Industrial and Commercial Bank of China (Malaysia) Berhad
(Company No. 839839 M)
(Incorporated in Malaysia)

Financial Statements
31 December 2015

BOARD OF DIRECTORS

Mr Mo Fumin, *Non-Independent Non-Executive Director and Chairman*

Mr Yuan Bin, *Non-Independent Executive Director*

YBhg Dato' Leong Khee Seong, *Independent Non-Executive Director*

Mr Ong Ah Tin @ Ong Chee Kwee, *Independent Non-Executive Director*

Ms Lan Li, *Non-Independent Non-Executive Director*

Mr Hong Guilu, *Non-Independent Non-Executive Director*

PROFILE OF DIRECTORS

Mr Mo Fumin

Age 61. Chinese. Non-Independent Non-Executive Director and Chairman of the Board of Directors. Attended six out of the seven Board meetings held in the financial year. Appointed to the Board on 13 February 2014. Holds a PhD in Economics from Peking University, China.

Mr Mo Fumin has been with Industrial and Commercial Bank of China Limited ("ICBC") Group for the past 25 years holding various positions such as General Manager ("GM"), ICBC (Almaty) (March 1998 - April 2001), Deputy GM, Corporate Banking Department (April 2001 - June 2002), Deputy GM, Corporate Banking & Investment Banking Department (June 2002 - January 2007), GM of Corporate Banking Department (January 2007 - May 2013) and Chairman of ICBC (Moscow) (December 2013 - June 2015).

Mr Mo Fumin has no conflict of interest with the Bank and has no family relationship with any other Director.

Mr Yuan Bin

Age 46. Chinese. Non-Independent Executive Director. Appointed to the Board on 28 May 2014. Attended all the seven Board meetings held in the financial year. Holds a Master and Doctorate degree from Nankai University, Tianjin, China.

Mr Yuan Bin started his career with ICBC in 1991. He was entrusted with several strategic positions, ranging from Deputy GM of International Department (1997 - 1998) and Deputy GM of Human Resource (1998 - 2000) of Tianjin Branch, Branch Manager of Tianjin XiQing Branch Office (2000 - 2003), Head of International Settlement Division and Deputy GM of International Department at ICBC Head Office (2003 - 2007) as well as President Director of PT Bank ICBC Indonesia from September 2007 till April 2014. He is currently the Chief Executive Officer/Managing Director of the Bank.

Mr Yuan Bin has no conflict of interest with the Bank and has no family relationship with any other Director. He is also a member of the Nominating Committee of the Bank.

YBhg Dato' Leong Khee Seong

Age 77. Malaysian. Independent Non-Executive Director. Appointed to the Board on 3 June 2010. Attended all the seven Board meetings held in the financial year. Engineer by profession with B.E. (Chemical Engineering) from the University of New South Wales, Australia.

YBhg Dato' Leong Khee Seong served the Malaysian Government as the Minister of Primary Industries (1976 - 1986) and was a member of Parliament (1974 - 1990). He was a former Chairman of the Group of 14 ASEAN Economic Cooperation and Integration (1986 - 1987) and General Trade Agreement on Tariffs and Trade's Negotiating Committee on Tropical Products (1986 - 1990). He was formerly an Independent Non-Executive Director of Sin Chew Media Corporation (2004 - 2007), AirAsia Berhad (2004 - 2013) and TSH Resources Berhad (2005 - 2014) as well as a Non-Independent Executive Director cum Executive Chairman of Nanyang Press Holdings Berhad (2007 - 2009). He is currently the Chancellor of HELP University Malaysia (April 2012 - current).

YBhg Dato' Leong Khee Seong has no conflict of interest with the Bank and has no family relationship with any other Director. He is also the chairman of the Audit Committee and Nominating Committee and a member of the Board Risk Management Committee and Remuneration Committee of the Bank.

PROFILE OF DIRECTORS *(continued)*

Mr Ong Ah Tin @ Ong Chee Kwee

Age 65. Malaysian. Independent Non-Executive Director. Appointed to the Board on 3 June 2010. Attended all the seven Board meetings held in the financial year. Holds a Bachelor of Arts Degree in Economics from the University of Malaya and Diploma in Banking from Institute of Bankers, London.

Mr Ong Ah Tin started his banking career with Citibank Malaysia (then known as First National City Bank) as a Management Trainee in 1973 and held various positions in Operations, Credits and Marketing until August 1988 when he left as the Vice President of Credit Risks Management Department. In 1988, he joined Malaysian French Bank as an Assistant General Manager until 1994, thereafter he joined OUB Finance Berhad as Director/General Manager. After the merger of OUB Finance Berhad with its parent bank, Overseas Union Bank (M) Berhad in 1997, he was assigned to Overseas Union Bank (M) Berhad as Head of Enterprise Banking until 2002. Following that, he joined Alliance Finance Berhad as Acting CEO to manage the finance company's operations and to undertake the merger of Alliance Finance Berhad with its parent bank, Alliance Bank Malaysia Berhad. Upon the successful completion of the merger in 2004, he was assigned as a Senior General Manager and Head of Consumers Banking of Alliance Bank Malaysia Berhad until August 2005, when he retired from the banking industry. Mr Ong Ah Tin served as an Independent Non-Executive Director of Hock Sin Leong Group Berhad from April 2006 to December 2006.

Mr Ong Ah Tin has no conflict of interest with the Bank and has no family relationship with any other Director. He is also the chairman of the Board Risk Management Committee and Remuneration Committee and a member of the Audit Committee and Nominating Committee of the Bank.

Ms Lan Li

Age 52. Chinese. Non-Independent Non-Executive Director. Appointed to the Board on 16 January 2012. Attended six out of the seven Board meetings held in the financial year. Holds a PhD in Economics and Bachelor of Finance from Tianjin University of Finance Economics, China and Master of Finance from Nankai University, China.

Ms Lan Li has served various roles within ICBC Group ranging from Manager, Accounting and Settlement Department of ICBC's Frankfurt Office (July 1999 - August 2002), General Manager, International Banking Department and President of Ronghui Branch, Tianjin Regional Headquarters (August 2002 - October 2004), Vice Head of Internal Audit (October 2004 - May 2005), Deputy Head, Tianjin Regional Headquarters (June 2005 - December 2010) to Vice Head of Internal Auditing (December 2010 - July 2011). She has been a Director of Accredited Non-Executive Directors Management Division of Corporate Strategy and Investor Relations of ICBC since July 2011 and also serves as a Non-Independent Non-Executive Director of ICBC (Thailand) (2011 - current), ICBC (London) (2012 - current) and ICBC (USA) (2012 - current). Ms Lan Li currently also acts as a Supervisor of ICBC-AXA Assurance Co., Ltd (China) (January 2015 - current).

Ms Lan Li has no conflict of interest with the Bank and has no family relationship with any other Director. She is a member of the Audit Committee, Nominating Committee and Remuneration Committee of the Bank.

Mr Hong Guilu

Age 49. Chinese. Non-Independent Non-Executive Director. Appointed to the Board on 16 January 2012. Attended all the seven Board meetings held in the financial year. Holds a Bachelor of Engineering and Master of Economics (Industrial Economics) from Harbin Institute of Technology, China and People's University of China, respectively, and Master of Accounting from George Washington University, United States.

Prior to joining ICBC Group, Mr Hong Guilu was appointed as Manager, State Property Administration Bureau of Ministry of Finance (July 1993 - June 2000) and Deputy Director, Board of Supervisors of Agricultural Bank of China (July 2000 - June 2003). He was appointed Director, Board of Supervisors of ICBC in July 2003 prior to his appointment as Director of Accredited Non-Executive Directors Management Division of Corporate Strategy and Investor Relations of ICBC in December 2005 until current. Mr Hong Guilu also serves as a Non-Independent Non-Executive Director of ICBC (Almaty) and ICBC (Moscow) since 2011.

Mr Hong Guilu has no conflict of interest with the Bank and has no family relationship with any other Director. He is a member of the Risk Management Committee, Nominating Committee and Remuneration Committee of the Bank.

FINANCIAL PERFORMANCE DURING THE FINANCIAL YEAR

The Bank registered a profit before tax ("PBT") of RM40.2 million for financial year 2015, surpassing previous year's PBT of RM26.7 million by 50.6%. The overall improved net interest income and higher non-interest income have been the two major factors contributing to the better financial performance of the Bank in year 2015.

For financial year 2015, the Bank's net interest income and non-interest income of RM70.1 million and RM36.5 million, respectively, had improved by 19.0% and 37.1% as compared to RM58.9 million and RM26.6 million recorded in 2014 despite the increase in overhead expenses of RM6.3 million or 11.5% in the reporting year mainly due to additional staff force to support the growth and business expansion of the Bank.

Loan and advances registered a growth by RM317.6 million or 14.4% in 2015 to RM2.5 billion as compared to RM2.2 billion recorded in 2014, despite a marginal increase in the Bank's total assets from RM4.04 billion in 2014 to RM4.07 billion as at end of year 2015. Nonetheless, the impact on the increase in loan and advances was offset with a decrease in cash and short-term funds by RM341.7 million in 2015.

The Bank's total liabilities remained stable at RM3.7 billion as at end of year 2015 despite a significant change in deposits composition. In particular, deposits from customers increased by RM1.4 billion or 69.8% to RM3.3 billion in 2015 as compared to RM1.9 billion recorded in 2014 as oppose to a reduction in deposits and placements of banks and other financial institutions by RM1.3 billion or 81.9%, from RM1.6 billion to RM298.7 million, over the same period.

In 2016, the Bank will continue to grow its core lending business in a strategic manner and to focus on sustaining its profitability within a robust capital management framework.

OUTLOOK FOR 2016

The World Bank and International Monetary Fund forecasted the global economy to grow at 2.9% and 3.4%, respectively, in 2016. Among the factors to weigh on global growth include sharper-than-expected slowdown in major emerging and developing economies while the crisis-related legacies would continue to constrain the modest growth of advanced economies. The volatility in global financial markets, capital flows, currencies, commodity prices and global trade would remain as the key risk drivers while the divergence in the monetary policies due to uneven growth prospect in the major economies and the spill-over effects of geo-political tensions could disrupt the revitalization of the growth momentum.

