

Registration No.

201001027747 (911666-D)

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023

Registration No.

201001027747 (911666-D)

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023

	<u>Note</u>	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
ASSETS			
Cash and short-term funds	4	83,082	50,445
Deposits and placements with banks and other financial institutions	5	323,333	274,586
Financial investments at amortised cost	6	248,375	106,613
Loans, advances, and financing	7	25,060	22,981
Derivative assets	8	-	-
Other assets	9	1,366	2,692
Deferred taxation	10	232	232
Tax recoverable		613	613
Statutory deposits with Bank Negara Malaysia	11	100	100
Plant and equipment		370	196
Intangible assets		449	963
Right-of-use assets	12	1,261	1,538
TOTAL ASSETS		<u>684,241</u>	<u>460,959</u>
LIABILITIES AND EQUITY			
Deposits from customers	13	360,168	137,380
Derivative liabilities	14	2	-
Other liabilities	15	885	908
Lease liabilities	16	1,298	1,554
TOTAL LIABILITIES		<u>362,353</u>	<u>139,842</u>
Share capital	17	330,000	330,000
Regulatory reserves		3,260	1,320
Accumulated losses		(11,372)	(10,203)
TOTAL EQUITY OF SHAREHOLDERS		<u>321,888</u>	<u>321,117</u>
TOTAL LIABILITIES AND EQUITY		<u>684,241</u>	<u>460,959</u>
COMMITMENTS AND CONTINGENCIES	25	<u>22,240</u>	<u>17,503</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2022.

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INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023**

	<u>Note</u>	3rd Quarter Ended		Nine Months Ended	
		30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
		RM'000	RM'000	RM'000	RM'000
Interest income	18	6,903	2,531	18,046	7,035
Interest expense	19	(2,918)	(206)	(6,757)	(650)
		<hr/>	<hr/>	<hr/>	<hr/>
Net interest income		3,985	2,325	11,289	6,385
Other operating income	20	189	203	26	586
		<hr/>	<hr/>	<hr/>	<hr/>
Net income		4,174	2,528	11,315	6,971
Other operating expenses	21	(3,542)	(3,389)	(10,481)	(9,930)
		<hr/>	<hr/>	<hr/>	<hr/>
		632	(861)	834	(2,959)
Write-back / (Provision) of impairment losses on loans and advances	22	3	(3)	(83)	(3)
(Provision) / Write-back of impairment losses on commitments and financial guarantees	23	(11)	3	1	4
(Provision) / Write-back of impairment losses on other financial investments	24	(62)	-	19	3
		<hr/>	<hr/>	<hr/>	<hr/>
Profit / (Loss) before taxation		562	(861)	771	(2,955)
Taxation	25	-	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
PROFIT / (LOSS) FOR THE FINANCIAL PERIOD / TOTAL COMPREHENSIVE PROFIT/ (LOSS) FOR THE FINANCIAL PERIOD		562	(861)	771	(2,955)
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023

	<u>Note</u>	<u>Share capital</u>	<u>Regulatory reserves</u> RM'000	<u>Accumulated losses</u> RM'000	<u>Total</u> RM'000
Balance as at 1 January 2023		330,000	1,320	(10,203)	321,117
Transfer from regulatory reserves		-	1,940	(1,940)	-
Total comprehensive profit for the financial period		-	-	771	771
Balance as at 30 September 2023		<u>330,000</u>	<u>3,260</u>	<u>(11,372)</u>	<u>321,888</u>
Balance as at 1 January 2022		330,000	1,090	(6,690)	324,400
Transfer from regulatory reserves		-	230	(230)	-
Total comprehensive profit for the financial period		-	-	(3,283)	(3,283)
Balance as at 31 December 2022		<u>330,000</u>	<u>1,320</u>	<u>(10,203)</u>	<u>321,117</u>

The Unaudited Condensed Interim Financial Statements should be read in conjunction with the audited financial statements of the Bank for the year ended 31 December 2022.

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UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023

	1 Jan 2023 To 30 Sep 2023 RM'000	1 Jan 2022 To 30 Sep 2022 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) before taxation	771	(2,955)
<i>Adjustments for:</i>		
Depreciation of plant and equipment	92	93
Amortisation of intangible assets	514	538
Depreciation of right of use assets	508	422
Unrealised loss on revaluation of derivative instruments	2	-
(Gain) / Loss on disposal of assets	(9)	6
Interest expense on lease liability	39	32
Interest income for financial investment at amortised cost	(6,943)	(2,346)
Net amortisation of discount for the financial investment at amortised cost	113	349
Interest income for money at call and deposit placements with financial institutions	(9,870)	(4,355)
Write-back of allowance for impairment losses on other financial investments	(19)	(3)
Write-back of allowance for impairment losses on loans commitments and financial guarantees	(1)	(4)
Allowance for impairment losses on loans and advances	83	3
Operating loss before working capital changes	<u>(14,720)</u>	<u>(8,220)</u>
<i>Decrease / (Increase) in operating assets</i>		
Deposits and placements with financial institutions	(43,750)	50,619
Financial investments at amortised cost	16,348	(35,798)
Other assets	1,326	(331)
Loans and advances	(2,161)	(1,908)
<i>Increase / (Decrease) in operating liabilities</i>		
Deposits from customers	222,788	(7,414)
Other liabilities	(22)	(1,650)
Cash flows generated from/(used in) operations	<u>(179,809)</u>	<u>(3,217)</u>
Taxation paid	-	(64)
Net cash used in operating activities	<u>(179,809)</u>	<u>(3,281)</u>

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STATEMENT OF CASH FLOWS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023

	1 Jan 2023 To <u>30 Sep 2023</u> RM'000	1 Jan 2022 To <u>30 Sep 2022</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of plant and equipment	(264)	(182)
Purchase of intangible assets	-	-
Proceed of disposal of plant and equipment	7	-
Interest income received for financial investments at amortised cost	5,022	3,046
Interest income received for money at call and deposit placements with financial institutions	4,873	4,069
Purchase of financial assets at amortised cost	(417,402)	(100,000)
Proceeds of matured financial assets at amortised cost	261,118	160,000
	<hr/>	<hr/>
Net cash (used in)/generated from investing activities	(146,646)	66,933
	<hr/>	<hr/>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of principal lease liabilities	(526)	(438)
	<hr/>	<hr/>
Net cash used in financing activities	(526)	(438)
	<hr/>	<hr/>
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS DURING THE FINANCIAL PERIOD	32,637	63,214
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL PERIOD	50,445	33,088
	<hr/>	<hr/>
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL PERIOD	4 <u>83,082</u>	<u>96,302</u>

(i) An analysis of changes in liabilities arising from financing activity is as follows:

	1 Jan 2023 To <u>30 Sep 2023</u> RM'000
At 1 January	1,554
- Repayment of lease liability	(526)
- Finance cost	39
- Lease modification	231
	<hr/>
At end of financial period	<u>1,298</u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023.**

1 CORPORATE INFORMATION

India International Bank (Malaysia) Berhad (“the Bank”) commenced commercial banking business on 11 July 2012. The principal activities of the Bank are banking and related financial services.

The address of the registered office and principal place of operation of the Bank is at 15, Jalan Raja Chulan, Bangunan Yee Seng, 50200 Kuala Lumpur.

The Bank is a company limited by shares and is a licensed Bank, incorporated and domiciled in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with their resolution on 26 October 2023.

2 SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

A BASIS OF PREPARATION

The financial statements of the Bank have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention unless otherwise indicated in this summary of the significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Bank’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023
(CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(a) Standards, amendments to published standards and interpretations that are effective and applicable to the Bank

The Bank has adopted Amendments to MFRS 16 'COVID-19-Related Rent Concessions' and Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2' for the first time for the financial year beginning 1 January, which resulted in changes in accounting policies.

