

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 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 3rd quarter and nine month ended 30 September 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 BNM/RH/STD 032-5: Financial Reporting issued by Bank Negara Malaysia in 2015.

YUAN BIN

Chief Executive Officer

Date: 29 October 2015

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	Note	30 Sept 2015 RM'000	31 Dec 2014 RM'000
ASSETS			
Cash and short-term funds	10	2,202,404	1,639,495
Deposits and placements with banks and other financial institutions	11	236,752	107,600
Financial investments available-for-sale	12	207,857	55,156
Loans, advances and financing	13	2,572,242	2,210,784
Derivative financial assets	26	9,032	592
Other assets	14	6,065	7,164
Statutory deposits with Bank Negara Malaysia		17,516	10,340
Plant and equipment		3,116	4,303
Intangible asset		954	1,344
Deferred tax assets		3,335	3,102
TOTAL ASSETS		5,259,273	4,039,880
LIABILITIES			
Deposits from customers	15	2,882,829	1,949,828
Deposits and placements of banks and other financial institutions	16	1,776,007	1,650,218
Derivative financial liabilities	26	12,196	542
Other liabilities	17	175,949	51,986
Provision for taxation		3,917	960
TOTAL LIABILITIES		4,850,898	3,653,534
EQUITY			
Share capital		331,000	331,000
Reserves		77,375	55,346
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		408,375	386,346
TOTAL LIABILITIES AND EQUITY		5,259,273	4,039,880
COMMITMENTS AND CONTINGENCIES	24	3,406,538	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 19 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 29 October 2015.

Industrial and Commercial Bank of China (Malaysia) Berhad

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

		3rd quarter ended		Year-To-Date ended	
	Note	30 Sept 2015 RM'000	30 Sept 2014 RM'000	30 Sept 2015 RM'000	30 Sept 2014 RM'000
Interest income	18	35,902	31,046	92,340	101,532
Interest expense	19	(15,235)	(16,724)	(41,093)	(57,493)
Net interest income		20,667	14,322	51,247	44,039
Net fee income	20	3,715	3,574	9,790	8,200
Net trading income	21	9,934	2,536	16,653	12,187
Net operating income		34,316	20,432	77,690	64,426
Other operating expenses	22	(17,792)	(12,631)	(39,859)	(36,264)
Operating profit		16,524	7,801	37,831	28,162
Allowance for impairment on loans, advances and financing	23	(4,994)	(1,852)	(5,571)	(6,530)
Profit before taxation		11,530	5,949	32,260	21,632
Tax expense		(4,388)	(1,615)	(9,595)	(5,521)
Profit for the period		7,142	4,334	22,665	16,111
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value		(654)	70	(869)	(52)
- Deferred tax adjustment		179	(17)	233	136
Total other comprehensive income for the period		(475)	53	(636)	84
Total comprehensive income for the period		6,667	4,387	22,029	16,195
Basic earnings per ordinary share (sen):		2.16	1.31	6.85	4.87

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Industrial and Commercial Bank of China (Malaysia) Berhad

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 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	-	-	-	-	16,111	16,111
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	(52)	-	-	(52)
- Deferred tax adjustment	-	-	136	-	-	136
Total other comprehensive income for the period	-	-	84	-	-	84
Total comprehensive income for the period	-	-	84	-	16,111	16,195
At 30 September 2014	331,000	16,607	(167)	6,175	29,713	383,328
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	-	-	-	-	22,665	22,665
Other comprehensive expenses for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	(869)	-	-	(869)
- Deferred tax adjustment	-	-	233	-	-	233
Total other comprehensive expenses for the period	-	-	(636)	-	-	(636)
Total comprehensive income for the period	-	-	(636)	-	22,665	22,029
Transfer to regulatory reserve	-	-	-	3,257	(3,257)	-
At 30 September 2015	331,000	26,227	(914)	14,308	37,754	408,375

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Industrial and Commercial Bank of China (Malaysia) Berhad