As a trade-oriented nation, Malaysia has fairly diversified its economy with service sector accounted for 53.5% and manufacturing sector contributed 23% of the nation's GDP in 2015. Considering the fundamentals are to remain intact, Malaysia's economy is expected to grow within the range of 4.3% to 4.5% in 2016, as compared to 5% growth registered in 2015. Growth would continue to be driven by domestic demand with support from net exports, albeit at a more subdued pace due to both domestic and external headwinds. While the external factors, such as pace of recovery in the major export markets, the stability of the commodity prices, currencies and capital flows, would remain as the key factors in driving the growth momentum of Malaysia, the measures to be taken domestically are crucial in capitalizing the growth prospects. Among the essential domestic measures include prioritizing the implementation of the strategic initiatives under the Government's Economic Transformation Program that could effectively diversifying the economy with value-added multiplier effects, gradual rationalization of macro-financial risks posed by system-wide leverage and inflationary pressures, continuous fiscal consolidation as well as promoting regional collaborations in trade and investment.

Against the backdrop of a strong economic and financial ties between China and Malaysia, the Bank is committed to bridge the economic and financial needs of the investors and traders from both countries. The Bank would also aim to expand its targeted markets and achieve a leadership position in its niche segment, by leveraging on the Bank's IT infrastructure and multiple distribution networks of ICBC worldwide.

Going forward, the Bank continues to expand the customer base and enhances the financial products and services to better serve the needs of its customers. In addition, the Bank continues to pursue a series of branding exercise to further promote the wide acceptance of retail financial products in domestic market, while at the same time deepening the relationships with its valued clients and customers.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors ("the Board") of Industrial and Commercial Bank of China (Malaysia) Berhad ("the Bank") recognises the importance of adopting good corporate governance in discharging its responsibilities for value creation and safeguarding interests of the shareholders and stakeholders while promoting high standard of integrity, transparency and accountability.

The Board has endeavoured to ensure that the Bank's internal processes and systems are in compliance with Bank Negara Malaysia's ("BNM") Guidelines on Corporate Governance for Licensed Institutions ("CG Guidelines") and other relevant best practices of corporate governance.

Board Composition

Currently, the Board comprises six members, with one Non-Independent Non-Executive Chairman, one Non-Independent Executive Director, two Independent Non-Executive Directors and two Non-Independent Non-Executive Directors. A brief profile of each member of the Board is presented on pages 2 and 3 of these financial statements.

The Independent Directors account for one-third of the Board composition, in compliance with BNM's CG Guidelines in terms of minimum number of independent director. They are not involved in the day-to-day management of the Bank nor do they participate in any business dealings of the Bank. This is to ascertain their independence in carrying out their roles and responsibilities as independent non-executive directors.

The Non-Independent Non-Executive Directors of the Bank continue to proactively engage with the Senior Management to ensure that various concerns and issues relevant to the management and oversight of the business and operations of the Bank which are Group related are properly addressed.

Duties and Responsibilities of the Board

The Board governs the business and affairs of the Bank with close collaboration with the Senior Management. The Board exercises all such powers conferred by the Articles of Association and Shareholder's Mandate as well as in accordance to the Terms of Reference of the Board. The Shareholder's Mandate is reviewed on an annual basis.

To ensure effectiveness in discharging its duties and responsibilities, the Board delegates its specific authorities to the relevant Board committees namely Audit Committee ("AC"), Board Risk Management Committee ("BRMC"), Nominating Committee ("NC") and Remuneration Committee ("RC") as expressly stipulated in the terms of reference of the respective Board committees.

The Board assumes the following key duties and responsibilities:

(a) Business Strategy, Direction and Operation

The Board plays a pivotal role in reviewing the Bank's strategies, business plans, financial objective and budget, risk strategy and appetites, and determining the effectiveness of risk and capital management framework of the Bank.

The Board ensures that clear objectives and policies are established, within which the Senior Management of the Bank is to operate. These include strategic planning, credit management and control, assets and liabilities management, effective oversight of data management and management information system of the Bank.

The Board had approved the 5-year Business Plan (2014-2018) in December 2014 encompassing financial objectives, strategies and action plans to be undertaken by the Bank over the next 5 years.

A performance assessment methodology for Senior Management has also been implemented through which the performance of the Senior Management in carrying out the strategies and policies will be systematically and objectively reviewed and assessed by the Board on a yearly basis.

CORPORATE GOVERNANCE STATEMENT *(continued)*

Duties and Responsibilities of the Board *(continued)*

(b) Risk Management, Internal Control and Governance Processes

The Board has the responsibilities to review and ensure the effectiveness and comprehensiveness of risk management policies, processes and infrastructure to identify, measure, monitor and control all risk categories in key areas of the Bank's operation and the maintenance of a sound internal control system.

The Board reviews the risk management capabilities periodically to support the business expansion and ensure the adequacy of the internal controls of the Bank within the Bank's defined risk appetite and tolerance level, and framework of laws and policies. Also, more importantly the Board exercises oversight function on the overall Anti-Money Laundering/Counter Financing Terrorism ("AML/CFT") measures undertaken by the Bank.

Risk management has been the collective responsibility of the Board, Senior Management and every employee of the Bank. Each individual is expected to promote self-regulation and be accountable for his/her own activities as well as to maintain ethical principles and behaviour in the daily business conducts. The state of compliance with laws, regulations and internal policies and procedures are reported to AC, BRMC and the Board on a quarterly basis.

The Board governs the adequacy and integrity of the Bank's internal control system. With the support of the AC and Internal Auditors, the Board ensures that there is an effective and efficient framework for reporting internal control weaknesses and regulatory non-compliance or breaches.

The Board had on 8 December 2015, approved the establishment of a guideline to assess the performance of compliance, risk management and internal audit functions of the Bank with the objective to preserve the independency of these functions while carrying out their duties and responsibilities.

Roles of the Chairman and CEO/MD

Mr Mo Fumin, the Non-Independent Non-Executive Chairman, manages the affairs of the Board with a view to ensure that the Board functions effectively and meets its obligations and responsibilities. He ensures all Members of the Board have the opportunity to express their views, opinions and ideas for proper decision making of the Board.

At the highest executive level, Mr Yuan Bin, who currently holds the CEO/MD position, assumes the overall responsibilities for the execution of the Bank's strategies and plans in line with the Board's direction, oversees the overall operation and drives the businesses and performance towards achieving the Bank's vision and goals. In carrying out his tasks, the CEO/MD is supported by the Senior Management Committee, the members of which comprises of CEO/MD as the Chairman, Deputy CEOs, Assistant CEO and Chief Compliance Officer as well as other Management Committees of the Bank.

Director's Appointment and Re-election

(a) Appointment of Directors

The NC is guided by BNM's CG Guidelines to ensure the Board members have the appropriate fitness and propriety to properly discharge their prudential responsibilities on appointment and during the course of their appointment. A fit and proper assessment is carried out for each Director and identified key management personnel in accordance to the Fit and Proper Policy of the Bank.

As for the re-appointment of the existing Directors, the NC refers to the results of the individual assessments conducted via the Board Performance Evaluation besides their on-going interactions with the Directors.

Director's Appointment and Re-election *(continued)*

The application for the appointment or re-appointment of Directors will be submitted to BNM for consideration once the same is approved by the Board.

(b) Re-election of Directors

All Directors, except for MD, are subject to retirement by rotation. Pursuant to Article 73 of the Articles of Association, at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. Retiring directors can offer themselves for re-election.

Board Performance Evaluation

The Bank has since 2011 undertaken the Board Performance Evaluation exercise annually on the Board and Board committees with the objective to assess their effectiveness and that of the individual Directors.

The evaluation is based on a combination of self and peer assessment performed via a customised questionnaire. The overall evaluation results will be tabled to the NC and the Board for consideration. Each Director is provided with the individual results on each area of assessment for personal information and further improvement. The results of the Director's self and peer evaluation also form part of the basis for evaluation by the NC for the re-appointment of the respective Directors.

Assessment of Independence

The Independent Directors are required to provide their confirmations on their compliance with the criteria and definition of "Independent Director" as stipulated in BNM's CG Guidelines.

Information Access

The Board members may interact directly with the Management, seeking their clarifications and advices as well as request for information on matters pertaining to the Bank's operation or business concerns. The Board members regularly obtain the advice and dedicated support services of the Company Secretary in ensuring the effective functioning of the Board. Should the need arise, the Directors may also seek independent professional advices at the Bank's expense, when deemed necessary, for the proper discharge of their duties.

Conduct of Board Meetings

The Board meets seven times a year with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. Due notice is given for the scheduled meetings and matters to be dealt with. All Board meeting proceedings are properly recorded, including issues discussed and conclusions made.

Agenda for each Board meeting and papers relating to the agenda items are disseminated to all Directors well before the meeting, to provide sufficient time for the Directors to review the Board papers and seek clarifications from the Management, if required. Where urgency prevails and if appropriate, decisions are also taken by way of a Directors' Circular Resolution in accordance with the Articles of Association.

CORPORATE GOVERNANCE STATEMENT *(continued)*

Conduct of Board Meeting *(continued)*

A total of seven meetings were held for the financial year ended 31 December 2015. The attendance of each Director in office at the Board Meetings held in the financial year 2015 is set out below:

Directors	**Independent/Non-Independent**	**Attendance at meetings**
Mo Fumin	Non-Independent Non-Executive Chairman	6/7 (86%)
Yuan Bin	Non-Independent Executive Director	7/7 (100%)
Dato' Leong Khee Seong	Independent Non-Executive Director	7/7 (100%)
Ong Ah Tin @ Ong Chee Kwee	Independent Non-Executive Director	7/7 (100%)
Lan Li	Non-Independent Non-Executive Director	6/7 (86%)
Hong Guilu	Non-Independent Non-Executive Director	7/7 (100%)

All Directors in office as at 31 December 2015 have complied with the required minimum Board Meetings attendance of 75% under BNM's CG Guidelines.

Board Committees

Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of reference. These committees have oversight authorities to examine and/or consider all matters within their scope of responsibility and make recommendations to the Board for approval, if required. The minutes of the committees' meetings are tabled to the Board for information.

The Board committees are as follows:

(i) Audit Committee;
(ii) Board Risk Management Committee;
(iii) Nominating Committee; and
(iv) Remuneration Committee.