(b) Standards, amendments to published standards and interpretations that are effective and applicable to the Bank

The Bank has adopted Amendments to MFRS 16 'Covid-19-Related Rent Concessions beyond 30 June 2021', Amendments to MFRS 116 'Proceeds before Intended Use', Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract' and Annual Improvements to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities' for the first time for the financial year beginning 1 January 2022, which resulted in changes in accounting policies.

(i) Amendment to MFRS 16 'COVID-19-Related Rent Concessions beyond 30 June 2021' ("the 2021 amendment")

During the year, the Bank adopted the 2021 amendments that extended the applicable period of the practical expedient provided by the 2020 amendments to MFRS 16 to cover rent concessions that reduce lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

(ii) Amendments to MFRS 116 'Proceeds before Intended Use'

The amendments prohibit a Bank from deducting from the cost of a property, plant and equipment ("PPE") the proceeds received from selling items produced by the PPE before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

In accordance with the transition provisions, the Bank applied the amendments retrospectively and had no impact on the amounts recognised in the current or prior period as there were no sales of such items produced by PPE made available for use on or after 1 January 2021.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(iii) Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'

The amendments clarify that direct cost of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the Bank recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The amendments shall be applied to contracts for which the entity has yet to fulfil all its obligations at the date of initial application of 1 January 2022.

These amendments had no impact on the amounts recognised in the current or prior period as the Bank had not identified any contracts as being onerous.

(iv) Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform – Phase 2'

The Phase 1 amendments, which was effective on 1 January 2020, provided temporary reliefs from applying specific hedge accounting requirements to relationships affected by uncertainties arising as a result of IBOR reform. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one.

The Phase 2 amendments provide practical expedient allowing entities to update the effective interest rate (for instruments measured at amortised cost, lessees and insurers applying the temporary exemption from MFRS 9) to account for any required changes in contractual cash flows that is a direct consequence of IBOR reform. This results in no immediate gain or loss recognised in profit or loss.

The Phase 2 amendments require entities to update the hedge documentation to reflect the changes required by the IBOR replacement. These amendments also provide reliefs that enable and require entities to continue hedge accounting in circumstances when changes in hedged items and hedging instruments are solely due to IBOR reform.

The financial assets and financial liabilities as at 30 September are not exposed to any IBOR related exposures.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(c) Standards, amendments to published standards and interpretations that have been issued but not yet effective and applicable to the Bank

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2022.

(i) Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023)

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

(ii) Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates (effective 1 January 2023)

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; fair value of an asset or liability; and depreciation for property, plant and equipment.

(iii) Amendments to MFRS 101 - Classification of liabilities as current or non-current (effective 1 January 2024)

The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A BASIS OF PREPARATION (CONTINUED)

(c) Standards, amendments to published standards and interpretations that have been issued but not yet effective and applicable to the Bank (continued)

(iv) Amendments to MFRS 101 - Non-Current Liabilities with Covenants (effective 1 January 2024)

The amendments specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

(v) Amendments to MFRS 16 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024)

The amendments specifies that the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The adoption of the above new accounting standards, amendments to published standards and interpretations to existing standards are not expected to give rise to any material financial impact to the Bank.

B FINANCIAL ASSETS

(a) Classification

The Bank classifies its financial assets in the following manner

- Those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss); and
- Those to be measured at amortised costs.

(b) Recognition and de-recognition

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Bank settles the commitment to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all the risks and rewards of ownership.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

Debt instruments (continued)

(ii) Fair value through other comprehensive income ("FVOCI")

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent SPPI, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in profit or loss. Interest income from these financial assets is included in "interest income" using the effective interest rate method. Foreign exchange gains and losses are presented in other operating income and impairment expenses are presented as a separate line item in the Statement of Comprehensive Income.

(iii) Fair value through profit or loss ("FVTPL")

Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. The Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in profit or loss in the period which it arises.

Business model

The business model reflects how the Bank manages the assets in order to generate cash flows. That is, whether the Bank's objectives are solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these are applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified under the "other" business model and measured at FVTPL. Factors considered by the Bank in determining the business model for a group of assets include past experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers are compensated. For example, the Bank's business model for the mortgage loan book is to hold to collect contractual cash flows. Another example is the liquidity portfolio of assets, which is held by the Bank as part of liquidity management and is generally classified within the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified under the "other" business model and measured at FVTPL.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

Solely payments of principal and interest ("SPPI")

Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Bank assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the "SPPI test"). In making this assessment, the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. profit includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Equity instruments

The Bank subsequently measures all equity investments at fair value. Where the Bank's management has elected to present fair value gains and losses on equity investments in FVOCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. However, the Bank does not hold any equity instruments as at the reporting date. Dividends from such investments continue to be recognised in profit or loss as other income when the Bank's right to receive payments is established.

Changes in the fair value of financial assets at FVTPL are recognised in "net gains and losses on financial instruments" in the Statement of Comprehensive Income.

(d) Subsequent measurement – Impairment

Impairment for debt instruments and financial guarantee contracts

The Bank assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI and financial guarantee contracts issued. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONTINUED)**

2 **SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B FINANCIAL ASSETS (CONTINUED)

(d) **Subsequent measurement – Impairment (continued)**

ECL represents a probability-weighted estimate of the difference between present value of cash flows according to contract and present value of cash flows the Bank expects to receive, over the remaining life of the financial instrument. For financial guarantee contracts, the ECL is the difference between the expected payments to reimburse the holder of the guaranteed debt instrument less any amounts that the Bank expects to receive from the holder, the debtor or any other party.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

General 3-stage approach

At each reporting date, the Bank measures ECL through loss allowance at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance at an amount equal to lifetime ECL is required. Note 33 sets out the measurement details of ECL. The Bank applies 3-stage approach on debt instruments measured at amortised cost, except for those that are under simplified approach, as explained below.

Simplified approach

The Bank applies MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for other assets.

Significant increase in credit risk

The Bank considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Bank compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportable forward-looking information.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk (continued)

The following indicators are incorporated:

- Significant changes in internal price indicators of credit risk as a result of changes in credit risk.
- Changes in the rates or terms of an existing instrument if it is assessed as a newly originated instrument (example more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage) because of changes in the credit risk
- Significant changes in external market indicators of credit risk for a financial instrument.
- Actual or expected significant change in the financial instrument's external credit rating.
- Actual or expected internal credit rating downgrade for the borrower or decrease in behavioural scoring used to assess credit risk internally.
- Existing or forecasted adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations (example increase in interest rates, significant increase in unemployment rates).
- An actual or expected significant change in the operating performance of the borrower (example declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure).
- Significant increases in credit risk on other financial instruments of the same borrower (example CCRIS rating).
- Actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower that may result in a significant change in the borrower's ability to meet its debt obligations (example decreasing sales).
- Actual or expected significant changes in the value of the collateral supporting the obligation.

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONTINUED)

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Significant increase in credit risk (continued)

- Actual or expected significant changes in the quality of the third-party guarantee provided.
- Actual or expected significant changes such as reductions in financial support from a parent entity/other affiliate, or in the quality of credit enhancement.
- Expected changes in the loan documentation (example an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees) or other changes to the contractual framework of the instrument.
- Significant changes in the expected behaviour of the borrower, including changes in the payment status of borrowers in the group of similar instruments.
- Payment delays and past due information.

Definition of default and credit-impaired financial assets

The Bank defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of indicators, which include amongst others, the following criteria:

- Failure to make contractual payment more than 90 days or 3 months of when they fall due.
- Borrowers who have ceased business operations.
- Borrowers who have defaulted on the credit facilities with other financial institutions with 3 months or more overdue.