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

	Note	30 Sept 2015 RM'000	30 Sept 2014 RM'000
Cash flows generated from operating activities			
Profit before taxation		32,260	21,632
Adjustments for:			
Depreciation of plant and equipment		1,578	1,687
Amortisation of intangible asset		390	391
Allowance for impairment on loans, advances and financing		5,571	6,530
Net unrealised losses/(gains) arising from derivative trading		3,214	(4,398)
Operating profit before working capital changes		43,013	25,842
(Decrease)/Increase in operating assets			
Deposits and placements with banks and other financial institutions		(129,152)	(366,603)
Loans, advances and financing		(367,029)	(78,798)
Other assets		3,667	9,649
Statutory deposits with Bank Negara Malaysia		(7,176)	(3,209)
Increase in operating liabilities			
Deposits from customers		933,001	196,362
Deposits and placements of banks and other financial institutions		125,789	(1,020,382)
Other liabilities		123,963	39,515
Cash generated from/(used in) operations		726,076	(1,197,624)
Income taxes paid		(6,638)	(2,325)
Net cash from/(used in) operating activities		719,438	(1,199,949)
Cash flows (used in)/from investing activities			
Purchase of plant and equipment		(391)	(187)
Net purchases of financial investments available-for-sale		(156,138)	16,720
Net cash (used in)/from investing activities		(156,529)	16,533
Net increase/(decrease) in cash and cash equivalents		562,909	(1,183,416)
Cash and cash equivalents at beginning of the financial period		1,639,495	2,478,860
Cash and cash equivalents at end of the financial period		2,202,404	1,295,444
Cash and cash equivalents comprise:			
Cash and short-term funds	10	2,202,404	1,295,444

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 19 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 29 October 2015.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 SEPTEMBER 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 3rd quarter and nine months ended 30 September 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 3rd quarter and nine months ended 30 September 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 3rd quarter and nine months ended 30 September 2015.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the 3rd quarter and nine months ended 30 September 2015.

8. Dividend Paid

No dividend was paid during the 3rd quarter and nine months ended 30 September 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 Sept 2015 RM'000	31 Dec 2014 RM'000
Cash and balances with banks and other financial institutions	120,026	67,619
Money at call and deposit placements maturing within one month	2,082,378	1,571,876
	<u>2,202,404</u>	<u>1,639,495</u>

11. Deposits and placements with banks and other financial institutions

	30 Sept 2015 RM'000	31 Dec 2014 RM'000
Licensed Malaysian banks	207,526	-
Foreign banks	29,226	107,600
	<u>236,752</u>	<u>107,600</u>

12. Financial investments available-for-sale

	30 Sept 2015 RM'000	31 Dec 2014 RM'000
At fair value		
Malaysian Government Securities	69,974	50,185
Private debt securities	137,883	4,971
	<u>207,857</u>	<u>55,156</u>

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

Within one year	132,915	-
More than one years to three years	55,398	55,156
More than three years to five years	19,544	-
	<u>207,857</u>	<u>55,156</u>

13. Loans, advances and financing

	30 Sept 2015 RM'000	31 Dec 2014 RM'000
At amortised cost		
(i) By type		
Overdrafts	148,726	118,152
Term loans		
- Housing loans	43,298	34,895
- Syndicated term loans	200,826	145,186
- Other term loans	556,582	623,518
Bills receivable	57,797	2,156
Trust receipt	-	320
Revolving credit	1,496,012	1,223,503
Bankers' acceptances	84,542	73,221
Staff loans	2,081	1,867
Credit card loans	1,218	1,235
	<u>2,591,082</u>	<u>2,224,053</u>
Gross loans, advances and financing		
Less: Allowance for impairment		
- Collective allowance for impairment	(16,760)	(11,189)
- Individual allowance for impairment	(2,080)	(2,080)
	<u>2,572,242</u>	<u>2,210,784</u>
Net loans, advances and financing		