Audit Committee

The objective of the AC is primarily to assist the Board in providing independent oversight of the Bank's financial reporting, internal control system, risk management function and governance processes.

The Committee with the assistance of both external and internal auditors, where deemed appropriate, reviews the integrity and reliability of the Bank's financial statements on a yearly or quarterly basis, prior to recommending the same for the Board's approval.

The Committee also meets twice a year with the external auditors, without the presence of the Management, for discussion on any key issues/areas that require attention of the Committee and the Board.

The Committee also undertakes an assessment of the suitability and independence of the external auditors based on qualifying criteria for the appointment of auditors and terms of engagements in accordance with BNM's Guidelines on External Auditors. Having reviewed and satisfied with their performance, the Committee will recommend the re-appointment of the external auditors to the Board, upon which the shareholder's approval will be sought at the Annual General Meeting.

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CORPORATE GOVERNANCE STATEMENT ***(continued)***

Board Committees ***(continued)***

Audit Committee ***(continued)***

During the financial year ended 31 December 2015, a total of six meetings were held. The Committee comprises of the following members and the details of attendance of each member at the Committee meetings held during the year are as follows:

Members of AC	**Independent/Non-Independent**	**Attendance at meetings**
Dato' Leong Khee Seong	Chairman/Independent Non-Executive Director	6/6 (100%)
Ong Ah Tin @ Ong Chee Kwee	Independent Non-Executive Director	6/6 (100%)
Lan Li	Non-Independent Non-Executive Director	6/6 (100%)

The salient terms of reference of the AC are as follows:

- to oversee the functions of the Internal Audit Department ("IAD") and ensuring compliance with relevant regulatory requirements;
- to review and approve the annual audit plan including audit objectives, scope and resources allocation as well as subsequent changes thereof;
- to review internal audit findings/reports, Management's responses as well as remedial actions and follow-up on status of rectification;
- to review and discuss with the external auditors and Management on the fairness of presentation and transparent reporting of the financial statements and timely publication of the financial accounts;
- to appoint, set compensation, evaluate performance and decide on the transfer and dismissal of the Chief Internal Auditor;
- to review adequacy and effectiveness of the internal controls and risk management processes with clear line of reporting is established for timely communication of issues;
- to select and recommend the external auditors for appointment and re-appointment by Board annually, including removal of the external auditors, where relevant;
- to review and approve the provision of non-audit services by the external auditor so as to ensure that the provision of non-audit services does not interfere with the exercise of independent judgement of auditors;
- to review related party transactions and keep the Board informed of such transactions; and
- to ensure that independent audits are conducted to assess the effectiveness of the policies, procedures and controls for AML/CFT measures within the Bank and also the measures are in line with the latest developments and changes of the relevant AML/CFT requirements.

CORPORATE GOVERNANCE STATEMENT *(continued)*

Board Committees *(continued)*

Audit Committee *(continued)*

Internal Audit Function

The Bank has an internal audit function undertaken by the IAD and guided by the Internal Audit Charter. The IAD reports functionally to the AC. The IAD's primary role is to assist the AC in discharging its duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the Bank's risk management, internal control system and governance processes.

The AC approves the annual audit plan of the Bank at the beginning of each financial year. IAD adopts a risk-based approach, driven by a systematic and comprehensive risk assessment model in managing the internal audit activities. The fundamental framework for the internal audit function is based on the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") framework, a well-recognised risk and control framework for the evaluation of the design and operating effectiveness of internal control. The use of the COSO framework is integrated into the internal audit activities.

The scope of the internal audit covers all business units and operations of the Bank. The priority of internal audit activities are identified through risk assessment and in accordance with the annual audit plan approved by the AC.

During the financial year 2015, IAD has conducted audits to examine and assess the adequacy, effectiveness and efficiency of risk management functions and internal control system as well as to review the compliance with the established policies, procedures, guidelines and regulatory requirements. The audit reports, which provide the results of audits/reviews conducted including the remedial actions for rectifying audit issues, are submitted to the AC for review. There are also follow-up and escalation procedures in place for the tracking of all outstanding audit issues to full resolution.

Board Risk Management Committee

The Board has entrusted BRMC with the responsibilities to provide oversight and governance of risks for the Bank. The Committee oversees the risk framework, reviews the risk management activities and policies formulated by the Management for recommendation to the Board for approval.

The Committee comprises of two Independent Non-Executive Directors and one Non-Independent Non-Executive Director. The BRMC met five times during financial year 2015. The composition of the BRMC and the attendance of the members at meetings held in 2015 are as follows:

Members of BRMC	**Independent/Non-Independent**	**Attendance at meetings**
Ong Ah Tin @ Ong Chee Kwee	Chairman/Independent Non-Executive Director	5/5 (100%)
Dato' Leong Khee Seong	Independent Non-Executive Director	5/5 (100%)
Hong Guilu	Non-Independent Non-Executive Director	5/5 (100%)

The salient terms of reference of the Committee are as follows:

- to review and recommend risk management strategies, policies and risk tolerance for Board's approval;
- to review and assess the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively; and obtaining assurances that they are being adhered to on timely basis;
- to ensure infrastructure, resources and systems are in place for risk management that is, ensuring staff responsible for implementing risk management systems perform their duties independently of the Bank's risk taking activities;
- to review Management's periodic reports on risk exposure, risk portfolio composition and risk management activities;

CORPORATE GOVERNANCE STATEMENT *(continued)*

Board Committees *(continued)*

Board Risk Management Committee *(continued)*

- to evaluate and provide input on such strategies and/or policies to suit local conditions and make appropriate recommendations thereof to the Board where risk strategies and policies are driven by the parent bank;

- to provide oversight for establishing AML/CFT policies and minimum standards, overall AML/CFT risk profiles and measures undertaken by the Bank;

- to review and ensure a forward looking and dynamic capital management process that incorporates changes in the Bank's strategic business direction, risk profiles, operating environment and other factors that could materially affect the Bank's capital adequacy;

- to review and approve the Bank's overall stress testing methodology, which should be forward looking with defined scenario(s) that cover various material risks and business areas. The result of the stress tests should facilitate the development of risk mitigation or contingency plans for the stressed scenario(s); and

- to review and recommend new products and services that require approval by the Board per BNM's guidelines based on the recommendation from the New Product Approval Committee.

The details pertaining to the Bank's financial risk management framework are set out on pages 53 to 64 of these financial statements.

Nominating Committee

The NC comprises of four Non-Executive Directors and one Executive Director. The NC met three times during financial year 2015. The composition of the NC and the attendance of the members at meetings held in 2015 are as follows:

Members of NC	Independent/Non-Independent	Attendance at meetings
Dato' Leong Khee Seong	Chairman/Independent Non-Executive Director	3/3 (100%)
Ong Ah Tin @ Ong Chee Kwee	Independent Non-Executive Director	3/3 (100%)
Yuan Bin	Non-Independent Executive Director	3/3 (100%)
Lan Li	Non-Independent Non-Executive Director	3/3 (100%)
Hong Guilu	Non-Independent Non-Executive Director	3/3 (100%)

The salient terms of reference of the NC are set out below:

- to establish minimum requirements for the Board members with the required mix of skills, experience, qualification and other core competencies required of a director. The Committee is also responsible for establishing minimum requirements for the CEO. The requirements and criteria should be approved by the Board;

- to recommend and assess the nominees for directorship, Board committee members as well as nominees for the CEO. This includes assessing directors/CEO for re-appointment upon the expiry of their respective terms of appointment as approved by BNM. The final decision as to who shall be nominated should be the responsibility of the Board;

- to oversee the overall composition of the Board, in terms of the appropriate size and skills, and the balance between executive directors, non-executive directors and independent directors through annual review;

- to recommend to the Board the removal of a director or CEO or other Senior Management members from the Board or management if he/she is ineffective, errant and negligent in discharging his/her responsibilities;

CORPORATE GOVERNANCE STATEMENT *(continued)*

Board Committees *(continued)*

Nominating Committee *(continued)*

- to establish a mechanism for the formal assessment on the effectiveness of the Board as a whole and the contribution of each director to the effectiveness of the Board, the contribution of the Board's various committees and the performance of the CEO and other Senior Management members or any officer primarily responsible for the respective areas of expertise undertaken by the Senior Management members, in the event such position is left vacant. Annual assessment should be conducted based on objective performance criteria. Such performance criteria should be approved by the Board;

- to ensure all Directors receive appropriate continuous training programme(s) in order to keep abreast with the latest developments in the industry;

- to oversee the appointment of Senior Management members, Management succession planning and performance evaluation of Senior Management members;

- to assess on annual basis and ensure that the directors and Senior Management members are not disqualified under Section 59 of the Financial Services Act 2013; and

- to assess the fitness and propriety of key responsible persons as defined in the Bank's Fit and Proper Policy.

Remuneration Committee

The RC comprises of four Non-Executive Directors of whom two are Independent Non-Executive Directors. The RC met twice during financial year 2015. The composition of the RC and the attendance of the members at meetings held in 2015 are as follows:

Members of RC	**Independent/Non-Independent**	**Attendance at meetings**
Ong Ah Tin @ Ong Chee Kwee	Chairman/Independent Non-Executive Director	2/2 (100%)
Dato' Leong Khee Seong	Independent Non-Executive Director	2/2 (100%)
Lan Li	Non-Independent Non-Executive Director	2/2 (100%)
Hong Guilu	Non-Independent Non-Executive Director	2/2 (100%)

The salient terms of reference of the RC are set out below:

- to recommend a framework of remuneration for directors, CEO and other Senior Management members for the Board's approval. The remuneration framework should support the Bank's culture, objectives and strategy to reflect the responsibility and commitment of the Board members, CEO and other Senior Management members. There should be a balance in determining the remuneration package, either to reward or retain members of the Board or staff of caliber and at the same time without compromising the short term and long term interest of the Bank. The framework should cover all aspects of remuneration including director's fees, salaries, allowances, bonuses, share options and benefits-in-kind; and

- to recommend specific remuneration packages for executive directors and the CEO. The remuneration package should be structured such that it is competitive and consistent with the Bank's culture, objectives and strategy. Salary scales drawn up should be within the scope of the general business policy and not be dependent on short-term performance to avoid incentives for excessive risk-taking. As for non-executive directors and independent directors, the level of remuneration should be linked to their level of responsibilities undertaken and contribution to the effective functioning of the Board. In addition, the remuneration of each Board member may differ based on their level of expertise, knowledge and experience.

