

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2015

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed financial statements the half year ended 30 June 2015 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Revised Guidelines on Financial Reporting for Banking Institutions issued by Bank Negara Malaysia in 2015.

YUAN BIN

Chief Executive Officer

Date: 30 July 2015

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

1

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 JUNE 2015

	Note	30 Jun 2015 RM'000	31 Dec 2014 RM'000
ASSETS			
Cash and short-term funds	10	1,111,699	1,639,495
Deposits and placements with banks and other financial institutions	11	220,976	107,600
Financial investments available-for-sale	12	144,216	55,156
Loans, advances and financing	13	2,488,500	2,210,784
Derivative financial assets	27	3,159	592
Other assets	14	6,197	7,164
Statutory deposits with Bank Negara Malaysia		16,130	10,340
Plant and equipment		3,350	4,303
Intangible asset		1,084	1,344
Deferred tax assets		3,156	3,102
TOTAL ASSETS		3,998,467	4,039,880
LIABILITIES			
Deposits from customers	15	2,402,900	1,949,828
Deposits and placements of banks and other financial institutions	16	1,155,841	1,650,218
Derivative financial liabilities	27	3,057	542
Other liabilities	17	32,677	51,986
Provision for taxation		2,284	960
TOTAL LIABILITIES		3,596,759	3,653,534
EQUITY			
Share capital		331,000	331,000
Reserves		70,708	55,346
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		401,708	386,346
TOTAL LIABILITIES AND EQUITY		3,998,467	4,039,880
COMMITMENTS AND CONTINGENCIES	24	2,240,896	2,498,328

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2014 and accompanying explanatory notes on pages 5 to 18 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 July 2015.

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

2

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

		2nd quarter ended		Year-To-Date ended	
	Note	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Interest income	18	29,273	31,861	56,438	70,486
Interest expense	19	(12,510)	(18,350)	(25,858)	(40,769)
Net interest income		16,763	13,511	30,580	29,717
Net fee income	20	3,728	1,633	6,075	4,626
Net trading income	21	3,524	2,150	6,719	9,651
Net operating income		24,015	17,294	43,374	43,994
Other operating expenses	22	(11,125)	(13,669)	(22,067)	(23,633)
Operating profit		12,890	3,625	21,307	20,361
Allowance for impairment on loans, advances and financing	23	(439)	(4,794)	(577)	(4,678)
Profit before taxation		12,451	(1,169)	20,730	15,683
Tax expense		(3,132)	442	(5,207)	(3,906)
Profit for the period		9,319	(727)	15,523	11,777
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value		292	(824)	(215)	(122)
- Deferred tax adjustment		(73)	205	54	153
Total other comprehensive income for the period		219	(619)	(161)	31
Total comprehensive income for the period		9,538	(1,346)	15,362	11,808
Basic earnings per ordinary share (sen):		2.82	(0.22)	4.69	3.56

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2014 and accompanying explanatory notes on pages 5 to 18 attached to the unaudited condensed interim financial statements.

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Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2015

	Non-distributable			Distributable		Total Equity RM'000
	Share Capital RM'000	Statutory Reserve RM'000	Available-for-sale Reserve RM'000	Regulatory Reserve RM'000	Retained Earnings RM'000	
At 1 January 2014	331,000	16,607	(251)	6,175	13,602	367,133
Total comprehensive income for the period						
Profit for the period	-	-	-	-	11,777	11,777
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	(122)	-	-	(122)
- Deferred tax adjustment	-	-	153	-	-	153
Total other comprehensive income for the period	-	-	31	-	-	31
Total comprehensive income for the period	-	-	31	-	11,777	11,808
At 30 June 2014	331,000	16,607	(220)	6,175	25,379	378,941
At 1 January 2015	331,000	26,227	(278)	11,051	18,346	386,346
Total comprehensive income for the period						
Profit for the period	-	-	-	-	15,523	15,523
Other comprehensive expenses for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	(215)	-	-	(215)
- Deferred tax adjustment	-	-	54	-	-	54
Total other comprehensive expenses for the period	-	-	(161)	-	-	(161)
Total comprehensive income for the period	-	-	(161)	-	15,523	15,362
Transfer to regulatory reserve	-	-	-	7,186	(7,186)	-
At 30 June 2015	331,000	26,227	(439)	18,237	26,683	401,708

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2014 and accompanying explanatory notes on pages 5 to 18 attached to the unaudited condensed interim financial statements.