The Bank also assesses whether objective evidence of impairment exists for financial assets which are individually significant, which include:

- Significant financial difficulty of the debtor.
- High probability of bankruptcy or other financial reorganizations of the borrower.
- For economic or legal reasons relating to the borrower's financial difficulty, granting of a concession that the Bank would not otherwise consider.

Insignificant delays or shortfalls, when considered in isolation would not automatically cause a borrower to be considered impaired.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Definition of default and credit-impaired financial assets (continued)

If the Bank determines that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised. Financial assets which are individually significant but non-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, customer types and other relevant factors) for collective assessment.

Write off policy

The Bank writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

Indicators that there is no reasonable expectation of recovery include

- ceasing enforcement activity; and
- where the Bank's recoveries method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

Modification of financing

The Bank sometime renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change in the interest rate.
- Change in the currency the financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B FINANCIAL ASSETS (CONTINUED)

(d) Subsequent measurement – Impairment (continued)

Modification of financing (continued)

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assessed whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets).

De-recognition other than a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either:

- (i) the Bank transfers substantially all the risks and rewards of ownership, or
- (ii) the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Bank has not retained control.

(e) Regulatory reserve requirements

Pursuant to BNM letter dated 1 November 2019, effective 1 January 2020, the Bank shall maintain, in aggregate, stage 1 and 2 provisions and regulatory reserve of no less than 1% of all credit exposures (on and off-balance sheet that are subject to MFRS 9 impairment requirement, excluding exposures to and with an explicit guarantee from the Malaysian Government), net of Stage 3 provision.

Pursuant to BNM's Letter dated 24 March 2020 on "Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak", banking institutions are allowed to drawdown prudential buffers; temporarily reducing the regulatory reserves held against expected loss to 0% and to gradually reinstate the buffer by 30 September 2021. Presently, the Bank is still maintaining its regulatory reserves buffer of 1%.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 1 month or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

D PLANT AND EQUIPMENT

Plant and equipment are initially stated at cost. Subsequent to initial recognition, all plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

All repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

Plant and equipment are depreciated using the straight-line method to allocate costs to their residual values over their estimated useful lives, summarised as follows:

Office equipment and furniture & fittings	7 years
Motor vehicles	5 years
Computers	3 years
Office renovations	7 years

Residual values and useful lives of assets are reviewed and adjusted if appropriate, at the end of each reporting period.

E INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date.

During the year, management has revised the useful life of Intangible assets of the Bank comprise computer software and are amortised over their finite useful lives estimated at 3 – 10 years on a straight-line basis.

Cost associated with maintaining computer software are recognised as an expense as incurred.

Residual values and useful lives of assets are reviewed and adjusted if appropriate, at the end of each reporting period.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to profit or loss unless it reverses a previous revaluation, in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to revaluation surplus reserve.

G PROVISIONS

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. The only financial liabilities at fair value through profit or loss are derivative liabilities, see accounting policy O.

Financial liabilities are de-recognised when extinguished.

The Bank's other financial liabilities include deposits from customers, lease liabilities and other liabilities.

Other financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

I ACCOUNTING BY LESSEE

Leases are recognised as right-of-use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Bank allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Lease term

In determining the lease term, the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank and affects whether the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease.

The Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Bank and affects whether the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I ACCOUNTING BY LESSEE (CONTINUED)

ROU assets

ROU assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Bank is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable by the Bank under residual value guarantees;
- The exercise price of a purchase and extension options if the Bank is reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Bank exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

The Bank presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented within the interest expenses in Statement of Comprehensive Income.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I ACCOUNTING BY LESSEE (CONTINUED)

Reassessment of lease liabilities

The Bank is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line bases as an expense in Statement of Comprehensive Income.

J FINANCIAL GUARANTEE CONTRACTS AND LOAN COMMITMENTS

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure financing, overdrafts and other banking facilities.

Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The expected credit losses model under MFRS 9
- The premium received on initial recognition less income recognised in accordance with the principles of MFRS 15.

Financing commitments provided by the Bank are measured as the amount of the loss allowance. The Bank has not provided any commitment to provide financing/advances at a below-market interest rate, or one that can be settled net in cash or by delivering or issuing another financial instrument. The loss allowance is recognized as expected credit losses for loan commitments and financial guarantees.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K RECOGNITION OF INTEREST INCOME, EXPENSES AND FEE AND OTHER INCOME

(i) Interest income and interest expense

Interest income and expense for all interest-bearing financial instruments are recognised within “interest income” and “interest expense” in the Statement of Comprehensive Income using the effective interest method. The effective interest method is a way of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period.

The effective interest method applies the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial instruments to the net carrying amount of the financial assets or liabilities.

For the credit impaired financial assets, the effective Interest rate is applied to the net carrying amount of the financial assets (after deduction of the expected credit losses).

(ii) Fee and other income

Fees and commissions are recognised as income when all condition precedents are fulfilled.

Guarantee fees are recognised as income based on performance obligations satisfied.

Brokerage fees are recognised as income based on inception of such transactions.

Dividends are recognised when the right to receive payment is established.

L EMPLOYEE BENEFITS

(i) Short-term benefits

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are recognised as an expense in the period in which the associated services are rendered by employees of the Bank.

(ii) Defined contribution plans

The Bank’s contributions to defined contribution plans are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Bank has no further payment obligations.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M FOREIGN CURRENCIES

(i) Functional and presentation currency

Items included in the financial statements of the Bank are measured using the currency of the primary economic environment in which the Bank operates (the “functional currency”). These financial statements are presented in Ringgit Malaysia (“RM”), which is the Bank’s functional and presentation currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(ii) Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within ‘other income’. All other foreign exchange gains and losses are recognised in the income statement within the same line item as the underlying that gives rise to the translation difference.

The principal exchange rates for every unit of foreign currency ruling at reporting date used are as follows:

	<u>30 September 2023</u>	<u>31 December 2022</u>
Indian Rupees	0.0564	0.0533
Singapore Dollars	3.4368	3.2819
United States Dollars	4.6900	4.4130
Euro	4.9601	4.7038

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N CURRENT AND DEFERRED TAX

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Bank operates and generates taxable income.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of transaction affects neither accounting nor taxable profit and loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences or unused tax losses can be utilised.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome. Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

O DERIVATIVES

Derivatives are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flows models. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

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2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

O DERIVATIVES (CONTINUED)

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

As at reporting date, the Bank has not designated any derivative as hedging instruments.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statement.

P OFFSETTING FINANCIAL INSTRUMENTS

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position where there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Q SHARE CAPITAL

Classification

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the substance of the contractual arrangement of the particular instrument.

Share issue costs

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction net of tax, from the proceeds.

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Bank, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument is recognised directly in equity.

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3 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires management to exercise their judgement in the process of applying the Bank's accounting policies. Although these estimates and judgements are based on the management's best knowledge of current events and actions, actual results may differ from these estimates.

In determining the carrying amounts of some assets and liabilities, the Bank makes assumptions of the effects of uncertain future events on those assets and liabilities at the date of the statement of financial position. The Bank estimates and assumptions are based on historical experiences and expectations of future events and are reviewed periodically. Revision to accounting estimates are recognised in the period in which the estimates is revised and in any future periods affected.

Expected credit losses (ECL)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (example the likelihood of customers defaulting and the resulting losses)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The impact of the COVID-19 pandemic remains uncertain and has directly and indirectly impacted the global economy, markets and the Bank's borrowers and customers. In arriving at the estimated ECL, management judgement and estimation are applied in, amongst others, identifying impaired exposures, estimating the related recoverable cash flows and where applicable, determining the collateral values and timing of realisation. Judgements and assumptions in respect of these matters have been updated to reflect the potential impact of COVID-19.