CORPORATE GOVERNANCE STATEMENT *(continued)*

Board Committees *(continued)*

Remuneration Committee *(continued)*

The Bank's Independent Non-Executive Directors receive Directors' fees and meeting attendance allowances. The annual Directors' fees are subject to shareholders' approval at the Annual General Meeting ("AGM") of the Bank. The nature and amount of each major element of the remuneration of the CEO/MD and Independent Non-Executive Directors for financial year 31 December 2015 are disclosed in Note 26 (c) to the financial statements.

Accountability and audit

Financial reporting

It is the Board's commitment to present a balanced and meaningful assessment of the Bank's financial performance and prospects at the end of the financial year, primarily through the annual financial statements to BNM. The Board is assisted by the AC to oversee the Bank's financial reporting process and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Bank as at the end of the accounting period and of its financial performance and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that the preparation and fair presentation of these financial statements are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia in all material respects and other legal requirements.

Relationship with the Auditors

Key features underlying the relationship of the AC with the external auditors are included in the AC's terms of reference.

DIRECTORS' REPORT
For the year ended 31 December 2015

The Directors have pleasure in submitting their report and the audited financial statements of the Bank for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in the provision of banking and other related financial services.

RESULTS

	RM'000
Profit before taxation	40,197
Tax expense	(11,867)
Profit for the year	28,330

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year.

DIRECTORS OF THE BANK

Directors who held office during the year since the date of the last report are:

Mr Mo Fumin
Mr Yuan Bin
YBhg Dato' Leong Khee Seong
Mr Ong Ah Tin @ Ong Chee Kwee
Ms Lan Li
Mr Hong Guilu

Pursuant to Section 129 of the Companies Act 1965, YBhg Dato' Leong Khee Seong retires at the forthcoming Annual General Meeting of the Bank and being eligible, offers himself for re-election.

In accordance with Article 73 of the Bank's Articles of Association, Mr Ong Ah Tin @ Ong Chee Kwee retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' INTEREST

None of the Directors holding office as at 31 December 2015 had any interest in the ordinary shares and options over shares of the Bank and of its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Bank or of related corporations as shown in Note 26 (c) to the financial statements) by reason of a contract made by the Bank with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

ISSUE OF SHARES AND DEBENTURES

There were no changes in the authorised, issued and paid-up capital of the Bank during the financial year. There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Bank during the financial year.

BANK RATINGS

The Bank has not been rated by any external agencies.

HOLDING COMPANY

The Directors regard Industrial and Commercial Bank of China Limited, a company incorporated in China, as the holding company of the Bank.

OTHER STATUTORY INFORMATION

Before the financial statements of the Bank were made out, the Directors took reasonable steps to ascertain that:

i) adequate provision has been made for doubtful debts; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount of the provision for doubtful debts in the Bank inadequate to any substantial extent; or

ii) that would render the value attributed to the current assets in the financial statements of the Bank misleading; or

iii) which has arisen which render adherence to the existing method of valuation of assets and liabilities of the Bank misleading or inappropriate; or

iv) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of the Bank misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Bank that has arisen since the end of the financial year and which secures the liabilities of any other person; or

ii) any contingent liability in respect of the Bank that has arisen since the end of the financial year.

No contingent liability or other liability of the Bank has became enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank to meet its obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Bank for the financial year ended 31 December 2015 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors.

……………………………………………………………
Yuan Bin

……………………………………………………………
Dato' Leong Khee Seong

Kuala Lumpur, Malaysia
Date: 29 March 2016

**STATEMENT BY DIRECTORS PURSUANT TO
SECTION 169 (15) OF THE COMPANIES ACT, 1965**

We, Yuan Bin and Dato' Leong Khee Seong being two of the directors of Industrial and Commercial Bank of China (Malaysia) Berhad, do hereby state on behalf of the directors that, in our opinion, the financial statements set out on pages 22 to 65 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Bank as of 31 December 2015 and of its financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

……………………………………………………………
Yuan Bin

……………………………………………………………
Dato' Leong Khee Seong

Kuala Lumpur, Malaysia
Date: 29 March 2016

STATUTORY DECLARATION PURSUANT TO
SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, Yuan Bin, being the Director primarily responsible for the financial management of Industrial and Commercial Bank of China (Malaysia) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 22 to 65 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named in Kuala Lumpur, Malaysia on 29 March 2016.

……………………………………………………………
Yuan Bin

BEFORE ME:

……………………………………………………………

Independent Auditors' Report to the Members Of Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Industrial and Commercial Bank of China (Malaysia) Berhad, which comprise the statement of financial position as at 31 December 2015 of the Bank, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows of the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 22 to 65.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

(Company No. 839839 M)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Bank as of 31 December 2015 and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank have been properly kept in accordance with the provisions of the Act.

Other Matters

This report is made solely to the members of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

KPMG
Firm Number: AF 0758
Chartered Accountants

Chin Shoon Chong
Chartered Accountant
Approval Number: 2823/04/17(J)

Petaling Jaya, Malaysia

Date: 29 March 2016

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)
(Incorporated in Malaysia)

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
ASSETS			
Cash and short-term funds	4	1,297,823	1,639,495
Deposits and placements with banks and other financial institutions	5	2,314	107,600
Financial investments available-for-sale	6	202,568	55,156
Loans, advances and financing	7	2,528,388	2,210,784
Derivative financial assets	8	7,555	592
Other assets	9	4,684	7,164
Statutory deposits with Bank Negara Malaysia	10	22,460	10,340
Plant and equipment	11	3,875	4,303
Intangible asset	12	824	1,344
Deferred tax assets	13	4,058	3,102
TOTAL ASSETS		4,074,549	4,039,880
LIABILITIES			
Deposits from customers	14	3,310,848	1,949,828
Deposits and placements of banks and other financial institutions	15	298,755	1,650,218
Derivative financial liabilities	8	6,965	542
Other liabilities	16	41,616	51,986
Provision for taxation		2,824	960
TOTAL LIABILITIES		3,661,008	3,653,534
EQUITY			
Share capital	17	331,000	331,000
Reserves	18	82,541	55,346
EQUITY ATTRIBUTABLE TO OWNER OF THE BANK		413,541	386,346
TOTAL LIABILITIES AND EQUITY		4,074,549	4,039,880
COMMITMENTS AND CONTINGENCIES	28	3,027,115	2,498,328

The notes set out on pages 26 to 65 form an integral part of these financial statements.

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)
(Incorporated in Malaysia)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Interest income	19	122,707	132,924
Interest expense	19	(52,568)	(74,021)
Net interest income	19	70,139	58,903
Net fee income	20	13,613	11,090
Net trading income	21	22,900	15,538
Other operating income		3	-
Net operating income		106,655	85,531
Other operating expenses	22	(60,260)	(54,032)
Operating profit		46,395	31,499
Allowance for impairment on loans, advances and financing	23	(6,198)	(4,803)
Profit before taxation		40,197	26,696
Tax expense	24	(11,867)	(7,456)
Profit for the year		28,330	19,240
Other comprehensive income, net of tax			
Items that are or may be reclassified subsequently to profit or loss			
Fair value reserve			
- Changes in fair value		(1,489)	121
- Amount transferred to profit or loss		-	(320)
- Deferred tax adjustment	13	354	172
Total other comprehensive expense for the year		(1,135)	(27)
Total comprehensive income for the year		27,195	19,213
Basic earnings per ordinary share (sen):	25	8.56	5.81

The notes set out on pages 26 to 65 form an integral part of these financial statements.

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

	Non-distributable				Distributable	
	Share Capital RM'000	Statutory Reserve RM'000	Available-for-sale Reserve RM'000	Regulatory Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 January 2014	331,000	16,607	(251)	6,175	13,602	367,133
Total comprehensive income for the year						
Profit for the year	-	-	-	-	19,240	19,240
Other comprehensive income, net of tax						
Fair value reserve						
- Changes in fair value	-	-	121	-	-	121
- Amount transferred to profit or loss	-	-	(320)	-	-	(320)
- Deferred tax adjustment	-	-	172	-	-	172
Total other comprehensive expense for the year	-	-	(27)	-	-	(27)
Total comprehensive (expense)/income for the year	-	-	(27)	-	19,240	19,213
Transfer to statutory reserve	-	9,620	-	-	(9,620)	-
Transfer to regulatory reserve	-	-	-	4,876	(4,876)	-
At 31 December 2014	331,000	26,227	(278)	11,051	18,346	386,346
At 1 January 2015	331,000	26,227	(278)	11,051	18,346	386,346
Total comprehensive income for the year						
Profit for the year	-	-	-	-	28,330	28,330
Other comprehensive income, net of tax						
Fair value reserve						
- Changes in fair value	-	-	(1,489)	-	-	(1,489)
- Deferred tax adjustment	-	-	354	-	-	354
Total other comprehensive expense for the year	-	-	(1,135)	-	-	(1,135)
Total comprehensive (expense)/income for the year	-	-	(1,135)	-	28,330	27,195
Transfer to statutory reserve	-	14,165	-	-	(14,165)	-
Transfer to regulatory reserve	-	-	-	2,111	(2,111)	-
At 31 December 2015	331,000	40,392	(1,413)	13,162	30,400	413,541
	Note 17	Note 18.1	Note 18.2	Note 18.3	Note 18.4	

The notes set out on pages 26 to 65 form an integral part of these financial statements.

