financing recovered	-	-	(661)	(661)
Total	<u>5</u>	<u>-</u>	<u>(2,165)</u>	<u>(2,160)</u>

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24. Allowance for/(writeback of) expected credit losses, net (cont'd.)

	Group and Bank			
	Cumulative 9 Months Ended			
	1.1.2019 to 30.9.2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL made				
- Cash and short term funds	86	-	-	86
- Financial assets at FVOCI	160	-	-	160
- Financial assets at amortised costs	18	-	-	18
- Loans, advances and financing	17,204	3,053	47,028	67,285
- Statutory deposit with Bank Negara Malaysia	10	-	-	10
- Commitment and contingencies	2,198	2,012	-	4,210
	<u>19,676</u>	<u>5,065</u>	<u>47,028</u>	<u>71,769</u>
Allowance for ECL written back				
- Cash and short term funds	(29)	-	-	(29)
- Financial assets at amortised costs	-	-	(3)	(3)
- Loans, advances and financing	(14,421)	(2,957)	(9,751)	(27,129)
- Commitment and contingencies	(5,533)	(1,928)	-	(7,461)
	<u>(19,983)</u>	<u>(4,885)</u>	<u>(9,754)</u>	<u>(34,622)</u>
Impaired loans, advances and financing recovered	-	-	(2,070)	(2,070)
Total	<u>(307)</u>	<u>180</u>	<u>35,204</u>	<u>35,077</u>

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24. Allowance for/(writeback of) expected credit losses, net (cont'd.)

	Group and Bank			Total
	Third Quarter Ended			
	1.7.2019 to 30.9.2019			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Allowance for ECL made				
- Deposits and placements with banks and other financial institutions	48	-	-	48
- Financial assets at FVOCI	41	-	-	41
- Financial assets at amortised costs	5	-	-	5
- Loans, advances and financing	-	-	19,940	19,940
- Commitment and contingencies	436	58	-	494
	<u>530</u>	<u>58</u>	<u>19,940</u>	<u>20,528</u>
Allowance for ECL written back				
- Cash and short term funds	(29)	-	-	(29)
- Deposits and placements with banks and other financial institutions	(11)	-	-	(11)
- Financial assets at amortised costs	-	-	(1)	(1)
- Loans, advances and financing	(1,978)	(2,065)	(997)	(5,040)
- Commitment and contingencies	(1,352)	(45)	(10)	(1,407)
	<u>(3,370)</u>	<u>(2,110)</u>	<u>(1,008)</u>	<u>(6,488)</u>
Impaired loans, advances and financing recovered	-	-	(18)	(18)
Total	<u>(2,840)</u>	<u>(2,052)</u>	<u>18,914</u>	<u>14,022</u>

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25. Non-interest income

	Group			
	Third Quarter Ended		Cumulative 6 Months Ended	
	1.7.2020	1.7.2019	1.1.2020	1.1.2019
	to	to	to	to
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	706	866	2,333	2,449
Service charges and fees	401	454	1,300	1,919
Guarantee fees	723	647	1,887	1,989
	<u>1,830</u>	<u>1,967</u>	<u>5,520</u>	<u>6,357</u>
Investment income:				
Gross dividend from financial assets at FVOCI	50	47	105	102
	<u>50</u>	<u>47</u>	<u>105</u>	<u>102</u>
Other income:				
Foreign exchange gain/(loss)	(895)	963	3,827	3,277
Unrealised (loss)/gain on foreign exchange forwards	1,916	(101)	(496)	(47)
Rental income	271	190	785	323
Others	32	-	37	9
	<u>1,324</u>	<u>1,052</u>	<u>4,153</u>	<u>3,562</u>
Total	<u>3,204</u>	<u>3,066</u>	<u>9,778</u>	<u>10,021</u>

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25. Non-interest income (cont'd.)

	Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2020	1.7.2019	1.1.2020	1.1.2019
	to	to	to	to
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Fee income:				
Commission	705	864	2,327	2,438
Service charges and fees	401	454	1,300	1,919
Guarantee fees	723	647	1,887	1,989
	<u>1,829</u>	<u>1,965</u>	<u>5,514</u>	<u>6,346</u>
Investment income:				
Gross dividend from financial assets at FVOCI	50	47	105	102
	<u>50</u>	<u>47</u>	<u>105</u>	<u>102</u>
Other income:				
Foreign exchange gain/(loss)	(895)	963	3,827	3,277
Unrealised (loss)/gain on foreign exchange forwards	1,916	(101)	(496)	(47)
Rental income	271	190	785	323
Others	32	-	37	9
	<u>1,324</u>	<u>1,052</u>	<u>4,153</u>	<u>3,562</u>
Total	<u>3,203</u>	<u>3,064</u>	<u>9,772</u>	<u>10,010</u>

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26. Overhead expenses

	Group			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2020	1.7.2019	1.1.2020	1.1.2019
	to	to	to	to
30.9.2020	30.9.2019	30.9.2020	30.9.2019	
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	8,598	7,583	23,460	21,789
Defined Contribution Plan				
- Employees Provident Fund	1,299	1,187	3,606	3,302
Others	271	523	1,233	1,448
	<u>10,168</u>	<u>9,293</u>	<u>28,299</u>	<u>26,539</u>
Establishment costs				
Depreciation	1,181	817	3,578	3,188
Amortisation of intangible assets	63	169	192	316
Depreciation of right-of-use assets (Note 18)	313	526	910	977
Repair and maintenance	636	719	1,900	1,917
Information technology	251	197	949	892
Others	627	633	1,594	1,750
	<u>3,071</u>	<u>3,061</u>	<u>9,123</u>	<u>9,040</u>
Marketing costs				
Advertising and publicity	47	32	154	210
Others	5	14	31	69
	<u>52</u>	<u>46</u>	<u>185</u>	<u>279</u>
Administration and general costs				
Communication expenses	285	356	914	878
Subscriptions	450	459	1,400	2,597
Professional fees	28	164	330	937
Auditors remunerations	77	62	295	459
Non-executive directors' remuneration	319	289	893	840
Insurance	32	19	572	435
Travelling	39	118	172	301
Others	231	222	731	789
	<u>1,461</u>	<u>1,689</u>	<u>5,307</u>	<u>7,236</u>
Total	<u>14,752</u>	<u>14,089</u>	<u>42,914</u>	<u>43,094</u>

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26. Overhead expenses (cont'd.)

	Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2020	1.7.2019	1.1.2020	1.1.2019
	to	to	to	to
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Personnel costs				
Salaries, allowances and bonuses	8,598	7,583	23,460	21,789
Defined Contribution Plan				
- Employees Provident Fund	1,299	1,187	3,606	3,302
Others	271	523	1,233	1,448
	<u>10,168</u>	<u>9,293</u>	<u>28,299</u>	<u>26,539</u>
Establishment costs				
Depreciation	1,181	817	3,578	3,188
Amortisation of intangible assets	63	169	192	316
Depreciation of right-of-use assets (Note 18)	313	526	910	977
Repair and maintenance	636	719	1,900	1,917
Information technology	251	197	949	892
Others	627	633	1,594	1,750
	<u>3,071</u>	<u>3,061</u>	<u>9,123</u>	<u>9,040</u>
Marketing costs				
Advertising and publicity	47	32	154	210
Others	5	14	31	69
	<u>52</u>	<u>46</u>	<u>185</u>	<u>279</u>
Administration and general costs				
Communication expenses	285	356	914	878
Subscriptions	450	459	1,400	2,597
Professional fees	28	164	330	937
Auditors remunerations	77	62	293	459
Non-executive directors' remuneration	319	289	893	840
Insurance	32	19	572	435
Travelling	39	118	172	301
Others	231	222	731	787
	<u>1,461</u>	<u>1,689</u>	<u>5,305</u>	<u>7,234</u>
Total	<u>14,752</u>	<u>14,089</u>	<u>42,912</u>	<u>43,092</u>

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27. Commitments and contingencies

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

The Group and the Bank do not enter into over-the-counter ("OTC") derivative transactions, repo-style transactions and credit derivative contracts booked in its trading and banking books other than the involvement in derivatives restricted to foreign forward exchange contracts.