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE
FINANCIAL PERIOD ENDED 30 JUNE 2015**

	Note	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Cash flows generated from operating activities			
Profit before taxation		20,730	15,683
Adjustments for:			
Depreciation of plant and equipment		1,055	1,129
Amortisation of intangible asset		260	260
Allowance for impairment on loans, advances and financing		577	4,678
Net unrealised gains arising from derivative trading		(52)	(4,484)
Operating profit before working capital changes		<u>22,570</u>	<u>17,266</u>
(Increase)/Decrease in operating assets			
Deposits and placements with banks and other financial institutions		(113,376)	(102,514)
Loans, advances and financing		(278,293)	100,341
Other assets		357	11,065
Statutory deposits with Bank Negara Malaysia		(5,790)	(7,867)
Increase/(Decrease) in operating liabilities			
Deposits from customers		453,072	327,135
Deposits and placements of banks and other financial institutions		(494,377)	(1,348,925)
Other liabilities		(19,309)	4,706
Cash used in operations		<u>(435,146)</u>	<u>(998,793)</u>
Income taxes paid		(3,883)	-
Net cash used in operating activities		<u>(439,029)</u>	<u>(998,793)</u>
Cash flows used in investing activities			
Purchase of plant and equipment		(102)	(153)
Net purchases of financial investments available-for-sale		(88,665)	(13,478)
Net cash used in investing activities		<u>(88,767)</u>	<u>(13,631)</u>
Net decrease in cash and cash equivalents		<u>(527,796)</u>	<u>(1,012,424)</u>
Cash and cash equivalents at beginning of the financial period		<u>1,639,495</u>	<u>2,478,860</u>
Cash and cash equivalents at end of the financial period		<u>1,111,699</u>	<u>1,466,436</u>
Cash and cash equivalents comprise:			
Cash and short-term funds	10	<u>1,111,699</u>	<u>1,466,436</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2014 and accompanying explanatory notes on pages 5 to 18 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 July 2015.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 JUNE 2015**

1. General Information

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

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

2. Basis of Preparation

The unaudited condensed interim financial statements for the half year ended 30 June 2015 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”).

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank as at and for the financial year ended 31 December 2014. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2014.

All other significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2014, except for the adoption of the following MFRSs and amendments to MFRSs.

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

MFRSs, Interpretations and amendments effecting for annual periods beginning on or after 1 January 2016

Amendments to MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations (Annual improvements 2012 - 2014 Cycle)*

Amendments to MFRS 7, *Financial Instruments: Disclosures (Annual Improvements 2012 - 2014 Cycle)*

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

Amendments to MFRS 10, *Consolidated Financial Statements*, MFRS 12, *Disclosure of Interests in Other Entities* and MFRS 128, *Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exception*

Amendments to MFRS 11, *Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations*

MFRS 14, *Regulatory Deferral Accounts*

Amendments to MFRS 101, *Presentation of Financial Statements - Disclosure Initiative*

Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 138, *Intangible Assets - Clarification of Acceptable Methods of Depreciation and Amortisation*

Amendments to MFRS 116, *Property, Plant and Equipment* and MFRS 141, *Agriculture - Agriculture: Bearer Plants*

Amendments to MFRS 119, *Employee Benefits (Annual Improvements 2012 - 2014 Cycle)*

Amendments to MFRS 127, *Separate Financial Statements - Equity Method in Separate Financial Statements*