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)
(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015 RM'000	2014 RM'000
Cash flows generated from operating activities			
Profit before taxation		40,197	26,696
Adjustments for:			
Depreciation of plant and equipment		2,114	2,244
Amortisation of intangible asset		520	520
Allowance for impairment on loans, advances and financing		6,198	4,803
Net unrealised gains arising from derivative trading		(540)	(4,487)
Accretion of discounts net of amortisation of premiums on financial investments available-for-sale		(3,842)	243
Operating profit before working capital changes		44,647	30,019
Decrease/(Increase) in operating assets			
Deposits and placements with banks and other financial institutions		105,286	448,755
Loans, advances and financing		(323,802)	(393,974)
Other assets		2,480	12,178
Statutory deposits with Bank Negara Malaysia		(12,120)	(6,739)
Increase/(Decrease) in operating liabilities			
Deposits from customers		1,361,020	624,633
Deposits and placements of banks and other financial institutions		(1,351,463)	(1,618,877)
Other liabilities		(10,370)	26,689
Cash used in operations		(184,322)	(877,316)
Income taxes paid		(10,605)	(5,132)
Net cash used in operating activities		(194,927)	(882,448)
Cash flows (used in)/generated from investing activities			
Purchase of plant and equipment		(1,686)	(359)
Net (purchase)/proceeds of financial investments available-for-sale		(145,059)	43,442
Net cash (used in)/from investing activities		(146,745)	43,083
Net decrease in cash and cash equivalents		(341,672)	(839,365)
Cash and cash equivalents at beginning of the financial year		1,639,495	2,478,860
Cash and cash equivalents at end of the financial year		1,297,823	1,639,495
Cash and cash equivalents comprise:			
Cash and short-term funds	4	1,297,823	1,639,495

The notes set out on pages 26 to 65 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

1. General information

Industrial and Commercial Bank of China (Malaysia) Berhad is a public limited liability company incorporated and domiciled in Malaysia. The Bank is principally engaged in the provision of banking and other related financial services. The address of its registered office and principal place of business is as follows:

Level 35, Menara Maxis
Kuala Lumpur City Centre
50088 Kuala Lumpur.

The financial statements were authorised for issue by the Board of Directors on 29 March 2016.

2. Basis of preparation

(a) Statement of compliance

The financial statements of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The following are accounting standards, amendments and interpretations of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Bank:

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

MFRS 14, *Regulatory Deferral Accounts*
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*, 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*
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 effective for annual periods beginning on or after 1 January 2018

MFRS 9, *Financial Instruments (2014)*
MFRS 15, *Revenue from Contracts with Customers*

2. Basis of preparation *(continued)*

(a) Statement of compliance *(continued)*

MFRSs, Interpretations and amendments effective from a date yet to be confirmed

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

The Bank plans to apply the abovementioned 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 MFRS 14, Amendments to MFRS 5, Amendments to MFRS 10, MFRS 12 and MFRS 128, Amendments to MFRS 11, Amendment to MFRS 116 and MFRS 141, and Amendments to MFRS 127, as they are not applicable to the Bank.

- 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 accounting 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 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, and on hedge accounting.

The Bank is currently assessing the financial impact of adopting MFRS 9.

(b) Basis of measurement

The financial statements of the Bank have been prepared on the historical cost basis, except for financial investments available-for-sale and derivative financial instruments as disclosed in the notes to the financial statements.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (RM), which is the Bank’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

2. Basis of preparation *(continued)*

(d) Use of estimates and judgements

The preparation of financial information and financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimate and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in Note 32 - Fair values of financial assets and financial liabilities.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, unless otherwise stated.

(a) Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Bank at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of reporting period except for those that are measured at fair value which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised in other comprehensive income.

(b) Interest recognition

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes all amounts paid or received by the Bank that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or liability.

Interest expense on deposits and borrowings of the Bank are recognised on an accrual basis.

3. Significant accounting policies *(continued)*

(c) Fees recognition

Loan arrangement fees which are material are recognised as income when all conditions precedent are fulfilled. Guarantee fees and commitment fees which are material are recognised as income based on time apportionment.

Other fee income on services and facilities extended to customers are recognised as the related services are performed.

Other fee expenses relating mainly to transaction and service fees, are expensed off as the services are received.

(d) Operating lease payments

Leases, where the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised in the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

(e) Income tax expense

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3. Significant accounting policies *(continued)*

(f) Financial instruments

i) Initial recognition and measurement

The Bank initially recognises loans and advances, deposits and debt securities issued on the date they are originated. Regular way purchases and sales of financial assets are recognised on the trade date at which the Bank commits to purchase or sell the asset. All financial assets and liabilities (including assets and liabilities designated at fair value through profit or loss) are initially recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instruments.

A financial asset or financial liability is measured initially, at its fair value plus, for a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

ii) Derecognition

Financial assets are derecognised when the contractual right to receive cash flows from the assets has expired; or when the Bank has transferred its contractual right to receive the cash flows of the financial assets, and either:

- substantially all the risks and rewards of ownership have been transferred; or
- the Bank has neither retained nor transferred substantially all the risks and rewards of ownership, but has not retained control of the assets.

On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

Financial liabilities are derecognised when the Bank's contractual obligations are discharged, cancelled, or expire.

On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

iii) Offsetting

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

Income and expenses are presented on a net basis only when permitted under the MFRSs.

(g) Cash and cash equivalents

Cash and cash equivalents consist of notes and coins on hand, unrestricted balances held with BNM and highly liquid financial assets maturing within one month, which are subject to insignificant risk of changes in their fair value, and are used by the Bank in the management of its short-term commitments.

(h) Derivative financial instruments

Derivatives are recognised at fair value in the statement of financial position. Gains and losses (realised and unrealised) arising from changes in the fair value are recognised in profit or loss.

(i) Forward Foreign Exchange Contracts

Forward contracts are valued at the prevailing forward rates of exchange at the reporting date. The resultant unrealised gains and losses are recognised in profit or loss.

3. Significant accounting policies *(continued)*

(h) Derivative financial instruments *(continued)*

(ii) Currency Swaps

The Bank acts as an intermediary for counterparties who wish to swap their foreign currency obligations. The resultant realised and unrealised gains and losses are recognised in profit or loss.

(i) Financial investments

Available-for-sale

Available-for-sale investments are non-derivative financial assets that are not classified as held-for-trading or held-to-maturity investments; and are initially measured at fair value plus direct and incremental transaction costs. They are subsequently remeasured at fair value, and changes therein are recognised in other comprehensive income as ‘Fair value reserve’ until the financial assets are either sold or become impaired. When available-for-sale financial assets are sold, cumulative gains or losses previously recognised in other comprehensive income are recognised in the statement of profit or loss and other comprehensive income as ‘Net gains/losses arising from the sale of financial investments available-for-sale’.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost.

Interest income earned is recognised on available-for-sale debt securities using the effective interest rate method, calculated over the asset’s expected life. Premiums and/or discounts arising on the purchase of dated investment securities are included in the calculation of their effective interest rates.

An assessment is made at each reporting date as to whether there is any objective evidence of impairment in the value of a financial asset. Impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset (a ‘loss event’) and that loss event (or ‘events’) has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

An impairment loss is recognised in profit or loss and is measured as the difference between the asset’s acquisition cost (net of any principal repayment and amortisation) and the asset’s current fair value, less any impairment loss previously recognised. Where a decline in fair value of an available-for-sale securities has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extend that the asset’s carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(j) Loans, advances and financing

Loans, advances and financing are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and the Bank does not intend to sell immediately or in the near term.

The loans, advances and financing are carried at their outstanding unpaid principal and interest balances, net of individual and collective assessment impairment allowances. The carrying amounts of the Bank’s loans, advances and financing are reviewed at each reporting date to determine whether there is any objective evidence of impairment. If such evidence exists, the recoverable amount of the loans, advances and financing is estimated.

3. Significant accounting policies *(continued)*

(k) Impairment of loans, advances and financing

A collective impairment assessment is performed on “collective basis” on the Bank’s loan portfolio using statistical techniques with the necessary model risk adjustments to the credit grades and probability of defaults of the respective credit grade bands of the loans in order to guard against the risk of judgement error in the credit grading process. Although the credit grading process would involve qualitative assessment which is subject to judgement error, the loans within the same credit grade band generally share the similar credit risk characteristics for collective assessment. Given the lack of historical loss experience, the relevant market data will be taken for consideration to derive the model risk adjustment.

In the case of individual assessment, a loan is deemed as impaired if there is objective evidence of impairment which is triggered by certain events. In general, loans that are not repaid on time as they come due, be it the principal or interest, will be monitored closely as the likelihood of impairment from these past due loans is expected to be higher. Individual impairment allowances are made for loans, advances and financing which have been individually reviewed and specifically identified as impaired. Individual impairment allowances are provided if the recoverable amount (present value of estimated future cash flows discounted at original effective interest rate) is lower than the carrying value of the loans, advances and financing (outstanding amount of loans, advances and financing, net of individual impairment allowance). The expected cash flows are based on projections of liquidation proceeds, realisation of assets or estimates of future operating cash flows.

Impaired loans, advances and financing are measured at their estimated recoverable amount based on the discounted cash flow methodology. Loans, advances and financing (and related allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralised loans, advances and financing, when the proceeds from the realisation of security have been received.

(l) Plant and equipment

Recognition and measurement

All purchases above RM1,000 are capitalised. Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the assets to a working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of plant or equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the item of plant and equipment, and is recognised net within “other operating income” or “other operating expenses” respectively in profit or loss.

Subsequent costs

The cost of replacing a component of an item of plant or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Bank and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

3. Significant accounting policies *(continued)*

(l) Plant and equipment *(continued)*

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset. The plant and equipment are depreciated commencing from the month subsequent to the month of addition, and depreciation is accounted for up to the month of disposal.

	Depreciation rate per annum (%)
Electronic equipment	33.33
Office equipment, fixtures and fittings	20
Computer software	10
Improvement on leased assets	Over the leasehold period

Plant and equipment under construction are not depreciated until the assets are ready for their intended

Depreciation methods, rates, useful lives and residual values are reviewed at the end of the reporting period and adjusted as appropriate.

(m) Intangible asset

Intangible asset represents admission fee and is measured at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of intangible asset is calculated to write-off the cost of the intangible asset on a straight line basis over the estimated useful life of 5 years. Intangible asset is subject to impairment review if there are events or changes in circumstances which indicate that the carrying amount may not be recoverable.

(n) Impairment

The carrying amounts of the Bank’s non-financial assets (except for deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets (known as cash-generating unit).

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or a group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (or a group of cash-generating units) on a *pro rata* basis.

3. Significant accounting policies *(continued)*

(n) Impairment *(continued)*

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(o) Provisions

A provision is recognised if, as a result of a past event, the Bank has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the liability. The unwinding of the discount is recognised as finance cost.

(p) Employee benefits

(i) Short-term employee benefits
Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plan
The Bank's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Bank has no further payment

(q) Other receivables

Other receivables are initially recognised at their costs when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, other receivables are measured at amortised cost using the effective interest method.