In particular, the Bank has incorporated the following estimates, assumptions and judgements arising from the COVID-19 pandemic and the associated payment support packages in the measurement of ECL:

- Forward looking macroeconomic assumptions and probability-weighted scenarios relating to the COVID-19 pandemic have been considered, including potential impacts of the COVID-19 pandemic, recognising uncertainty still exists in relation to the duration of the COVID-19 pandemic related restrictions, the anticipated impact of government stimulus and regulatory actions.
- Consistent with the industry guidance, the Bank's borrowers and customers who have received repayment supports, including restructuring and rescheduling of repayment terms and payments moratorium remain in their existing stages, unless they have been individually identified as not viable or with subsequent triggers of significant increase in credit risk from their pre-COVID-19 status.

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4 CASH AND SHORT-TERM FUNDS

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
Cash and balances with banks and other financial institutions	1,423	5,601
Money at call and deposit placements maturing within one month	81,659	44,844
Less: Expected Credit Losses -Stage 1	-	-
	<u>83,082</u>	<u>50,445</u>

(i) Movements in expected credit losses for cash and short-term funds are as following:

	<u>30.09.2023</u> Stage 1 RM'000	<u>31.12.2022</u> Stage 1 RM'000
At the beginning of the period	-	-
Financial assets derecognised (other than write-offs)	-	-
New financial assets originated or purchased	-	-
At the end of the period	<u>-</u>	<u>-</u>

5 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
Licensed banks	323,342	274,645
Less: Expected Credit Loss	(9)	(59)
	<u>323,333</u>	<u>274,586</u>

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**5 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS
(CONTINUED)**

(i) Movements in expected credit losses for deposits and placements with banks and other financial institutions are as following:

	<u>30.09.2023</u> Stage 1 RM'000	<u>31.12.2022</u> Stage 1 RM'000
At the beginning of the period	59	-
Financial assets derecognised (other than write-offs)	(58)	-
New financial assets originated or purchased	8	59
	<hr/>	<hr/>
At the end of the period	9	59
	<hr/> <hr/>	<hr/> <hr/>

6 FINANCIAL INVESTMENTS AT AMORTISED COST

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
Money market instruments:		
Malaysian Government Securities	51,167	51,686
Cagamas Bonds	50,489	30,094
Private Debt Securities	131,753	24,842
Negotiable Instrument of Deposits	15,007	-
Less: Expected Credit Losses		
- Stage 1	(40)	(9)
	<hr/>	<hr/>
	248,376	106,613
	<hr/> <hr/>	<hr/> <hr/>

(i) Movements in expected credit losses for financial investment at amortised cost are as following:

	<u>30.09.2023</u> Stage 1 RM'000	<u>31.12.2022</u> Stage 1 RM'000
At the beginning of the period	9	21
Financial assets derecognised (other than write-offs)	-	(4)
New financial assets originated or purchased	32	7
Changes due to changes in credit risk	(1)	(15)
	<hr/>	<hr/>
At the end of the period	40	9
	<hr/> <hr/>	<hr/> <hr/>

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7 LOANS AND ADVANCES

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
(i) By type		
Overdrafts	9,000	9,940
Term loans	1,888	8,423
Bills receivable	5,922	-
Trust receipt	8,359	4,620
Less: Unearned interest and income	(24)	-
	<u>25,145</u>	<u>22,983</u>
Gross loan and advances		
Less: Allowance for impairment losses		
- Expected credit losses	(85)	(2)
	<u>25,060</u>	<u>22,981</u>
Net loans and advances		
(ii) The loans and advances are disbursed to the following types of customers:		
Domestic business enterprises		
- Small medium enterprises	21,635	16,295
- Others	3,510	6,688
	<u>25,145</u>	<u>22,983</u>
Gross loans and advances		
(iii) Loans and advances analysed by interest rate/profit rate sensitivity are as follows:		
Variable rate		
- BLR plus/minus	22,628	15,412
- Other variable rates	2,517	7,571
	<u>25,145</u>	<u>22,983</u>
Gross loans and advances		

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7 LOANS AND ADVANCES (CONTINUED)

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
(iv) The maturity structure of the loans and advances is as follows:		
Maturity within		
- One to five years	23,909	21,649
- More than five years	1,236	1,334
	<u>25,145</u>	<u>22,983</u>
Gross loans and advances	<u>25,145</u>	<u>22,983</u>
(v) Loans and advances analysed by their geographical distribution are as follows:		
Malaysia		
- Kuala Lumpur	4,039	4,242
- Selangor	16,350	9,040
- Kedah	3,428	3,013
- Others	1,328	6,688
	<u>25,145</u>	<u>22,983</u>
Gross loans and advances	<u>25,145</u>	<u>22,983</u>
(vi) Loans and advances analysed by their sector are as follows:		
Manufacturing	16,527	7,673
Construction	1,173	1,217
Wholesale and retail trade, and restaurants and hotels	1,627	1,624
Finance, insurance, real estate and business activities	1,765	8,493
Education, health, and others	4,053	3,976
	<u>25,145</u>	<u>22,983</u>
Gross loans and advances	<u>25,145</u>	<u>22,983</u>

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7 LOANS AND ADVANCES (CONTINUED)

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
(vii) Impaired loans and advances analysed by geographical distribution		
Malaysia		
- Kuala Lumpur	742	-
	<hr/>	<hr/>
Gross loans and advances	742	-
	<hr/> <hr/>	<hr/> <hr/>
(viii) Impaired loans and advances analysed by sector		
Wholesale and retail trade, and restaurants and hotels	742	-
	<hr/>	<hr/>
Gross loans and advances	742	-
	<hr/> <hr/>	<hr/> <hr/>

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7 LOANS AND ADVANCES (CONTINUED)

(ix) Movements in expected credit losses for loans and advances are as follows:

	<u>Stage 1</u> 12 Months ECL RM'000	<u>Stage 2</u> Lifetime ECL not credit impaired RM'000	<u>Stage 3</u> Lifetime ECL credit impaired RM'000	ECL Total RM'000
At 1 January 2023	1	1	-	2
<i>Changes due to changes in credit risk due to transferred within stages</i>				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Financial assets derecognised	-	-	-	-
New financial assets originated	-	-	-	-
Changes due to changes in credit risk	1	12	70	83
At 30 September 2023	<u>2</u>	<u>13</u>	<u>70</u>	<u>85</u>

	<u>Stage 1</u> 12 Months ECL RM'000	<u>Stage 2</u> Lifetime ECL not credit impaired RM'000	<u>Stage 3</u> Lifetime ECL credit impaired RM'000	ECL Total RM'000
At 1 January 2022	6	-	-	6
<i>Changes due to changes in credit risk due to transferred within stages</i>				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Financial assets derecognised	(1)	1	-	-
New financial assets originated	-	-	-	-
Changes due to changes in credit risk	(4)	-	-	(4)
At 31 December 2022	<u>1</u>	<u>1</u>	<u>-</u>	<u>2</u>

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7 LOANS AND ADVANCES (CONTINUED)

(x) Movements in gross carrying amount of loans and advances that contributed to changes in the expected credit losses are as follows:

	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
At 1 January 2023	16,245	6,738	-	22,983
Changes due to changes in credit risk due to transferred within stages				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	(742)	742	-
Financial assets derecognised	-	-	-	-
Write back in respect of full Recoveries	-	-	-	-
New financial assets originated	4,231	-	-	4,231
Changes due to changes in credit risk	(1,800)	(269)	-	(2,069)
At 30 September 2023	<u>18,676</u>	<u>5,727</u>	<u>742</u>	<u>25,145</u>
	<u>Stage 1</u> RM'000	<u>Stage 2</u> RM'000	<u>Stage 3</u> RM'000	<u>Total</u> RM'000
At 1 January 2022	14,797	1,268	-	16,065
Changes due to changes in credit risk due to transferred within stages				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(3,903)	3,903	-	-
Financial assets derecognised	(2,073)	-	-	(2,073)
Write back in respect of full recoveries	-	-	-	-
New financial assets originated	6,688	-	-	6,688
Bad debt written off	-	-	-	-
Changes due to changes in credit risk	736	1,567	-	2,303
At 31 December 2022	<u>16,245</u>	<u>6,738</u>	<u>-</u>	<u>22,983</u>