Risk weighted exposures of the Group and the Bank as at the reporting date are as below:

Group and Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
30 September 2020				
Direct credit substitutes	32,825	-	32,825	32,825
Transaction-related contingent items	406,152	-	199,964	195,480
Short-term self-liquidating trade-related contingencies	22,138	-	4,428	4,428
Forward foreign exchange contracts				
- less than one year	167,478	563	1,724	1,550
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	243,862	-	121,931	121,931
- maturity less than one year	1,732,669	-	346,534	345,961
Any commitment that are unconditionally cancelled at any time without prior notice	14,130	-	-	-
Total	2,619,254	563	707,406	702,175

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27. Commitments and contingencies (cont'd.)

Risk weighted exposures of the Group and the Bank as at the reporting date are as below:

Group and Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Amount RM'000
31 December 2019				
Direct credit substitutes	36,084	-	36,084	36,084
Transaction-related contingent items	340,525	-	170,263	159,060
Short-term self-liquidating trade-related contingencies	42,978	-	8,595	8,259
Forward foreign exchange contracts				
- less than one year	262,749	2,100	4,294	3,755
Other commitments, such as formal standby facilities and credit lines, with an original				
- maturity more than one year	257,484	-	128,742	128,742
- maturity less than one year	1,922,715	-	384,543	384,152
Any commitment that are unconditionally cancelled at any time without prior notice	4,116	-	-	-
Total	2,866,651	2,100	732,521	720,052

The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors as defined in Bank Negara Malaysia's revised Risk Weighted Capital Adequacy Framework: Standardised Approach (Basel II).

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28. Fair value hierarchy

The Group and the Bank use the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair values are observable, either directly or indirectly; and

Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The following table shows the analysis of financial instruments recorded and disclosed at their fair values by level of hierarchy:

Group and Bank 30 September 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets at FVOCI (Note 12)</u>				
Debt instruments				
Malaysian Government Securities	-	84,582	-	84,582
Government Investment Issue	-	378,384	-	378,384
Negotiable Instruments of Deposit	-	80,130	-	80,130
Corporate bonds	-	205,454	-	205,454
Equity instruments				
Unquoted shares	-	-	12,770	12,770
	-	748,550	12,770	761,320
<u>Derivatives financial instruments</u>				
Derivative financial assets				
Unrealised gain on derivatives	-	563	-	563
Derivative financial liabilities				
Unrealised loss on derivatives	-	(357)	-	(357)

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28. Fair value hierarchy (cont'd.)

Group and Bank 31 December 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<u>Financial assets at FVOCI (Note 12)</u>				
Debt instruments				
Malaysian Government				
Securities	-	20,421	-	20,421
Government Investment Issue	-	472,102	-	472,102
Negotiable Instruments of				
Deposit	-	561,966	-	561,966
Corporate bonds	-	103,417	-	103,417
Equity instruments:				
Unquoted shares	-	-	11,613	11,613
	-	1,157,906	11,613	1,169,519
<u>Derivatives financial instruments</u>				
Derivative financial assets				
Unrealised gain on derivatives	-	2,100	-	2,100
Derivative financial liabilities				
Unrealised loss on derivatives	-	(1,398)	-	(1,398)

There have been no transfers between Level 1 and Level 2 during the current period and previous financial year.

Valuation methods and assumptions

The fair value of the financial assets and liabilities is the amount at which the asset could be sold or the liability transferred in a current transaction between market participants, other than in a forced or liquidation sale.

The fair value of quoted securities held for trading, available-for-sale and held-to-maturity are estimated based on broker/dealer price quotations. Unquoted securities were revalued using Cost/Asset Based Approach, specifically the Adjusted Net Assets Method.

Derivative products valued using valuation technique with significant market observable inputs are mainly interest rate swaps, currency swaps and forward exchange contracts. The most frequently applied valuation techniques include forward pricing and swap models, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange and forward rates and interest rate curves.

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29. Capital adequacy

- (a) The capital adequacy ratios of the Bank are computed in accordance with BNM's revised Capital Adequacy Frameworks on Capital Components and Basel II - Risk-weighted Assets issued on 2 February 2018. The minimum regulatory capital adequacy ratios before including capital conservation buffer and countercyclical capital buffer ("CCyB") for Common Equity Tier 1 ("CET 1") Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio are 4.5%, 6.0% and 8.0% respectively.

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.

For the purpose of consolidation for financial reporting, the Group comprised the consolidated results of Bank and its wholly-owned subsidiary, BBL Nominees (Tempatan) Sdn. Bhd. , which is not involved in banking operations. The subsidiary is fully consolidated in the Group's financial statements.