Amendments to MFRS 134, *Interim Financial Reporting (Annual Improvements 2012 - 2014 Cycle)*

MFRSs, Interpretations and amendments effecting for annual periods beginning on or after 1 January 2017

MFRS 15, *Revenue From Contracts with Customers*

MFRSs, Interpretations and amendments effecting for annual periods beginning on or after 1 January 2018

MFRS 9, *Financial Instruments (2014)*

2. Basis of Preparation (continued)

The Bank plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2016 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 5, Amendments to MFRS 10 and MFRS 128, Amendments to MFRS 10 and MFRS 12, Amendments to MFRS 11 and Amendments to MFRS 127 as they are not applicable to the Bank.
- from the annual period beginning on 1 January 2017 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

The initial applications of the other standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Bank, except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 118, Revenue. The adoption of MFRS 15 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost.

The adoption of MFRS 9 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 9.

3. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2014 was not subject to any qualification.

4. Seasonality or Cyclical Factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the half year ended 30 June 2015.

6. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Bank for the half year ended 30 June 2015.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the half year ended 30 June 2015.

8. Dividend Paid

No dividend was paid during the half year ended 30 June 2015.

9. Significant Events

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

10. Cash and short-term funds

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Cash and balances with banks and other financial institutions	135,973	67,619
Money at call and deposit placements maturing within one month	975,726	1,571,876
	<u>1,111,699</u>	<u>1,639,495</u>

11. Deposits and placements with banks and other financial institutions

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Licensed Malaysian banks	182,653	-
Foreign banks	38,323	107,600
	<u>220,976</u>	<u>107,600</u>

12. Financial investments available-for-sale

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
At fair value		
Malaysian Government Securities	50,600	50,185
Private debt securities	93,616	4,971
	<u>144,216</u>	<u>55,156</u>

The maturity structure of financial investments available-for-sale are as follows:

Within one year	88,643	-
More than one years to three years	55,573	55,156
	<u>144,216</u>	<u>55,156</u>

13. Loans, advances and financing

At amortised cost	30 Jun 2015	31 Dec 2014
(i) By type	RM'000	RM'000
Overdrafts	134,179	118,152
Term loans		
- Housing loans	41,576	34,895
- Syndicated term loans	165,433	145,186
- Other term loans	370,813	623,518
Bills receivable	13,038	2,156
Trust receipt	-	320
Revolving credit	1,692,595	1,223,503
Bankers' acceptances	81,570	73,221
Staff loans	2,043	1,867
Credit card loans	1,099	1,235
Gross loans, advances and financing	<u>2,502,346</u>	<u>2,224,053</u>
Less: Allowance for impairment		
- Collective allowance for impairment	(11,766)	(11,189)
- Individual allowance for impairment	(2,080)	(2,080)
Net loans, advances and financing	<u>2,488,500</u>	<u>2,210,784</u>

13. Loans, advances and financing (continued)

(ii) By type of customer	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	20,044	12,038
Domestic business enterprises		
- Small medium enterprises	61,404	61,154
- Others	1,229,508	1,067,624
Individuals	38,238	31,575
Foreign entities	1,153,152	1,051,662
	<u>2,502,346</u>	<u>2,224,053</u>
(iii) By interest rate sensitivity	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Fixed rate loans	33,346	3,103
Variable rate		
- Base rate/base lending rate plus	76,183	44,226
- Cost plus	872,932	800,013
- Other variable rates	1,519,885	1,376,711
	<u>2,502,346</u>	<u>2,224,053</u>
(iv) By sector	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Primary agriculture	34,095	23,481
Manufacturing	52,775	41,460
Construction	34,341	41,337
Real estate	205,245	221,591
Wholesale & retail trade and restaurants & hotels	1,107,726	972,074
Transport, storage and communication	479,814	416,813
Finance, insurance and business services	414,340	396,749
Education, health and others	114,022	62,831
Household	59,988	47,717
	<u>2,502,346</u>	<u>2,224,053</u>
(v) By purpose	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Purchase of landed properties		
- Non residential	97,113	99,998
- Residential	42,968	36,074
Purchase of transport vehicles	139	166
Construction	10,280	9,034
Credit card	1,099	1,235
Personal use	836	778
Mergers and acquisitions	3,775	3,496
Working capital	2,321,562	2,047,214
Other purpose	24,574	26,058
	<u>2,502,346</u>	<u>2,224,053</u>