(r) Liabilities

Deposits from customers, deposits and placements of banks and other financial institutions are stated at placement values.

Other liabilities are measured initially and subsequently at cost. Other liabilities are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

3. Significant accounting policies *(continued)*

(s) Fair value measurement

MFRS 13 prescribed that fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

4. Cash and short-term funds

	2015 RM'000	2014 RM'000
Cash and balances with banks and other financial institutions	326,271	67,619
Money at call and deposit placements maturing within one month	971,552	1,571,876
	1,297,823	1,639,495

5. Deposits and placements with banks and other financial institutions

	2015 RM'000	2014 RM'000
Foreign banks	2,314	107,600

6. Financial investments available-for-sale

	2015 RM'000	2014 RM'000
At fair value		
Malaysian Government Securities	70,553	50,185
Financial Institutions Securities	127,042	-
Private Debt Securities	4,973	4,971
	202,568	55,156

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

	2015 RM'000	2014 RM'000
Within one year	127,042	-
More than one year to three years	55,668	55,156
More than three years to five years	19,858	-
	202,568	55,156

7. Loans, advances and financing

At amortised cost

(i) By type

	2015 RM'000	2014 RM'000
Overdrafts	165,405	118,152
Term loans		
- Housing loans	47,605	34,895
- Syndicated term loans	178,456	145,186
- Other term loans	567,547	623,518
Bills receivable	33,810	2,156
Trust receipt	-	320
Revolving credit	1,459,748	1,223,503
Bankers' acceptances	91,605	73,221
Staff loans	2,118	1,867
Credit card loans	1,561	1,235
Gross loans, advances and financing	2,547,855	2,224,053
Less: Allowance for impairment		
- Collective allowance for impairment	(17,387)	(11,189)
- Individual allowance for impairment	(2,080)	(2,080)
Net loans, advances and financing	2,528,388	2,210,784

(ii) By type of customer

	2015 RM'000	2014 RM'000
Domestic non-bank financial institutions		
- Others	20,042	12,038
Domestic business enterprises		
- Small medium enterprises	70,827	61,154
- Others	1,468,940	1,067,624
Individuals	43,628	31,575
Foreign entities	944,418	1,051,662
	2,547,855	2,224,053

(iii) By interest rate sensitivity

	2015 RM'000	2014 RM'000
Fixed rate loans	18,944	3,103
Variable rate		
- Base rate/base lending rate plus	116,754	44,226
- Cost plus	1,070,516	800,013
- Other variable rates	1,341,641	1,376,711
	2,547,855	2,224,053

(iv) By sector

	2015 RM'000	2014 RM'000
Primary agriculture	49,297	23,481
Manufacturing	136,688	41,460
Construction	122,614	41,337
Real estate	363,146	221,591
Wholesale & retail trade and restaurants & hotels	760,497	972,074
Transport, storage and communication	533,691	416,813
Finance, insurance and business services	397,736	396,749
Education, health and others	114,728	62,831
Household	69,458	47,717
	2,547,855	2,224,053

7. Loans, advances and financing *(continued)*

(v) By purpose

	2015 RM'000	2014 RM'000
Purchase of landed properties		
- Non residential	125,610	99,998
- Residential	49,107	36,074
Purchase of transport vehicles	113	166
Construction	9,099	9,034
Credit card	1,561	1,235
Personal use	863	778
Mergers and acquisitions	2,147	3,496
Working capital	2,335,892	2,047,214
Other purpose	23,463	26,058
	2,547,855	2,224,053

(vi) By geographical distribution

	2015 RM'000	2014 RM'000
Within Malaysia	1,634,748	1,099,833
Outside Malaysia	913,107	1,124,220
	2,547,855	2,224,053

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

(vii) By residual contractual maturity

	2015 RM'000	2014 RM'000
Maturity within one year	1,770,401	1,887,523
More than one year to three years	452,935	105,753
More than three years to five years	211,844	133,248
More than five years	112,675	97,529
	2,547,855	2,224,053

(viii) Impaired loans, advances and financing

(a) Movement in impaired loans, advances and financing

	2015 RM'000	2014 RM'000
At 1 January	2,080	-
Impaired during the financial year	-	2,080
At 31 December	2,080	2,080
Less: Individual allowance for impairment	(2,080)	(2,080)
Net impaired loans, advances and financing	-	-
As % of gross loans, advances and financing (net of individual allowance for impairment)	**0%**	**0%**

7. Loans, advances and financing *(continued)*

(b) By sector

	2015 RM'000	2014 RM'000
Wholesale & retail trade and restaurants & hotels	2,029	2,029
Household	51	51
	2,080	2,080

(c) By purpose

	2015 RM'000	2014 RM'000
Working capital	2,029	2,029
Credit card	51	51
	2,080	2,080

(d) By geographical distribution

	2015 RM'000	2014 RM'000
Within Malaysia	2,080	2,080

(ix) Movements in allowance for impairment on loans, advances and financing

	2015 RM'000	2014 RM'000
<u>Collective allowance for impairment</u>		
At 1 January	11,189	8,466
Allowance made during the financial year	9,199	6,082
Allowance written back	(3,001)	(3,359)
At 31 December	17,387	11,189
As % of gross loans, advances and financing (net of individual allowance for impairment)	0.7%	0.5%
<u>Individual allowance for impairment</u>		
At 1 January	2,080	-
Allowance made during the financial year	-	2,080
At 31 December	2,080	2,080

8. Derivative financial assets/liabilities

2015	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	580,512	7,166	6,961
- Currency swaps	173,550	389	4
Total recognised derivative assets/liabilities (Notes 28)	754,062	7,555	6,965

2014	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	800,655	336	541
- Currency swaps	6,145	256	1
Total recognised derivative assets/liabilities (Notes 28)	806,800	592	542

9. Other assets

	2015 RM'000	2014 RM'000
Interest receivable	1,536	4,664
Deposits	1,924	1,375
Other receivables and prepayments	1,224	1,125
	4,684	7,164

10. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) and Section 26(3) of the Central Bank of Malaysia Act, 2009. The amount of the Statutory Reserve Requirement is determined based on a set of percentage on total eligible liabilities.

11. Plant and equipment

	Electronic Equipment RM'000	Office Equipment, Fixtures and fittings RM'000	Computer Software RM'000	Improvement on Leased Assets RM'000	Fixed assets under Construction RM'000	Total RM'000
Cost						
At 1 January 2015	2,179	2,143	414	6,128	-	10,864
Additions	497	93	58	-	1,038	1,686
At 31 December 2015	2,676	2,236	472	6,128	1,038	12,550
Accumulated depreciation						
At 1 January 2015	1,615	1,073	125	3,748	-	6,561
Charge during the year	420	423	42	1,229	-	2,114
At 31 December 2015	2,035	1,496	167	4,977	-	8,675
Net carrying amount						
At 1 January 2015	564	1,070	289	2,380	-	4,303
At 31 December 2015	641	740	305	1,151	1,038	3,875

	Electronic Equipment RM'000	Office Equipment, Fixtures and fittings RM'000	Computer Software RM'000	Improvement on Leased Assets RM'000	Fixed assets under Construction RM'000	Total RM'000
Cost						
At 1 January 2014	1,953	2,015	412	6,125	-	10,505
Additions	226	128	2	3	-	359
At 31 December 2014	2,179	2,143	414	6,128	-	10,864
Accumulated depreciation						
At 1 January 2014	1,215	643	84	2,375	-	4,317
Charge during the year	400	430	41	1,373	-	2,244
At 31 December 2014	1,615	1,073	125	3,748	-	6,561
Net carrying amount						
At 1 January 2014	738	1,372	328	3,750	-	6,188
At 31 December 2014	564	1,070	289	2,380	-	4,303

12. Intangible asset

	Admission Fee RM'000
Cost	
At 1 January 2015/31 December 2015	2,600
Accumulated amortisation	
At 1 January 2015	1,256
Charge during the year	520
At 31 December 2015	1,776
Net carrying amount	
At 1 January 2015	1,344
At 31 December 2015	824
Cost	
At 1 January 2014/31 December 2014	2,600
Accumulated amortisation	
At 1 January 2014	736
Charge during the year	520
At 31 December 2014	1,256
Net carrying amount	
At 1 January 2014	1,864
At 31 December 2014	1,344

13. Deferred tax assets

	2015 RM'000	2014 RM'000
At 1 January	3,102	863
Recognised in profit or loss (Note 24)	602	2,067
Recognised in equity	354	172
At 31 December	4,058	3,102

The components and movements of deferred tax assets and liabilities during the financial year are as follows:

	Plant and Equipment RM'000	Available-for-sale Reserve RM'000	Others RM'000	Total RM'000
Deferred tax (assets)/liabilities				
At 1 January 2015	127	(92)	(3,137)	(3,102)
Recognised in profit or loss (Note 24)	(131)	-	(471)	(602)
Recognised in equity	-	(354)	-	(354)
At 31 December 2015	(4)	(446)	(3,608)	(4,058)

13. Deferred tax assets *(continued)*

	Plant and Equipment RM'000	Available-for-sale Reserve RM'000	Others RM'000	Total RM'000
Deferred tax (assets)/liabilities				
At 1 January 2014	296	80	(1,239)	(863)
Recognised in profit or loss (Note 24)	(169)	-	(1,898)	(2,067)
Recognised in equity	-	(172)	-	(172)
At 31 December 2014	127	(92)	(3,137)	(3,102)

14. Deposits from customers

(i) By type of deposits

	2015 RM'000	2014 RM'000
Demand deposits	1,166,923	321,759
Fixed deposits	638,283	570,577
Savings deposits	101,741	69,198
Money market deposits	1,356,784	634,888
Short term deposits	19,424	349,650
Others	27,693	3,756
	3,310,848	1,949,828

(ii) By type of customer

	2015 RM'000	2014 RM'000
Business enterprises	2,203,566	1,292,592
Individuals	193,067	153,872
Foreign entities	913,380	502,383
Others	835	981
	3,310,848	1,949,828

(iii) By maturity structure of term deposits

	2015 RM'000	2014 RM'000
Due within six months	2,550,783	1,720,079
More than six months to one year	757,345	228,292
More than one year to three years	2,720	1,457
	3,310,848	1,949,828

15. Deposits and placements of banks and other financial institutions

	2015 RM'000	2014 RM'000
Licensed Malaysian banks	179,730	826,095
Licensed investment banks	43	31
Licensed Islamic banks	157	111
Other financial institutions	105,174	185,915
Foreign banks	13,651	638,066
	298,755	1,650,218

16. Other liabilities

	2015 RM'000	2014 RM'000
Interest payable	7,068	10,556
Other payables and accruals	34,548	41,430
	41,616	51,986

17. Share capital

	Number of ordinary shares of RM1 each	
	2015 '000	2014 '000
Authorised		
Ordinary shares of RM1 each	380,000	380,000
Issued and fully paid		
Ordinary shares of RM1 each	331,000	331,000

	Amount	
	2015 RM'000	2014 RM'000
Authorised		
Ordinary shares of RM1 each	380,000	380,000
Issued and fully paid		
Ordinary shares of RM1 each	331,000	331,000

18. Reserves

18.1 Statutory reserve

The statutory reserve is maintained in compliance with Section 12 of the Financial Services Act, 2013 (FSA) and is not distributable as cash dividends.