13. Loans, advances and financing (continued)

(ii) By type of customer	30 Sept 2015	31 Dec 2014
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	20,040	12,038
Domestic business enterprises		
- Small medium enterprises	59,550	61,154
- Others	1,476,940	1,067,624
Individuals	41,390	31,575
Foreign entities	993,162	1,051,662
	2,591,082	2,224,053
	2,591,082	2,224,053
	30 Sept 2015	31 Dec 2014
	RM'000	RM'000
(iii) By interest rate sensitivity		
Fixed rate loans	22,178	3,103
Variable rate		
- Base rate/base lending rate plus	94,029	44,226
- Cost plus	1,050,012	800,013
- Other variable rates	1,424,863	1,376,711
	2,591,082	2,224,053
	2,591,082	2,224,053
	30 Sept 2015	31 Dec 2014
	RM'000	RM'000
(iv) By sector		
Primary agriculture	46,699	23,481
Manufacturing	128,679	41,460
Construction	120,299	41,337
Real estate	348,886	221,591
Wholesale & retail trade and restaurants & hotels	815,649	972,074
Transport, storage and communication	549,543	416,813
Finance, insurance and business services	403,301	396,749
Education, health and others	114,024	62,831
Household	64,002	47,717
	2,591,082	2,224,053
	2,591,082	2,224,053
	30 Sept 2015	31 Dec 2014
	RM'000	RM'000
(v) By purpose		
Purchase of landed properties		
- Non residential	125,067	99,998
- Residential	44,744	36,074
Purchase of transport vehicles	126	166
Construction	8,892	9,034
Credit card	1,217	1,235
Personal use	916	778
Mergers and acquisitions	4,398	3,496
Working capital	2,381,705	2,047,214
Other purpose	24,017	26,058
	2,591,082	2,224,053
	2,591,082	2,224,053

13. Loans, advances and financing (continued)

(vi) By geographical distribution	30 Sept 2015	31 Dec 2014
	RM'000	RM'000
Within Malaysia	1,618,870	1,099,833
Outside Malaysia	972,212	1,124,220
	<u>2,591,082</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 Sept 2015	31 Dec 2014
	RM'000	RM'000
Maturity within one year	1,798,633	1,887,523
More than one year to three years	484,159	105,753
More than three years to five years	203,333	133,248
More than five years	104,957	97,529
	<u>2,591,082</u>	<u>2,224,053</u>

(viii) Impaired loans, advances and financing

(a) Movement in impaired loans, advances and financing	30 Sept 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 Sept 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 Sept 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 Sept 2015	31 Dec 2014
	RM'000	RM'000
Within Malaysia	2,080	2,080

13. Loans, advances and financing (continued)

(ix) Movements in allowance for impairment on loans, advances and financing	30 Sept 2015 RM'000	31 Dec 2014 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	7,342	6,082
Allowance written back during the financial period/year	(1,771)	(3,359)
At end of the financial period/year	<u>16,760</u>	<u>11,189</u>
<u>Individual allowance for impairment</u>		
At beginning of the financial period/year	2,080	-
Allowance made during the financial period/year	-	2,080
At end of the financial period/year	<u>2,080</u>	<u>2,080</u>
14. Other assets	30 Sept 2015 RM'000	31 Dec 2014 RM'000
Interest receivable	3,042	4,664
Deposits	1,911	1,375
Other receivables and prepayments	1,112	1,125
	<u>6,065</u>	<u>7,164</u>
15. Deposits from customers		
(i) By type of deposit	30 Sept 2015 RM'000	31 Dec 2014 RM'000
Demand deposits	504,848	321,759
Fixed deposits	703,942	570,577
Savings deposits	96,031	69,198
Money market deposits	1,357,960	634,888
Short-term deposits	202,395	349,650
Other deposits	17,653	3,756
	<u>2,882,829</u>	<u>1,949,828</u>
(ii) By type of customer	30 Sept 2015 RM'000	31 Dec 2014 RM'000
Business enterprises	1,572,697	1,292,592
Individuals	186,315	153,872
Foreign entities	1,123,317	502,383
Others	500	981
	<u>2,882,829</u>	<u>1,949,828</u>
(iii) By maturity structure of term deposit	30 Sept 2015 RM'000	31 Dec 2014 RM'000
Due within six months	2,744,698	1,720,079
More than six months to one year	136,043	228,292
More than one year to three years	2,088	1,457
	<u>2,882,829</u>	<u>1,949,828</u>