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8 DERIVATIVE ASSETS

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
Derivative assets:		
Foreign exchange forwards and spots	-	-
	<u> </u>	<u> </u>
	Contract or underlying <u>principal amount</u> RM'000	Year end positive <u>fair value</u> RM'000
<u>30.09.2023</u>		
Foreign exchange forwards and spots	-	-
	<u> </u>	<u> </u>
<u>31.12.2022</u>		
Foreign exchange forwards and spots	88	-
	<u> </u>	<u> </u>

9 OTHER ASSETS

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
Deposits	206	195
Prepayments	1,146	2,446
Other receivables	14	51
	<u> </u>	<u> </u>
	1,366	2,692
	<u> </u>	<u> </u>

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10 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority.

(a) The following amounts are shown in the statements of financial position after offsetting:

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
Deferred tax assets	232	232
Deferred tax liabilities	-	-
	<u>232</u>	<u>232</u>

(b) The gross movement on the deferred taxation account are as follows:

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
<u>Deferred tax assets (before offsetting)</u>		
Expected credit losses	9	9
Lease liabilities	337	337
Provision for expenses	242	242
Plant and equipment and intangible assets	-	-
	<u>588</u>	<u>588</u>
<u>Deferred tax assets (before offsetting)</u>	588	588
Plant and equipment and intangible assets	(15)	(15)
Right-of-use assets	(341)	(341)
	<u>232</u>	<u>232</u>
Deferred tax assets (after offsetting)	<u>232</u>	<u>232</u>
<u>Deferred tax liabilities (before offsetting)</u>		
Plant and equipment and intangible assets	(15)	(15)
Right-of-use assets	(341)	(341)
	<u>(356)</u>	<u>(356)</u>
Deferred tax liabilities (before offsetting)	<u>(356)</u>	<u>(356)</u>

11 STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act, 2009. The amount is determined at set percentages of total eligible liabilities.

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12	RIGHT-OF-USE ASSETS	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
	As at the beginning of the financial period	1,538	1,604
	Lease modifications	231	574
	Depreciation charge for the financial period	(508)	(640)
	As at the end of the financial period	<u>1,261</u>	<u>1,538</u>
13	DEPOSITS FROM CUSTOMERS	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
(i)	By type of deposits		
	Demand deposits	15,833	20,254
	Savings deposits	268	389
	Fixed deposits	344,067	116,737
		<u>360,168</u>	<u>137,380</u>
(ii)	Maturity structure of fixed deposits is as follows:		
	Due within six months	243,643	15,362
	Six months to one year	100,362	101,314
	One year to three years	62	61
		<u>344,067</u>	<u>116,737</u>

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13 DEPOSITS FROM CUSTOMERS (CONTINUED)

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
(iii) The deposits are sourced from the following types of customers:		
Business enterprises	8,014	16,606
Individuals	841	1,067
Foreign entities	347,114	115,590
Non-Bank Financial Institutions	3,764	3,690
Other entities	435	427
	<u>360,168</u>	<u>137,380</u>

14 DERIVATIVE LIABILITIES

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
Derivative liabilities:		
Foreign exchange forwards and spots	<u>2</u>	<u>-</u>
	Contract or underlying <u>principal amount</u> RM'000	Year end negative <u>fair value</u> RM'000
<u>30.09.2023</u>		
Foreign exchange forwards and spots	<u>837</u>	<u>-</u>
<u>31.12.2022</u>		
Foreign exchange forwards and spots	<u>89</u>	<u>-</u>

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15 OTHER LIABILITIES

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
Accruals	642	569
Other payables	243	338
Expected credit loss for loan commitments and financial guarantees - Note (i)	-	1
	<u>885</u>	<u>908</u>

- (i) Movements in expected credit losses for loan commitments and financial guarantees are as follows:

	<u>Stage 1</u> 12 Months ECL RM'000	<u>Stage 2</u> Lifetime ECL not credit impaired RM'000	<u>Stage 3</u> Lifetime ECL credit impaired RM'000	ECL Total RM'000
At 1 January 2023	1	-	-	1
<i>Changes due to changes in credit risk due to transferred within stages</i>				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	-	-	-	-
Changes due to changes in credit risk	(1)	-	-	(1)
At 30 September 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12 Months ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	ECL Total RM'000
At 1 January 2022	6	-	-	6
<i>Changes due to changes in credit risk due to transferred within stages</i>				
- Transfer to 12-month ECL (Stage 1)	-	-	-	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(1)	1	-	-
Changes due to changes in credit risk	(4)	(1)	-	(5)
At 31 December 2022	<u>1</u>	<u>-</u>	<u>-</u>	<u>1</u>

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16 LEASE LIABILITIES

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
Lease liabilities	1,298	1,554
Scheduled repayment of lease liabilities:		
- Within one year	474	568
- One year to three years	726	869
- More than three years	98	117
	<u>1,298</u>	<u>1,554</u>

17 SHARE CAPITAL

	<u>30.09.2023</u>		<u>31.12.2022</u>	
	Number of ordinary shares	RM'000	Number of ordinary shares	RM'000
Issued and fully paid:				
At beginning/end of the financial year	33,000	330,000	33,000	330,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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**NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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18 INTEREST INCOME

	3rd Quarter Ended		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Loans and advances	516	254	1,346	683
Money at call and deposit placements with financial institutions	4,808	1,641	9,870	4,355
Financial investments at amortised cost	1,704	783	6,943	2,364
Net amortisation of discount for Financial Investment at amortised cost	(125)	(147)	(113)	(367)
Total Interest Income	6,903	2,531	18,046	7,035

19 INTEREST EXPENSE

	3 rd Quarter Ended		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	86	-	94	1
Deposits from customers	2,821	196	6,624	617
Lease liability	11	10	39	32
	<u>2,918</u>	<u>206</u>	<u>6,757</u>	<u>650</u>

20 OTHER OPERATING INCOME

	3rd Quarter Ended		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
<u>Commission and fee income:</u>				
Commission	16	34	121	78
Service charges and fees	11	56	39	177
Other income	69	-	(423)	-
	<u>96</u>	<u>90</u>	<u>(263)</u>	<u>255</u>
<u>Other income:</u>				
Foreign exchange gain	95	112	291	330
Unrealised gain (loss) on revaluation of derivative instruments	(2)	1	(2)	1
	<u>189</u>	<u>203</u>	<u>26</u>	<u>586</u>

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21 OTHER OPERATING EXPENSES

	3rd Quarter Ended		Nine Months Ended	
	30.09.2023 RM'000	30.09.2022 RM'000	30.09.2023 RM'000	30.09.2022 RM'000
Personnel costs (Note a)	1,267	1,282	4,012	3,744
Marketing expenses (Note b)	1	18	30	33
Establishments costs (Note c)	1,560	1,475	4,474	4,378
Administration and general expenses (Note d)	714	614	1,965	1,775
	<u>3,542</u>	<u>3,389</u>	<u>10,481</u>	<u>9,930</u>
a) <u>Personnel costs:</u>				
- Salaries and allowances	987	905	3,016	2,752
- Pension fund contributions	138	133	389	382
- Other staff costs	142	244	607	610
	<u>1,267</u>	<u>1,282</u>	<u>4,012</u>	<u>3,744</u>
b) <u>Marketing expenses:</u>				
- Advertising and promotion	1	18	30	33
	<u>1</u>	<u>18</u>	<u>30</u>	<u>33</u>
(c) <u>Establishments costs:</u>				
- Depreciation of plant and equipment	37	35	92	93
- Amortisation of intangible assets	171	179	514	539
- Depreciation of right-of-use assets	195	127	508	422
- Rental - Office premises	1	-	1	-
- Rental - Data centre and data recovery sites	80	80	241	241
- Repair and maintenance	15	21	60	56
- Information technology expenses	911	893	2,611	2,610
- Telecommunication charges	119	117	356	348
- Others	31	23	91	69
	<u>1,560</u>	<u>1,475</u>	<u>4,474</u>	<u>4,378</u>