As the Bank's subsidiary is not involved in banking operations and is of an immaterial size relative to the Bank, the Group does not prepare and submit separate Group's capital adequacy ratios for the purpose of consolidation for regulatory reporting.

- (b) Banking institutions are also required to maintain a capital conservation buffer of up to 2.5% and a CCyB above the minimum regulatory capital adequacy ratios above. Under the transition arrangements, capital conservation buffer will be phased-in as follows:

Calendar Year	Capital Conservation Buffer
2018	1.875%
2019 onwards	2.500%

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions.

- (c) The capital adequacy ratios of the Bank as at the reporting date, are as follows:

	Bank	
	30.9.2020	31.12.2019
CET 1 Capital Ratio	28.86%	26.66%
Tier 1 Capital Ratio	28.86%	26.66%
Total Capital Ratio	<u>30.05%</u>	<u>27.86%</u>

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29. Capital adequacy (cont'd.)

(d) The components of common equity Tier 1 and Tier 2 capital of the Bank are as follows:

	Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
CET 1 Capital		
Paid-up share capital	1,000,000	1,000,000
Unrealised gain on financial assets at FVOCI	23,889	16,939
Retained profits	244,666	243,701
Less: Regulatory adjustments, applied on CET1 Capital:		
Other intangibles	(514)	(706)
Deferred tax assets	(8,589)	(5,150)
55% of unrealised gain on financial assets at at FVOCI	(22,860)	(9,316)
Total CET 1 Capital	<u>1,236,592</u>	<u>1,245,468</u>
Tier 2 Capital		
Stage 1 and 2 ECL *	50,983	55,936
Total Tier 2 Capital	<u>50,983</u>	<u>55,936</u>
Total capital		
CET 1 Capital	1,236,592	1,245,468
Tier 2 Capital	50,983	55,936
Less: Investment in subsidiary	(10)	(10)
Total Capital	<u>1,287,565</u>	<u>1,301,394</u>

* Subject to a maximum of 1.25% of the total credit RWA determined under the Standardised Approach for credit risk.

Terms and conditions of the main features of all capital instruments are disclosed in the respective notes. The Bank does not have any innovative, non-innovative, complex or hybrid capital instruments.

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29. Capital adequacy (cont'd.)

(e) The breakdown of risk-weighted assets (excluding deferred tax assets) of the Bank in the various categories of risk-weights are as follows:

	Principal	Risk-weighted	Principal	Risk-weighted
	30.9.2020	assets	31.12.2019	assets
	RM'000	30.9.2020	RM'000	31.12.2019
		RM'000		RM'000
0%	609,885	-	810,823	-
20%	532,690	106,538	438,025	87,605
35%	769	269	822	287
50%	247,722	123,861	659,926	329,963
75%	7,477	5,608	2,733	2,050
100%	3,840,834	3,840,834	4,051,956	4,051,956
150%	1,021	1,531	2,010	3,015
Total risk-weighted assets for credit risk		4,078,641		4,474,876
Total risk-weighted assets for market risk		13,995		8,207
Total risk-weighted assets for operational risk		191,896		187,891
Total risk-weighted assets		<u>4,284,532</u>		<u>4,670,974</u>

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30. Significant related party transactions and balances

Significant transactions between the Group and the Bank and their related parties are as follows:

(i) Related party transactions

	Group and Bank			
	Third Quarter Ended		Cumulative 9 Months Ended	
	1.7.2020	1.7.2019	1.1.2020	1.1.2019
	to	to	to	to
	30.9.2020	30.9.2019	30.9.2020	30.9.2019
	RM'000	RM'000	RM'000	RM'000
Income				
Interest on advances to the holding company and its branches	2	11	18	66
Expenditure				
Interest on advances from the holding company and its branches	452	1,969	2,688	10,301
Administrative expenses to holding company	95	67	459	314

Significant transactions between the Group and the Bank and their related parties are as follows:

(ii) Related party balances

	Group and Bank	
	30.9.2020	31.12.2019
	RM'000	RM'000
Amount due to		
Deposits and placements from the holding company and its branches	196,722	287,785
Amount due from		
Cash and short-term funds placed with the holding company and its branches	12,728	9,012