16. Deposits and placements of banks and other financial institutions	30 Sept 2015		31 Dec 2014	
	RM'000		RM'000	
Licensed Malaysian banks	623,482		826,095	
Licensed Investment banks	47		31	
Licensed Islamic banks	251		111	
Other financial institutions	105,411		185,915	
Foreign banks	1,046,816		638,066	
	<u>1,776,007</u>		<u>1,650,218</u>	
17. Other liabilities	30 Sept 2015		31 Dec 2014	
	RM'000		RM'000	
Interest payable	13,417		10,556	
Other payables and accruals	162,532		41,430	
	<u>175,949</u>		<u>51,986</u>	
18. Interest income	3rd quarter ended		Year-To-Date ended	
	30 Sept 2015	30 Sept 2014	30 Sept 2015	30 Sept 2014
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:	23,401	15,067	61,099	42,897
Money at call and deposit placements with financial institutions	9,943	14,900	27,023	55,367
Investment securities available-for-sale	2,550	1,078	4,201	3,254
Others	8	1	17	14
	<u>35,902</u>	<u>31,046</u>	<u>92,340</u>	<u>101,532</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	(6,945)	(9,984)	(15,384)	(37,418)
Deposits from customers	(8,281)	(6,717)	(25,689)	(20,037)
Others	(9)	(23)	(20)	(38)
	<u>(15,235)</u>	<u>(16,724)</u>	<u>(41,093)</u>	<u>(57,493)</u>
Net interest income	<u>20,667</u>	<u>14,322</u>	<u>51,247</u>	<u>44,039</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

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2015 RM'000	30 Sept 2014 RM'000	30 Sept 2015 RM'000	30 Sept 2014 RM'000
Fee income:				
- Commission	3	4	36	35
- Service charges and fees	490	329	1,295	867
- Loan processing fees	508	47	604	582
- Syndication fees	432	-	1,184	293
- Guarantee fees	827	1,352	2,613	1,992
- Commitment fees	133	564	543	1,010
- Other loans related fees income	109	363	190	825
- Credit card	91	67	228	157
- Other fees income	1,245	857	3,247	2,798
	3,838	3,583	9,940	8,559
Fee expense:				
- Brokerage fees	(6)	(9)	(14)	(54)
- Other fees expense	(117)	-	(136)	(305)
	(123)	(9)	(150)	(359)
Net fee income	3,715	3,574	9,790	8,200

21. Net trading income

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2015 RM'000	30 Sept 2014 RM'000	30 Sept 2015 RM'000	30 Sept 2014 RM'000
Net gains from dealing in foreign exchange	(11,292)	776	(10,759)	11,535
Net gains/(losses) arising from derivative trading	20,997	1,770	27,332	(3,768)
Unrealised revaluation gains in foreign exchange	3,495	76	3,294	22
Net unrealised (losses)/gains arising from derivative trading	(3,266)	(86)	(3,214)	4,398
	9,934	2,536	16,653	12,187

22. Other operating expenses

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2015 RM'000	30 Sept 2014 RM'000	30 Sept 2015 RM'000	30 Sept 2014 RM'000
Personnel costs:				
- Salaries, allowances and bonuses	11,482	7,977	22,248	22,959
- Pension fund contributions	636	570	1,862	1,722
- Other staff costs	1,018	697	2,979	1,988
Promotion and marketing related expenses:				
- Advertising and promotion	490	122	1,409	333
- Others	263	194	872	585
Establishment costs:				
- Depreciation of plant and equipment	523	558	1,578	1,687
- Amortisation of intangible asset	130	131	390	391
- Rental	1,387	868	3,543	2,573
- Others	388	259	946	764
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	21	25	94	101
• audit related services	49	58	94	94
- Professional fees	253	25	612	124
- License fee	48	35	143	105
- Membership fee	64	30	93	58
- Others	1,040	1,082	2,996	2,780
	17,792	12,631	39,859	36,264