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21 OTHER OPERATING EXPENSES (continued)

	3 rd Quarter Ended		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
d) <u>Administration and general expenses:</u>				
- Legal and professional fees	97	57	212	137
- Auditor's fees	47	57	146	170
- Licencing fees	46	45	136	134
- Directors' fees	82	60	216	179
- Subscriptions	198	181	585	539
- Postage and stamps	17	21	41	62
- Security services	44	44	123	112
- General insurance	17	17	50	50
- Swift and Rentas charges	67	64	212	191
- Others	99	68	244	201
	<u>714</u>	<u>614</u>	<u>1,965</u>	<u>1,775</u>

22 (ALLOWANCE FOR) / WRITE-BACK OF EXPECTED CREDIT LOSSES ON LOANS AND ADVANCES

	3 rd Quarter Ended		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.0.2022
	RM'000	RM'000	RM'000	RM'000
12- month ECL (Stage 1):				
- Made during the financial quarter	(10)	-	(1)	-
- Written back during the financial quarter	-	3	-	3
12- month ECL (Stage 2):				
- Made during the financial quarter	-	-	(12)	-
- Written back during the financial quarter	13	-	-	-
12- month ECL (Stage 3):				
- Made during the financial quarter	-	-	(70)	-
- Written back during the financial quarter	-	-	-	-
	<u>3</u>	<u>3</u>	<u>(83)</u>	<u>3</u>

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23 ALLOWANCE FOR EXPECTED CREDIT LOSSES ON LOAN COMMITMENTS AND FINANCIAL GUARANTEES

	3 rd Quarter Ended		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
12- month ECL (Stage 1):				
- Made during the financial quarter	-	-	-	-
- Written back during the financial quarter	11	3	-	4
12- month ECL (Stage 2):				
- Made during the financial quarter	-	-	1	-
- Written back during the financial quarter	-	-	-	-
	<u>11</u>	<u>3</u>	<u>1</u>	<u>4</u>

24 (ALLOWANCE FOR) / WRITE-BACK OF EXPECTED CREDIT LOSSES ON OTHER FINANCIAL INVESTMENTS

	3 rd Quarter Ended		Nine Months Ended	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM'000	RM'000	RM'000	RM'000
Expected credit loss on cash and short-term funds				
12- month ECL (Stage 1):				
- Made during the financial quarter	-	-	-	-
- Written back during the financial quarter	-	-	-	-
Expected credit loss on deposits and placements with financial institutions				
12- month ECL (Stage 1):				
- Made during the financial quarter	-	-	-	-
- Written back during the financial quarter	20	-	50	-
Expected credit loss on financial investments at amortised cost				
12- month ECL (Stage 1):				
- Made during the financial quarter	(82)	-	(31)	-
- Written back during the financial quarter	-	-	-	3
	<u>(62)</u>	<u>-</u>	<u>19</u>	<u>3</u>

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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
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25 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers.

The commitments and contingencies constitute the following:

	<u>Principal amount</u> RM'000	<u>Credit equivalent amount</u> RM'000	<u>Risk- weighted assets</u> RM'000
<u>30.09.2023</u>			
Direct credit substitutes	10,611	10,611	10,611
Transaction-related contingent items	347	173	173
Short-term self-liquidating trade-related contingencies	563	113	113
Other commitments, such as formal standby facilities and credit lines, with an original maturity of: -			
- Exceeding one year	-	-	-
- Not exceeding one year	9,882	1,977	1,977
<u>Derivative financial contracts</u>			
Foreign exchange related contracts:			
- Less than one year	837	-	-
Total	<u>22,240</u>	<u>12,874</u>	<u>12,874</u>

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26 COMMITMENTS AND CONTINGENCIES (CONTINUED)

	Principal amount RM'000	Credit equivalent amount RM'000	Risk- weighted assets RM'000
<u>31.12.2022</u>			
Direct credit substitutes	1,093	1,093	741
Transaction-related contingent items	1,043	522	332
Short-term self-liquidating trade-related contingencies	2,289	458	323
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:-			
- Exceeding one year	-	-	-
- Not exceeding one year	12,901	2,580	2,557
<u>Derivative financial contracts</u>			
Foreign exchange related contracts:			
- Less than one year	177	-	-
Total	<u>17,503</u>	<u>4,653</u>	<u>3,953</u>

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27 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

The related parties of, and their relationship with the Bank are as follows:

<u>Related parties</u>	<u>Relationship</u>
Bank of Baroda	Shareholder
Indian Overseas Bank	Shareholder
Union Bank of India	Shareholder
Bank of Baroda - New York Branch	Branch of the Shareholder
Bank of Baroda - Mumbai Branch	Branch of the Shareholder
Bank of Baroda - London Branch	Branch of the Shareholder
Bank of Baroda – Singapore Branch	Branch of the Shareholder
Indian Overseas Bank - Chennai Branch	Branch of the Shareholder
Indian Overseas Bank - Singapore Branch	Branch of the Shareholder
Union Bank of India - Mumbai Branch	Branch of the Shareholder

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly. The key management personnel include all the Directors of the Bank and certain senior management personnel of the Bank.

(b) Significant related party balances

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
<u>Amounts due from/(due to):</u>		
Cash and short-term funds with:		
- Bank of Baroda	259	564
- Indian Overseas Bank	48	66
- Union Bank of India	1	1
Deposits and placements with banks and other financial institutions		
- Bank of Baroda	59,321	60,005
Total	<u>59,629</u>	<u>60,636</u>

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27 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Interest income earned from/paid to related parties.

	<u>30.09.2023</u> RM'000	<u>31.12.2022</u> RM'000
<u>Interest income earned</u>		
Deposits and placements with banks and other financial institutions		
- Bank of Baroda	2,510	447
<u>Interest expense paid</u>		
Deposits and placements from banks and other financial institutions		
- Bank of Baroda	-	-
	=====	=====

28 CAPITAL MANAGEMENT

The objective of the Bank's capital management policy is to maintain an adequate level of capital to support business growth strategies under an acceptable risk framework, and to meet its regulatory requirements and market expectations.

The Bank's capital management process involves a careful analysis of the capital requirements to support business growth. The Bank regularly assesses its capital adequacy under various scenarios on a forward-looking perspective for the purpose of capital planning and management to ensure that the capital is at the level suitable for the prevailing business conditions.

The Bank's capital requirements and capital adequacy ratios, in accordance with BNM's revised Risk-Weighted Capital Adequacy Framework ("RWCAF"): Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk are disclosed in Note 28.

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29 CAPITAL ADEQUACY

Bank Negara Malaysia (“BNM”) issued revised guidelines on the capital adequacy framework on 13 October 2015, of which took effect beginning 1 January 2016. The revised guidelines set out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Bank is computed in accordance with the Capital Adequacy Framework (“Basel II - Risk-Weighted Assets”). The Standardised Approach is applied for Credit and Market Risk, whilst the Basic Indicator Approach is applied for Operational Risk (“Basel II”).