13. Loans, advances and financing (continued)

(vi) By geographical distribution	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Within Malaysia	1,362,026	1,099,833
Outside Malaysia	1,140,320	1,124,220
	<u>2,502,346</u>	<u>2,224,053</u>

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

(vii) By residual contractual maturity	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Maturity within one year	1,909,210	1,887,523
More than one year to three years	253,002	105,753
More than three years to five years	221,161	133,248
More than five years	118,973	97,529
	<u>2,502,346</u>	<u>2,224,053</u>

(viii) Impaired loans, advances and financing

(a) Movement in impaired loans, advances and financing	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
At beginning of the financial period/year	2,080	-
Impaired during the financial period/year	-	2,080
At end of the financial period/year	2,080	2,080
Less: Individual allowance for impairment	(2,080)	(2,080)
Net impaired loans, advances and financing	<u>-</u>	<u>-</u>
As % of gross loans, advances and financing (net of individual allowance for impairment)	<u>0%</u>	<u>0%</u>

(b) By sector	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Wholesale & retail trade and restaurants & hotels	2,029	2,029
Household	51	51
	<u>2,080</u>	<u>2,080</u>

(c) By purpose	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Working capital	2,029	2,029
Credit card	51	51
	<u>2,080</u>	<u>2,080</u>

(d) By geographical distribution	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Within Malaysia	<u>2,080</u>	<u>2,080</u>

13. Loans, advances and financing (continued)

(ix) Movements in allowance for impairment on loans, advances and financing	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
<u>Collective allowance for impairment</u>		
At beginning of the financial period/year	11,189	8,466
Allowance made during the financial period/year	2,204	6,082
Allowance written back during the financial period/year	<u>(1,627)</u>	<u>(3,359)</u>
At end of the financial period/year	<u><u>11,766</u></u>	<u><u>11,189</u></u>
<u>Individual allowance for impairment</u>		
At beginning of the financial period/year	2,080	-
Allowance made during the financial period/year	<u>-</u>	<u>2,080</u>
At end of the financial period/year	<u><u>2,080</u></u>	<u><u>2,080</u></u>
14. Other assets	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Interest receivable	3,562	4,664
Deposits	1,710	1,375
Other receivables and prepayments	<u>925</u>	<u>1,125</u>
	<u><u>6,197</u></u>	<u><u>7,164</u></u>
15. Deposits from customers		
(i) By type of deposit	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Demand deposits	560,334	321,759
Fixed deposits	793,242	570,577
Savings deposits	88,866	69,198
Money market deposits	697,311	634,888
Short-term deposits	250,733	349,650
Other deposits	<u>12,414</u>	<u>3,756</u>
	<u><u>2,402,900</u></u>	<u><u>1,949,828</u></u>
(ii) By type of customer	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Business enterprises	1,622,621	1,292,592
Individuals	177,985	153,872
Foreign entities	601,766	502,383
Others	<u>528</u>	<u>981</u>
	<u><u>2,402,900</u></u>	<u><u>1,949,828</u></u>
(iii) By maturity structure of term deposit	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Due within six months	2,179,656	1,720,079
More than six months to one year	221,004	228,292
More than one year to three years	<u>2,240</u>	<u>1,457</u>
	<u><u>2,402,900</u></u>	<u><u>1,949,828</u></u>