23. Allowance for impairment on loans, advances and financing

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2015	30 Sept 2014	30 Sept 2015	30 Sept 2014
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- made during the financial period	5,138	2,104	7,342	7,616
- written back during the financial period	(144)	(303)	(1,771)	(3,166)
Individual allowance for impairment				
- made during the financial period	-	51	-	2,080
	<u>4,994</u>	<u>1,852</u>	<u>5,571</u>	<u>6,530</u>

24. Commitments and contingencies

The commitments and contingencies constitute the following:

	30 Sept 2015			
	Principal Amount	Positive Value of Derivative Contracts ^	Credit Equivalent Amount *	Risk-Weighted Assets *
	RM'000	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	741,349	-	370,675	236,910
Short term self-liquidating trade-related contingencies	25,777	-	5,155	3,633
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	207,351	-	103,676	90,208
- Not exceeding one year	1,130,082	-	226,016	160,856
Unutilised credit card lines	26,567	-	5,313	3,985
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,275,412	9,032	24,768	11,805
Total	<u>3,406,538</u>	<u>9,032</u>	<u>735,603</u>	<u>507,397</u>

Note 26

24. 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 26

^ 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.

25. 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 Sept 2015	31 Dec 2014
	RM'000	RM'000
Common Equity Tier 1 (“CET1”) Capital		
Paid-up share capital	331,000	331,000
Retained earnings	15,089	18,346
Statutory reserve	26,227	26,227
Regulatory reserve	14,308	11,051
Unrealised losses on financial investments available-for-sale	(914)	(278)
	385,710	386,346
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(954)	(1,344)
- Deferred tax assets	(2,930)	(2,930)
- Regulatory reserve attributable to loans, advances and financing	(14,308)	(11,051)
	(18,192)	(15,325)
Total CET1 Capital	367,518	371,021
Tier 2 capital		
Collective impairment allowance	16,760	11,189
Regulatory reserve	14,308	11,051
Total Tier 2 Capital	31,068	22,240
Total Capital	398,586	393,261
CET1 capital ratio	14.083%	17.895%
Tier 1 capital ratio	14.083%	17.895%
Total capital ratio	15.274%	18.968%

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

	30 Sept 2015		31 Dec 2014	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	5,999,269	2,456,606	4,616,852	1,947,772
Total RWA for market risk	-	2,865	-	1,968
Total RWA for operational risk	-	150,101	-	123,544
	5,999,269	2,609,572	4,616,852	2,073,284

25. 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 Sept 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	1,014,893	1,014,893	-	-
Banks, Development Financial Institutions and MDBs	1,639,612	1,639,612	367,797	29,424
Corporates	2,476,967	2,476,967	1,494,470	119,558
Regulatory Retail	71,750	71,750	60,020	4,802
Residential Mortgages	45,253	45,253	16,788	1,343
Other Assets	15,191	15,191	10,134	811
Total On-Balance Sheet Exposures	5,263,666	5,263,666	1,949,209	155,938
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	710,835	710,835	495,592	39,647
OTC derivatives	24,768	24,768	11,805	944
Total Off-Balance Sheet Exposures	735,603	735,603	507,397	40,591
Total On and Off-Balance Sheet Exposures	5,999,269	5,999,269	2,456,606	196,529
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long position</u>	<u>Short position</u>		
Foreign currency risk	1,422	2,865	2,865	229
<i>Operational Risk</i>				
	-	-	150,101	12,008
Total RWA and Capital Requirements			2,609,572	208,766

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

25. Capital adequacy (continued)

Risk Type	31 Dec 2014			
	Gross	Net	Risk-Weighted	Capital
	Exposures	Exposures	Assets	Requirements
	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>				
	Long position	Short position		
Foreign currency risk	592	1,968	1,968	157
<i>Operational Risk</i>	-	-	-	-
Total RWA and Capital Requirements			2,073,284	165,863