The comparative capital adequacy ratios as at 31 December 2020 were based on BNM's Risk-Weighted Capital Adequacy Framework (“RWCAF”) which has regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance.

The capital adequacy ratio of the Bank are as follows:

	<u>30.09.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
<u>Common Equity Tier 1 Capital</u>		
Paid-up share capital	330,000	330,000
Accumulated losses	(10,203)	(10,203)
Total Common Equity Tier 1 Capital	<u>319,797</u>	<u>319,797</u>
<u>Tier 2 capital</u>		
Stage 1 and 2 ECL	64	71
Regulatory reserves	3,260	1,320
Total Tier 2 capital	<u>3,324</u>	<u>1,391</u>
Total capital base	<u>323,121</u>	<u>321,188</u>
Capital ratios		
Common Equity Tier 1 Capital Ratio	149.886%	254.306%
Total Capital Ratio	<u>151.444%</u>	<u>255.412%</u>

The Bank does not have any innovative, non-innovative, complex or hybrid capital instruments. The breakdown of risk-weighted assets by major category is as follows:

	<u>30.09.2023</u>	<u>31.12.2022</u>
	RM'000	RM'000
Credit risk	191,370	105,355
Market risk	1,184	164
Operational risk	20,806	20,234
Total risk-weighted assets	<u>213,360</u>	<u>125,753</u>

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29 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 30 September 2023:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) Credit Risk				
<u>On-balance sheet exposures</u>				
Sovereigns/central banks	51,686	51,686	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	461,027	461,027	124,663	9,973
Corporates	156,844	161,993	48,534	3,883
Other assets	4,645	4,645	4,291	343
Defaulted exposure	672	672	1,008	81
Total on-balance sheet exposures	<u>674,874</u>	<u>680,023</u>	<u>178,496</u>	<u>14,280</u>
<u>Off-balance sheet exposures</u>				
Over-the-counter ("OTC")				
Derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	22,240	12,874	12,874	1,030
Total off-balance sheet exposures	<u>22,240</u>	<u>12,874</u>	<u>12,874</u>	<u>1,030</u>
Total on and off-balance sheet exposures	<u>697,114</u>	<u>692,897</u>	<u>191,370</u>	<u>15,310</u>
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Foreign currency risk	1,184	-	1,184	95
(c) Operational risk			20,806	1,664
Total risk weighted assets and capital requirements			<u>213,360</u>	<u>17,069</u>

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29 CAPITAL ADEQUACY (CONTINUED)

The breakdown of the Bank's credit risk exposures by risk weights is as follows:

	Exposures after netting and credit risk mitigation (RM'000)								Total risk weighted assets	
	Sovereigns/ Central banks	Public sector entities	Banks, Development Institutions and MDBs	Corporates	Residential mortgages	Higher risk assets	Other assets	Equity		Total exposures after netting and credit risk mitigation
<u>30.09.2023</u>										
<u>Risk weighted</u>										
0%	51,686	-	-	-	-	-	354	-	52,040	-
20%	-	-	352,836	141,824	-	-	-	-	494,660	98,932
50%	-	-	108,191	-	-	-	-	-	108,191	54,096
100%	-	-	-	33,043	-	-	4,291	-	37,334	37,334
150%	-	-	-	672	-	-	-	-	672	1,008
Total exposures	51,686	-	461,027	175,539	-	-	4,645	-	692,897	191,370
Risk weighted assets by exposure	-	-	124,663	62,416	-	-	4,291	-	-	191,370
Average risk weight	-	-	27.04%	35.56%	-	-	92.38%	-	-	-

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29 CAPITAL ADEQUACY (CONTINUED)

Total risk weighted assets and capital requirements as at 31 December 2022:

<u>Exposure Class</u>	<u>Gross exposures</u> RM'000	<u>Net exposures</u> RM'000	<u>Risk weighted assets</u> RM'000	<u>Capital requirements</u> RM'000
(a) Credit Risk				
<i><u>On-balance sheet exposures</u></i>				
Sovereigns/central banks	53,863	53,863	-	-
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	337,322	337,322	67,464	5,397
Corporates	62,940	59,671	27,704	2,216
Other assets	6,834	6,834	6,234	499
Total on-balance sheet exposures	<u>460,959</u>	<u>457,690</u>	<u>101,402</u>	<u>8,112</u>
<i><u>Off-balance sheet exposures</u></i>				
Over-the-counter ("OTC")				
Derivatives	-	-	-	-
Credit derivatives	-	-	-	-
Off balance sheet exposures other than OTC derivatives or credit derivatives	4,653	3,953	3,953	316
Total off-balance sheet exposures	<u>4,653</u>	<u>3,953</u>	<u>3,953</u>	<u>316</u>
Total on and off-balance sheet exposures	<u>465,512</u>	<u>461,643</u>	<u>105,355</u>	<u>8,428</u>
	<u>Long position</u>	<u>Short position</u>		
(b) Market risk				
Foreign currency risk	-	164	164	13
(c) Operational risk			20,234	1,619
Total risk weighted assets and capital requirements			<u>125,753</u>	<u>10,060</u>

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29 CAPITAL ADEQUACY (CONTINUED)

The breakdown of the Bank's credit risk exposures by risk weights is as follows:

	Exposures after netting and credit risk mitigation (RM'000)									
	<u>Sovereigns/ Central banks</u>	<u>Public sector entities</u>	<u>Banks, Development Financial Institutions and MDBs</u>	<u>Corporates</u>	<u>Residential mortgages</u>	<u>Higher risk assets</u>	<u>Other assets</u>	<u>Equity</u>	<u>Total exposures after netting and credit risk mitigation</u>	<u>Total risk weighted assets</u>
<u>31.12.2022</u>										
<u>Risk weighted</u>										
0%	53,863	-	-	-	-	-	600	-	54,463	-
20%	-	-	337,322	39,959	-	-	-	-	377,281	75,456
50%	-	-	-	-	-	-	-	-	-	-
100%	-	-	-	23,665	-	-	6,234	-	29,899	29,899
Total exposures	<u>53,863</u>	<u>-</u>	<u>337,322</u>	<u>63,624</u>	<u>-</u>	<u>-</u>	<u>6,834</u>	<u>-</u>	<u>461,643</u>	<u>105,355</u>
Risk weighted assets by exposure	-	-	67,464	31,657	-	-	6,234	-	-	105,355
Average risk weight	-	-	20.00%	49.76%	-	-	91.22%	-	-	-

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

A Liquidity risk

Contractual maturity of assets and liabilities

The table below analyses assets and liabilities (including non-financial instruments) of the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions:

	Up to <u>1 week</u> RM'000	>1 week to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 6 <u>months</u> RM'000	>6 - 12 <u>months</u> RM'000	Over 1 <u>year</u> RM'000	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<u>30.09.2023</u>								
<u>Assets</u>								
Cash and short-term funds	46,226	35,433	-	-	-	-	1,423	83,082
Deposits and placements with banks and other financial institutions	-	-	89,574	134,227	99,532	-	-	323,333
Financial investments at amortised cost	-	-	15,007	-	9,897	223,471	-	248,375
Loans and advances	1,131	4,308	8,552	265	-	1,146	9,658	25,060
Derivative assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	1,366	1,366
Deferred taxation	-	-	-	-	-	-	232	232
Tax recoverable	-	-	-	-	-	-	613	613
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	100	100
Plant and equipment	-	-	-	-	-	-	370	370
Intangible assets	-	-	-	-	-	-	449	449
Right of use assets	-	-	-	-	-	-	1,261	1,261
	<u>47,357</u>	<u>39,741</u>	<u>113,133</u>	<u>134,492</u>	<u>109,429</u>	<u>224,617</u>	<u>15,472</u>	<u>684,241</u>