18.2 Available-for-sale reserve

Available-for-sale reserve captures the fair value adjustment on financial assets which are classified as available-for-sale and its corresponding effect on deferred tax. The reserve is non-distributable and cumulative fair value adjustments will be reversed to profit or loss upon disposal of the assets.

18.3 Regulatory reserve

The Bank maintained a minimum level of impairment provisions which is in excess of the collective impairment provisions required under MFRSs. An amount of RM13.162 million (2014: RM11.051 million) from the retained earnings as of 31 December 2015 has been reserved for this purpose.

18.4 Retained earnings

The Finance Act 2007 introduced the single tier tax system with effect from 1 January 2008. Under this system, tax on a company's profits is a final tax and dividends are tax exempt in the hands of shareholders.

19. Interest income

	2015 RM'000	2014 RM'000
Loans, advances and financing:		
- Interest income other than from impaired loans	84,120	60,300
Money at call and deposit placements with financial institutions	32,361	68,612
Financial investments available-for-sale	6,180	3,997
Others	46	15
	122,707	132,924
Of which:		
Interest income earned on impaired loans, advances and financing	-	34

Interest expense

	2015 RM'000	2014 RM'000
Deposits and placements of banks and other financial institutions	(18,170)	(46,102)
Deposits from customers	(34,373)	(27,872)
Others	(25)	(47)
	(52,568)	(74,021)
Net interest income	70,139	58,903

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

20. Fee income

	2015 RM'000	2014 RM'000
Fee income:		
- Commission	41	43
- Service charges and fees	2,148	1,429
- Loan processing fees	942	674
- Syndication fees	1,184	293
- Guarantee fees	3,178	2,560
- Commitment fees	669	1,200
- Other loans related fees income	300	1,249
- Other fees income	5,321	4,046
	13,783	11,494
Fee expense:		
- Brokerage fees	(24)	(57)
- Other fees expense	(146)	(347)
	(170)	(404)
Net fee income	13,613	11,090

21. Net trading income

	2015 RM'000	2014 RM'000
Net gains from dealing in foreign exchange	2,168	10,335
Net gains arising from derivative trading	20,556	723
Net unrealised revaluation losses in foreign exchange	(364)	(7)
Net unrealised gains arising from derivative trading	540	4,487
	22,900	15,538

22. Other operating expenses

	2015 RM'000	2014 RM'000
Personnel costs:		
- Salaries, allowance and bonuses (excluding Directors' remuneration)	33,143	33,766
- Directors' remuneration (Note 26 (c))	1,395	643
- Pension fund contributions	2,528	2,389
- Other staff costs	5,153	3,675
Promotion and marketing related expenses:		
- Advertising and promotion	1,715	577
- Others	1,367	879
Establishment costs:		
- Depreciation of plant and equipment	2,114	2,244
- Amortisation of intangible asset	520	520
- Rental	4,949	3,537
- Others	1,454	1,045
Administrative expenses:		
- Auditors' remuneration		
• statutory audit fees	155	155
- overprovision in prior year	(15)	(14)
• audit related services	94	94
- Professional fees	837	376
- Licence fee	307	140
- Membership fee	156	154
- Others	4,388	3,852
	60,260	54,032

23. Allowance for impairment on loans, advances and financing

	2015 RM'000	2014 RM'000
Collective allowance for impairment		
- Made during the financial year	9,199	6,082
- Written back during the financial year	(3,001)	(3,359)
Individual allowance for impairment		
- Made during the financial year	-	2,080
	6,198	4,803

24. Tax expense

	2015 RM'000	2014 RM'000
Malaysian income tax		
- Current financial year	12,553	9,393
- (Over)/under provision in prior year	(84)	130
Total current tax recognised in profit or loss	12,469	9,523
Deferred taxation (Note 13)		
Origination and reversal of temporary differences	(761)	(2,067)
Effect of changes in tax rate	159	-
Total deferred tax recognised in profit or loss	(602)	(2,067)
	11,867	7,456

24. Tax expense *(continued)*

	2015 RM'000	2014 RM'000
Reconciliation of tax expense		
Profit before taxation	40,197	26,696
Income tax using Malaysian tax rate @ 25% (2014: 25%)*	10,049	6,674
Non-deductible expenses	1,743	652
Effect of changes in tax rate	159	-
(Over)/under provision of income tax expense in prior year	(84)	130
Tax expense	11,867	7,456

* The Malaysian statutory tax rates are 25% on the estimated chargeable profit for year of assessment 2015 and 24% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

25. Basic earnings per ordinary share

The basic earnings per ordinary share has been calculated based on the profit attributable to equity holder and 331,000,000 (2014: 331,000,000) ordinary shares of RM1 each in issue during the financial year.

26. Significant related party transactions and balances

(a) The significant transactions of the Bank with its holding company and other related entities are as follows:

	2015		2014	
	RM'000 Holding Company	RM'000 Related Companies	RM'000 Holding Company	RM'000 Related Companies
Income				
Interest income				
- Deposits and placements with banks and other financial institutions	67	3,235	76	30,376
Expenses				
Interest expense				
- Deposits and placements with banks and other financial institutions	6,639	3,478	3,394	4,791
Other operating expenses				
- Other charges	14	7	8	7

26. Significant related party transactions and balances *(continued)*

(b) The significant outstanding balances of the Bank with its holding company and other related entities are as follows:

	2015		2014	
	RM'000	**RM'000**	**RM'000**	**RM'000**
	Holding Company	Related Companies	Holding Company	Related Companies
Amount due from				
- Cash and short-term funds	21,901	312,426	19,625	569,504
- Deposits and placements with banks and other financial institutions	-	2,314	-	107,600
- Other assets	-	418	-	2,422
Amount due to				
- Deposits and placements with banks and other financial institutions	13,229	-	291,908	223,249
- Other liabilities	-	-	1,219	166

All transactions of the Bank with its related parties are made in the ordinary course of business and on substantially the same terms, including interest rates, with third parties.

There is no amount outstanding from key management personnel as at year end.

(c) Key management personnel compensation

The remuneration of key management personnel, being the members of the Board of Directors of the Bank, during the financial year are shown below:

	2015	**2014**
	RM'000	**RM'000**
Executive Director and CEO		
Mr. Yuan Bin		
- Salaries	1,054	344
- Other allowances	133	89
	1,187	433
Non-Executive Directors' fees		
YBhg Dato' Leong Khee Seong	104	105
Mr. Ong Ah Tin @ Ong Chee Kwee	104	105
	208	210
	1,395	643
	Note 22	Note 22

27. 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:

	2015	**2014**
	RM'000	**RM'000**
Aggregate value of outstanding credit exposures to connected parties	19,053	14,432
As a percentage of total credit exposures	0.40%	0.30%
Percentage of outstanding credit exposures to connected parties which are non-performing or in default	0%	0%

28. 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. No material losses are anticipated as a result of these transactions.

The commitments and contingencies constitute the following:

	2015			
	Principal Amount RM'000	**Positive Value of Derivative Contracts ^ RM'000**	**Credit Equivalent Amount * RM'000**	**Risk-Weighted Assets * RM'000**
Credit-related exposures				
Transaction-related contingent items	818,692	-	409,346	264,726
Short term self-liquidating trade-related contingencies	46,529	-	9,306	6,553
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	223,558	-	111,779	100,046
- Not exceeding one year	1,157,325		231,465	160,394
Unutilised credit card lines	26,949	-	5,390	4,042
Derivative financial contracts				
Foreign exchange related contracts:				
- Less than one year	754,062	7,555	21,870	10,523
Total	3,027,115	7,555	789,156	546,284
		Note 8		

^ The foreign exchange related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates and interest rates) of the underlying instruments. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial assets) 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 BNM guidelines. The credit conversion factors and risk-weighting rules were based on guidelines of the revised Capital Adequacy Framework on the Standardised Approach.

28. Commitments and contingencies *(continued)*

	2014			
	Principal Amount RM'000	**Positive Value of Derivative Contracts ^ RM'000**	**Credit Equivalent Amount * RM'000**	**Risk-Weighted Assets * RM'000**
Credit-related exposures				
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
Derivative financial contracts				
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 8		

^ The foreign exchange related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates and interest rates) of the underlying instruments. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial assets) 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 BNM guidelines. The credit conversion factors and risk-weighting rules were based on guidelines of the revised Capital Adequacy Framework on the Standardised Approach.