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

25. Capital adequacy (continued)

(b) The breakdown of credit risk exposures by risk weights for the respective reporting dates are as follows:

30 Sept 2015 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Bank RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000		
0%	1,014,893		665,412	5,364	270	5,057	1,690,996	-
20%		1,506,697	225,060			2,224	1,733,981	346,796
35%					56,773		56,773	19,871
50%		132,915	668,989	19,958	7,628	22,368	851,858	425,929
75%				6,605			6,605	4,954
100%			1,585,703	62,267	776	10,310	1,659,056	1,659,056
Total Exposures	1,014,893	1,639,612	3,145,164	94,194	65,447	39,959	5,999,269	2,456,606
Risk-Weighted Assets by Exposures	-	367,797	1,965,209	77,200	24,461	21,939	2,456,606	
Average Risk Weight	0.0%	22.4%	62.5%	82.0%	37.4%	54.9%	40.9%	
Deduction from Capital Base	-	-	-	-	-	-	-	-

The above are disclosures on credit risk by risk weight of the Bank at the end of the reporting period as required with the adoption of guidelines of the Revised Capital Adequacy Framework on Standardised Approach.

31 Dec 2014 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Bank RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000		
0%	845,321	-	525,817	538	552	5,137	1,377,365	-
20%	-	957,163	121,126	-	-	10,886	1,089,175	217,835
35%	-	-	-	-	46,740	-	46,740	16,359
50%	-	-	767,505	-	7,037	2,697	777,239	388,620
75%	-	-	-	5,501	-	-	5,501	4,126
100%	-	-	1,296,440	10,985	533	12,874	1,320,832	1,320,832
Total Exposures	845,321	957,163	2,710,888	17,024	54,862	31,594	4,616,852	1,947,772
Risk-Weighted Assets by Exposures	-	191,433	1,704,418	15,110	20,411	16,400	1,947,772	
Average Risk Weight	0.0%	20.0%	62.9%	88.8%	37.2%	51.9%	42.2%	
Deduction from Capital Base	-	-	-	-	-	-	-	-

The above are disclosures on credit risk by risk weight of the Bank at the end of the reporting period as required with the adoption of guidelines of the Revised Capital Adequacy Framework on Standardised Approach.

Note:*MDBs - Multilateral Development Banks**DFIs - Development Financial Institutions*

26. Derivative financial instruments

	30 Sept 2015		31 Dec 2014	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives	8,784	8,196	336	541
Currency swaps	248	4,000	256	1
Total recognised derivative assets/liabilities (Note 25)	<u>9,032</u>	<u>12,196</u>	<u>592</u>	<u>542</u>

27. Performance review

The Bank registered a profit before taxation of RM32.6 million for the nine months ended 30 September 2015, an increase of RM10.6 million compared against previous corresponding period in 2014. Operating profit increased by RM9.7 million, mainly due to the increase of net interest income by RM7.2 million or 16.4% and higher of net trading income by RM4.5 million or 36.6% comparing previous corresponding period. Other operating expenses increased by RM3.6 million as compared to previous period largely due to higher promotion and marketing related expenses as well as establishment cost.

Total assets as at 30 September 2015 stood at RM5.3 billion, 30.2% increase as compared against 31 December 2014. Cash and short term funds as well as deposits and placements with banks and other financial institutions recored an increase of RM0.69 billion. Loans, advances and financing continued to expand by RM0.36 billion or 16.3% to RM2.6 billion.

28. Business prospects

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

Malaysian GDP growth moderated to 4.9% in the second quarter of 2015, due to weaker domestic demand and investment as compared with the previous quarter. Despite of moderating private consumption, 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 headline inflation rose following the implementation of Goods and Services Tax on 1 April this year and its spillover effects. The banking system in Malaysia remained stable as evidenced by its healthy asset quality and strong capitalization. Competition for customer deposits is, however, expected to put pressure on the banking system's profitability. Interest rate is expected to hold steady for this year.

The Bank will continue to grow its core lending business and maintain its current liquidity position. Overall, the Bank remains optimistic of achieving satisfactory performance in 2015.