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

A Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

The table below analyses assets and liabilities (including non-financial instruments) of the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions: (continued)

	Up to <u>1 week</u> RM'000	>1 week to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 6 <u>months</u> RM'000	>6 - 12 <u>months</u> RM'000	Over 1 <u>year</u> RM'000	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<u>30.09.2023</u>								
<u>Liabilities</u>								
Deposits from customers	1,570	39,834	70,876	231,715	73	-	16,100	360,168
Derivative liabilities	2	-	-	-	-	-	-	2
Other liabilities	-	-	-	-	-	-	885	885
Lease liabilities	-	54	108	162	324	650	-	1,298
	<u>1,570</u>	<u>39,888</u>	<u>70,984</u>	<u>231,877</u>	<u>397</u>	<u>650</u>	<u>16,987</u>	<u>362,353</u>
Net liquidity gap	<u>45,787</u>	<u>(147)</u>	<u>42,149</u>	<u>(97,385)</u>	<u>109,032</u>	<u>223,967</u>	<u>(1,515)</u>	<u>321,888</u>

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

A Liquidity risk (continued)

Contractual maturity of assets and liabilities

The table below analyses assets and liabilities (including non-financial instruments) of the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions:

	Up to <u>1 week</u> RM'000	>1 week to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 6 <u>months</u> RM'000	>6 - 12 <u>months</u> RM'000	Over 1 <u>year</u> RM'000	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<u>31.12.2022</u>								
<u>Assets</u>								
Cash and short-term funds	50,445	-	-	-	-	-	-	50,445
Deposits and placements with banks and other financial institutions	-	-	140,522	80,739	53,325	-	-	274,586
Financial investments at amortised cost	-	14,967	10,100	-	-	81,456	-	106,613
Loans and advances	564	778	10,279	591	9,035	1,734	-	22,981
Other assets	-	32	124	121	2,158	11	246	2,692
Deferred taxation	-	-	-	-	-	-	232	232
Tax recoverable	-	-	-	-	-	-	613	613
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	100	100
Plant and equipment	-	-	-	-	-	-	196	196
Intangible assets	-	-	-	-	-	-	963	963
Right of use assets	-	-	-	-	7	1,493	-	1,538
	<u>51,009</u>	<u>15,815</u>	<u>161,025</u>	<u>81,451</u>	<u>64,525</u>	<u>84,784</u>	<u>2,350</u>	<u>460,959</u>

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

A Liquidity risk (continued)

Contractual maturity of assets and liabilities (continued)

The table below analyses assets and liabilities (including non-financial instruments) of the Bank based on the remaining period to the contractual maturity date in accordance with the requirements of BNM Guidelines on Financial Reporting for Banking Institutions: (continued)

	Up to <u>1 week</u> RM'000	>1 week to <u>1 month</u> RM'000	>1 - 3 <u>months</u> RM'000	>3 - 6 <u>months</u> RM'000	>6 - 12 <u>months</u> RM'000	Over 1 <u>year</u> RM'000	No specific <u>maturity</u> RM'000	<u>Total</u> RM'000
<u>31.12.2022</u>								
<u>Liabilities</u>								
Deposits from customers	24,489	6,884	2,131	2,501	101,314	61	-	137,380
Other liabilities	117	151	421	-	-	-	219	908
Lease liabilities	-	53	100	142	273	986	-	1,554
	<u>24,606</u>	<u>7,088</u>	<u>2,652</u>	<u>2,643</u>	<u>101,587</u>	<u>1,047</u>	<u>219</u>	<u>139,842</u>
Net liquidity gap	<u>26,403</u>	<u>8,727</u>	<u>158,373</u>	<u>78,808</u>	<u>(37,062)</u>	<u>83,737</u>	<u>2,131</u>	<u>321,117</u>

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

B Interest rate risk

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 30 September 2023:

	Non-trading book						Trading book	Total
	Up to <u>1 month</u>	1 - 3 <u>months</u>	3 - 12 <u>months</u>	1 - 5 <u>years</u>	Over <u>5 years</u>	Non- interest <u>sensitive</u>		
<u>30.09.2023</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<u>Assets</u>								
Cash and short-term funds	82,728	-	-	-	-	354	-	83,082
Deposits and placements with banks and other financial institutions	-	89,574	233,759	-	-	-	-	323,333
Financial investments at amortised cost	-	15,007	9,897	223,471	-	-	-	248,375
Loans and advances	5,439	18,380	265	304	-	672	-	25,060
Derivative assets	-	-	-	-	-	-	-	-
Other assets	100	-	-	-	-	4,291	-	4,391
Total assets	<u>88,267</u>	<u>122,961</u>	<u>243,921</u>	<u>223,775</u>	<u>-</u>	<u>5,317</u>	<u>-</u>	<u>684,241</u>

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

B Interest rate risk (continued)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 30 September 2023 (continued):

	Non-trading book						Trading book	Total
	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non- interest sensitive		
<u>30.09.2023</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Liabilities</u>								
Deposits from customers	41,404	70,876	231,715	73	-	16,100		360,168
Derivative liabilities	-	-	-	-	-	-	2	2
Other liabilities	-	-	-	-	-	885	-	885
Lease liabilities	-	-	-	-	-	1,298	-	1,298
Total liabilities	<u>41,404</u>	<u>70,876</u>	<u>231,715</u>	<u>73</u>	<u>-</u>	<u>18,283</u>	<u>2</u>	<u>362,353</u>
On balance sheet-interest rate gap	<u>46,863</u>	<u>52,085</u>	<u>12,206</u>	<u>223,702</u>	<u>-</u>	<u>(12,966)</u>	<u>(2)</u>	<u>321,888</u>

INDIA INTERNATIONAL BANK (MALAYSIA) BERHAD
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NOTES TO THE UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONTINUED)

30 FINANCIAL RISK MANAGEMENT (CONTINUED)

B Interest rate risk (continued)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2022:

	Non-trading book						Trading book	Total
	Up to <u>1 month</u>	1 - 3 <u>months</u>	3 - 12 <u>months</u>	1 - 5 <u>years</u>	Over <u>5 years</u>	Non- interest <u>sensitive</u>		
<u>31.12.2022</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Assets</u>								
Cash and short-term funds	44,844	-	-	-	-	5,601	-	50,445
Deposits and placements with banks and other financial institutions	-	140,522	134,064	-	-	-	-	274,586
Financial investments at amortised cost	14,967	10,100	-	81,546	-	-	-	106,613
Loans and advances	1,341	21,049	591	-	-	-	-	22,981
Derivative assets	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	246	-	246
Total assets	<u>61,152</u>	<u>171,671</u>	<u>134,655</u>	<u>81,546</u>	<u>-</u>	<u>5,847</u>	<u>-</u>	<u>454,871</u>

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30 FINANCIAL RISK MANAGEMENT (CONTINUED)

B Interest rate risk (continued)

The following table represents the Bank's carrying assets and liabilities at carrying amounts as at 31 December 2022 (continued):

	Non-trading book						Trading book	Total
	Up to 1-month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non- interest sensitive		
<u>31.12.2022</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Liabilities</u>								
<u>Liabilities</u>								
Deposits from customers	17,542	2,131	103,815	13,892	-	-	-	137,380
Other liabilities	-	-	-	-	-	908	-	861
Lease liabilities	-	-	-	-	-	1,544	-	1,567
Total liabilities	<u>17,542</u>	<u>2,131</u>	<u>103,815</u>	<u>13,892</u>	<u>-</u>	<u>2,428</u>	<u>-</u>	<u>139,842</u>
On balance sheet-interest rate gap	<u>43,610</u>	<u>169,540</u>	<u>30,840</u>	<u>67,654</u>	<u>-</u>	<u>3,385</u>	<u>-</u>	<u>315,029</u>