16. Deposits and placements of banks and other financial institutions	30 Jun 2015	31 Dec 2014		
	RM'000	RM'000		
Licensed Malaysian banks	178,005	826,095		
Licensed Investment banks	51	31		
Licensed Islamic banks	187	111		
Other financial institutions	138,112	185,915		
Foreign banks	839,486	638,066		
	<u>1,155,841</u>	<u>1,650,218</u>		
17. Other liabilities	30 Jun 2015	31 Dec 2014		
	RM'000	RM'000		
Interest payable	9,873	10,556		
Other payables and accruals	22,804	41,430		
	<u>32,677</u>	<u>51,986</u>		
18. Interest income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2015	30 Jun 2014	30 Jun 2015	30 Jun 2014
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:	19,647	14,335	37,698	27,830
Money at call and deposit placements with financial institutions	8,422	16,281	17,080	40,467
Investment securities available-for-sale	1,195	1,237	1,651	2,176
Others	9	8	9	13
	<u>29,273</u>	<u>31,861</u>	<u>56,438</u>	<u>70,486</u>
Of which:				
Interest income earned on impaired loans, advances and financing	-	32	-	32
	<u>-</u>	<u>32</u>	<u>-</u>	<u>32</u>
19. Interest expense				
Deposits and placements of banks and other financial institutions	(4,003)	(11,383)	(8,439)	(27,434)
Deposits from customers	(8,504)	(6,958)	(17,408)	(13,320)
Others	(3)	(9)	(11)	(15)
	<u>(12,510)</u>	<u>(18,350)</u>	<u>(25,858)</u>	<u>(40,769)</u>
Net interest income	<u>16,763</u>	<u>13,511</u>	<u>30,580</u>	<u>29,717</u>

All items of interest income and expenses were recognised from assets and liabilities that were not at fair value through profit or loss.

20. Fee income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Fee income:				
- Commission	22	26	33	31
- Service charges and fees	437	295	805	538
- Loan processing fees	55	311	96	535
- Syndication fees	752	-	752	293
- Guarantee fees	1,013	297	1,786	640
- Commitment fees	199	224	410	446
- Other loans related fees income	1	164	81	462
- Credit card	78	64	137	90
- Other fees income	1,194	393	2,002	1,941
	3,751	1,774	6,102	4,976
Fee expense:				
- Brokerage fees	(4)	(18)	(8)	(45)
- Other fees expense	(19)	(123)	(19)	(305)
	(23)	(141)	(27)	(350)
Net fee income	3,728	1,633	6,075	4,626

21. Net trading income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Net gains from dealing in foreign exchange	1,862	2,139	533	10,759
Net gains/(losses) arising from derivative trading	1,744	(1,769)	6,335	(5,538)
Net unrealised revaluation (losses)/gain in foreign exchange	(276)	535	(201)	(54)
Net unrealised gains arising from derivative trading	194	1,245	52	4,484
	3,524	2,150	6,719	9,651

22. Other operating expenses	2nd quarter ended		Year-To-Date ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Personnel costs:				
- Salaries, allowances and bonuses	5,589	9,398	10,766	14,982
- Pension fund contributions	647	576	1,226	1,152
- Other staff costs	1,054	695	1,961	1,291
Promotion and marketing related expenses:				
- Advertising and promotion	209	42	919	211
- Others	258	89	609	391
Establishment costs:				
- Depreciation of plant and equipment	528	576	1,055	1,129
- Amortisation of intangible asset	130	130	260	260
- Rental	1,092	854	2,156	1,705
- Others	281	284	558	505
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	14	21	73	76
• audit related services	45	36	45	36
- Professional fees	214	61	359	99
- Licence fee	48	35	95	70
- Membership fee	14	14	29	28
- Others	1,002	858	1,956	1,698
	11,125	13,669	22,067	23,633

23. Allowance for impairment on loans, advances and financing

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2015 RM'000	30 Jun 2014 RM'000	30 Jun 2015 RM'000	30 Jun 2014 RM'000
Collective allowance for impairment				
- made during the financial period	1,406	4,875	2,204	5,512
- written back during the financial period	(967)	(2,110)	(1,627)	(2,863)
Individual allowance for impairment				
- made during the financial period	-	2,029	-	2,029
	<u>439</u>	<u>4,794</u>	<u>577</u>	<u>4,678</u>

24. Credit exposure to connected parties

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

	30 Jun 2015 RM'000	31 Dec 2014 RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>10,135</u>	<u>14,432</u>
As a percentage of total credit exposures	<u>0.20%</u>	<u>0.30%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>0%</u>	<u>0%</u>

25. Commitments and contingencies

The commitments and contingencies constitute the following:

	30 Jun 2015			
	Principal Amount RM'000	Positive Value of Derivative Contracts ^ RM'000	Credit Equivalent Amount * RM'000	Risk-Weighted Assets * RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	669,496	-	334,748	193,164
Short term self-liquidating trade-related contingencies	35,161	-	7,032	1,502
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	133,237	-	66,619	55,403
- Not exceeding one year	886,779	-	177,356	145,992
Unutilised credit card lines	25,044	-	5,009	3,757
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	491,179	3,159	11,604	4,635
Total	<u>2,240,896</u>	<u>3,159</u>	<u>602,368</u>	<u>404,453</u>

Note 27

25. Commitments and contingencies (continued)

	31 Dec 2014			
	Principal Amount RM'000	Positive Value of Derivative Contracts ^ RM'000	Credit Equivalent Amount * RM'000	Risk- Weighted Assets * RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	620,391	-	310,196	177,732
Short term self liquidating trade-related contingencies	2,864	-	573	147
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	104,691	-	52,346	40,744
- Not exceeding one year	942,825	-	188,565	169,671
Unutilised credit card lines	20,757	-	4,151	3,114
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	806,800	592	13,647	3,589
Total	2,498,328	592	569,478	394,997

Note 27

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

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

26. Capital adequacy

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

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

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

	30 Jun 2015	31 Dec 2014
	RM'000	RM'000
Common Equity Tier 1 (“CET1”) Capital		
Paid-up share capital	331,000	331,000
Retained earnings	11,160	18,346
Statutory reserve	26,227	26,227
Regulatory reserve	18,237	11,051
Unrealised losses on financial investments available-for-sale	(439)	(278)
	386,185	386,346
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(1,084)	(1,344)
- Deferred tax assets	(2,930)	(2,930)
- Regulatory reserve attributable to loans, advances and financing	(18,237)	(11,051)
	(22,251)	(15,325)
Total CET1 Capital	363,934	371,021
Tier 2 capital		
Collective impairment allowance	11,766	11,189
Regulatory reserve	18,237	11,051
Total Tier 2 Capital	30,003	22,240
Total Capital	393,937	393,261
CET1 capital ratio	17.861%	17.895%
Tier 1 capital ratio	17.861%	17.895%
Total capital ratio	19.333%	18.968%

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

	30 Jun 2015		31 Dec 2014	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	4,606,288	1,899,273	4,616,852	1,947,772
Total RWA for market risk	-	2,877	-	1,968
Total RWA for operational risk	-	135,451	-	123,544
	4,606,288	2,037,601	4,616,852	2,073,284

26. Capital adequacy (continued)

- (a) The breakdown of RWA by exposures in each major risk category under standardised approach for the Bank are as follows:

Risk Type	30 Jun 2015			
	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	764,081	764,081	-	-
Banks, Development Financial Institutions and MDBs	720,072	720,072	153,163	12,253
Corporates	2,387,209	2,387,209	1,251,196	100,096
Regulatory Retail	73,289	73,289	63,664	5,093
Residential Mortgages	43,480	43,480	16,164	1,293
Other Assets	15,789	15,789	10,633	851
Total On-Balance Sheet Exposures	4,003,920	4,003,920	1,494,820	119,586
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	590,764	590,764	399,818	31,985
OTC derivatives	11,604	11,604	4,635	371
Total Off-Balance Sheet Exposures	602,368	602,368	404,453	32,356
Total On and Off-Balance Sheet Exposures	4,606,288	4,606,288	1,899,273	151,942
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long position</u>	<u>Short position</u>		
Foreign currency risk	706	2,877	2,877	230
<i>Operational Risk</i>				
	-	-	-	
Total RWA and Capital Requirements			2,037,601	163,008

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

26. Capital adequacy (continued)

Risk Type	31 Dec 2014			
	Gross	Net	Risk-	Capital
	Exposures	Exposures	Weighted	Requirements
	RM'000	RM'000	Assets	RM'000
	RM'000	RM'000	RM'000	
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	845,321	845,321	-	-
Banks, Development Financial Institutions and MDBs	957,163	957,163	191,433	15,315
Corporates	2,179,278	2,179,278	1,324,467	105,957
Regulatory Retail	11,069	11,069	10,468	837
Residential Mortgages	36,596	36,596	13,596	1,088
Other Assets	17,947	17,947	12,811	1,025
Total On-Balance Sheet Exposures	4,047,374	4,047,374	1,552,775	124,222
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	555,831	555,831	391,408	31,313
OTC derivatives	13,647	13,647	3,589	287
Total Off-Balance Sheet Exposures	569,478	569,478	394,997	31,600
Total On and Off-Balance Sheet Exposures	4,616,852	4,616,852	1,947,772	155,822
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long</u>	<u>Short</u>		
	<u>position</u>	<u>position</u>		
Foreign currency risk	592	1,968	1,968	157
<i>Operational Risk</i>	-	-	-	123,544
Total RWA and Capital Requirements			2,073,284	165,863

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

27. Derivative financial instruments

	30 Jun 2015		31 Dec 2014	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives	3,159	100	336	541
Currency swaps	-	2,957	256	1
Total recognised derivative assets/liabilities (Note 25)	<u>3,159</u>	<u>3,057</u>	<u>592</u>	<u>542</u>

28. Performance review

The Bank registered a profit before taxation of RM20.7 million for the first half of 2015, an increase of RM5.0 million compared against previous corresponding period in 2014. Operating profit increased by RM0.9 million, mainly due to the increase of net fee income by RM1.4 million or 31.3% comparing previous corresponding period. Other operating expenses also reduced by RM1.6 million as compared to previous period. However, it was moderated with the lower of net trading income by RM2.9 million.

While total assets declined to RM3.9 billion compared against 31 December 2014, loans, advances and financing continued to expand by RM0.28 billion or 12.6% to RM2.5 billion. The decrease of total assets was mainly attributed to lower cash and cash equivalents. Deposits from customers grew significantly from RM1.9 billion to RM2.4 billion at end of June 2015, or 23.2%, partially offset with decrease of deposits and placements of banks and other financial institutions by RM0.5 billion to RM1.2 billion.

29. Business prospects

The expansion of the global economy remained modest in the first half of 2015. Looking ahead, the global economy continues to be challenging following the increased concerns over the developments in Europe, uncertainty over monetary policy in key advanced economies, slowdown in China economy, declining commodity prices and geopolitical tension emanating from the Middle Eastern countries.

Malaysian economy grew satisfactory by 5.6% in the first quarter of 2015, underpinned by a strong private sector demand albeit a weaker export performance due to the weaker global demand and commodity prices. The headline inflation is expected to rise following the implementation of Goods and Services Tax on 1 April this year and its spillover effects. Despite of moderating private consumption is expected, investments in essential projects related to the Economic Transformation Programme will continue to flow into the economy to shore up economic growth in the near term. The banking system in Malaysia remained stable as evidenced by its healthy asset quality and strong capitalization. Competition for customer deposits are, however, expected to put pressure on the banking system's profitability. Interest rate is expected to hold steady for this year.

Against the economic backdrop, the Bank will continue to grow its core lending and deposit-taking businesses whilst maintaining satisfactory asset quality and sustainable income.