29. Lease commitments

The Bank has lease commitments in respect of rented premises, all of which are classified as operating leases. A summary of the long-term lease commitments are as follows:

	2015 RM'000	**2014 RM'000**
Within one year	3,759	4,073
After one year but not more than five years	2,318	2,575
	6,077	6,648

30. Capital commitments

	2015 RM'000	**2014 RM'000**
Capital expenditure for plant and equiptment		
- Contracted but not provided for	872	-
	872	-

31. 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:

	2015 RM'000	2014 RM'000 (restated)
Common Equity Tier 1 ("CET1") Capital		
Paid-up share capital	331,000	331,000
Retained earnings	30,400	18,346
Statutory reserve	40,392	26,227
Regulatory reserve	13,162	11,051
Unrealised losses on financial investments available-for-sale	(1,413)	(278)
	413,541	386,346
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(824)	(1,344)
- Deferred tax assets	(4,058)	(3,102)
- Regulatory reserve attributable to loans, advances and financing	(13,162)	(11,051)
	(18,044)	(15,497)
Total CET1 Capital	395,497	370,849
Tier 2 Capital		
allowance	17,387	11,189
Regulatory reserve	13,162	11,051
Total Tier 2 Capital	30,549	22,240
Total Capital	426,046	393,089
CET1 capital ratio	15.675%	17.887%
Tier 1 capital ratio	15.675%	17.887%
Total capital ratio	16.886%	18.960%

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

	2015 Principal RM'000	2015 Risk-Weighted Assets RM'000	2014 Principal RM'000	2014 Risk-Weighted Assets RM'000
Total RWA for credit risk	4,869,479	2,363,908	4,616,852	1,947,772
Total RWA for market risk	-	894	-	1,968
Total RWA for operational risk	-	158,249	-	123,544
	4,869,479	2,523,051	4,616,852	2,073,284

32. Fair values of financial assets and financial liabilities

Recognised financial instruments

The methods and assumptions used in estimating the fair values of financial instruments are as follows:

(a) Cash and short-term funds/Deposits and placements with banks and other financial institutions

For cash and short-term funds and deposits and placements with banks and other financial institutions including interest-earning deposits, the carrying amounts are a reasonable estimate of the fair values because of their short-term nature (less than one year) and limited credit risk.

(b) Financial investments available-for-sale

Fair values of investment securities are estimated based on broker/dealer price quotation.

(c) Loans, advances and financing

The fair values of fixed rate loans with remaining maturity less than one year and variable rate loans are estimated to approximate their carrying values. For fixed rate loans with maturity of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments and discounted at prevailing rates at the respective reporting dates offered for similar loans. In respect of impaired loans, the fair values are deemed to approximate the carrying values, net of individual assessment impairment allowance.

(d) Deposits from customers

The fair values of demand deposits and saving deposits maturing within a short period of time are the amounts payable on demand. Fair values of fixed deposits maturing within a year are estimated to approximate their carrying amounts. For deposits with maturity exceeding one year, the fair values are estimated using discounted cash flows based on market rates at the respective reporting dates for similar products and maturity.

(e) Deposits and placements of banks and other financial institutions

The fair values of non-interest bearing deposits are equal to amounts payable on demand. For deposits with maturity exceeding one year, fair values are estimated by discounting the estimated future cash flows based on market rates at the respective reporting dates for deposits with similar maturity.

32. Fair values of financial assets and financial liabilities *(continued)*

Recognised financial instruments (continued)

Valuation of financial instruments

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position.

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	Total fair value	Carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015										
Financial assets										
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	2,314	2,314	2,314	2,314
Financial investments available-for-sale (Note 6)	-	75,526	127,042	202,568	-	-	-	-	202,568	202,568
Loans, advances and financing	-	-	-	-	-	-	2,527,302	2,527,302	2,527,302	2,528,388
Derivative financial assets (Note 8)	-	7,555	-	7,555	-	-	-	-	7,555	7,555
	-	83,081	127,042	210,123	-	-	2,529,616	2,529,616	2,739,739	2,740,825
Financial liabilities										
Deposits from customers	-	-	-	-	-	-	3,310,819	3,310,819	3,310,819	3,310,848
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	298,755	298,755	298,755	298,755
Derivative financial liabilities (Note 8)	-	6,965	-	6,965	-	-	-	-	6,965	6,965
	-	6,965	-	6,965	-	-	3,609,574	3,609,574	3,616,539	3,616,568
2014										
Financial assets										
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	107,600	107,600	107,600	107,600
Financial investments available-for-sale (Note 6)	-	55,156	-	55,156	-	-	-	-	55,156	55,156
Loans, advances and financing	-	-	-	-	-	-	2,210,154	2,210,154	2,210,154	2,210,784
Derivative financial assets (Note 8)	-	592	-	592	-	-	-	-	592	592
	-	55,748	-	55,748	-	-	2,317,754	2,317,754	2,373,502	2,374,132
Financial liabilities										
Deposits from customers	-	-	-	-	-	-	1,949,824	1,949,824	1,949,824	1,949,828
Deposits and placements of banks and other financial institutions	-	-	-	-	-	-	1,650,218	1,650,218	1,650,218	1,650,218
Derivative financial liabilities (Note 8)	-	542	-	542	-	-	-	-	542	542
	-	542	-	542	-	-	3,600,042	3,600,042	3,600,584	3,600,588

32. Fair values of financial assets and financial liabilities *(continued)*

Valuation of financial instruments (continued)

The Bank measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

• Level 1: Quoted market price (unadjusted) in an active market for identical financial assets or liabilities that the entity can access at the measurement date.

• Level 2: Valuation techniques based on observable inputs, either directly (as prices) or indirectly (derived from prices). This category includes instruments valued using: quoted prices for identical or similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly observable from market data.

• Level 3: Valuation techniques of financial assets and liabilities using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determination of fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

The determination of fair value for financial assets and financial liabilities for which there is no observable market price requires the use of valuation techniques. For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

Valuation techniques used to calculate fair values include comparisons with similar financial instruments for which market observable prices exist, discounted cash flow analysis, option pricing models and other valuation techniques commonly used in the market. The objective of valuation techniques is to arrive at fair value determination that reflects the price of the financial instrument at the reporting date, that would have been determined by market participants acting at arm's length.

Transfer between fair value

There has been no transfer in any levels of the fair values during the financial year. (2014: no transfer in either directions).

33. Financial risk management

(a) Introduction and overview

The Bank has exposure to the following risks from financial instruments:

• Credit risk
• Liquidity risk
• Market risk
• Operational risk

This note presents information about the Bank's exposure to each of the above risks, the Bank's objectives, policies and processes for measuring and managing risks.

Risk management framework

The Bank's risk management policies are established to identify the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in the market condition, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board Risk Management Committee and Audit Committee are responsible for overseeing the Bank's risk management policies and procedures, and reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

(b) Credit risk

Credit risk is the risk of financial loss to the Bank due to failure of the Bank's customers or counterparties in meeting their contractual financial obligations. The credit risk is primarily from the Bank's cash and deposits/placements, direct lending, trade finance and funding activities.

Management of credit risk

The Board of Directors has delegated responsibility for the oversight of credit risk to the Credit Committee, Credit Policy Committee ("CPC") and Management Risk Management Committee ("MRMC"). These committees are supervised by the Senior Management Committee.

The functions of the Credit Committee are as follows:

• *Ensuring prudent underwriting standards that are consistent with the Bank's risk appetite and lending direction*

The Credit Committee ensures that the credit risks to be undertaken by the Bank are controlled even prior to the origination stage. The criteria set forth in the underwriting standards/lending direction will take into consideration the Bank's risk appetite and the client's credit profile. These underwriting standards are to be reviewed periodically to reflect the dynamic changes in the industry and economic environment.

• *Deliberation of lending propositions and credit related requests*

Each credit facility to be extended to clients is subject to independent credit assessment by the Bank's Credit Evaluation Department, which would then be supported by the Credit Committee prior to escalation to the approving authority for approval. Where necessary, mitigation measures such as collateral and covenants setting, are imposed to protect the Bank's interest.

The functions of the CPC are as follows:

• *Reviewing and deliberation of credit policies, guidelines, procedures and manuals*

Taking the parent company's credit policies as reference and in consultation with business units, the CPC is tasked to formulate the credit policies and sets the underwriting standards that suit the local regulatory and business requirements. The credit policies, which encompass amongst others, the credit risk assessment, risk grading, collateral requirement, documentary and legal requirement, are to be reviewed from time to time to instill the industry's best practices.

33. Financial risk management *(continued)*

(b) Credit risk *(continued)*

• *Reviewing and deliberation of the variation requests related to the Bank's standard legal documents for lending business*

As part of the initiatives of further enhancing the credit process of the Bank, the CPC is identified as a platform to collectively deliberate and making decision on the variation requests related to the Bank's standard legal documents. Prior to the tabling of such request to the CPC, the variation requests are to be routed directly to the functional department for independent assessment.

The functions of the MRMC are as follows:

• *Reviewing the Bank's credit risk management profile*

Ongoing risk assessment and monitoring of the Bank's exposures is vital to maintain the quality of the Bank's loan assets. The credit limits are monitored periodically. Concentration risk arising from over-exposure to counterparties, industries and geographies are managed through regular monitoring and reporting. Stress test is conducted in the event of a major shift in the economic indicators or whenever a major change is anticipated.

• *Reviewing the credit risk appetite of the Bank*

Assess and recommend the adequacy of the Bank's credit risk appetite which should be in line with the expectations of the shareholders, regulators, and other stakeholders. It is also responsible to ensure that the appropriate risk limits/ triggers are imposed within the Bank's approved risk appetite regularly.

• *Ensure effective credit risk management is in place*

The MRMC ensures an effective credit risk management process that takes into account the risk profiles, size and complexity of the Bank. This includes the credit risk identifications, measurement, controlling, monitoring and reporting. The process is continuously reviewed and enhanced to be in line with the industry's best practices.

Allowances for impairment

The Bank employs a credit risk grading system as a tool for determining the credit risk profile of borrowers using appropriate form of scorecards. The credit grades are used as a basis to support the underwriting of credit and are mapped according to the credit rating scales of major international credit rating agencies.

A collective impairment allowance is performed on "collective basis" on the Bank's loan portfolio using statistical techniques with the necessary adjustments to the credit grades and probability of defaults of the respective credit grade bands of the loans in order to guard against the risk of judgement error in the credit grading process. Although the credit grading process would involve qualitative assessment which is subject to judgement error, the loans within the same credit grade band generally share the similar credit risk characteristics for collective assessment. Given the lack of historical loss experience, the relevant market data will be taken for consideration to derive the model risk adjustment.

In the case of individual assessment, a loan is deemed as impaired if there is objective evidence of impairment which is triggered by certain events. In general, loans that are not repaid on time as they come due, be it the principal or interest, will be monitored closely as the likelihood of impairment from these past due loans is expected to be higher. The methodology adopted for collective impairment assessment and the list of trigger events for individual impairment assessment will be reviewed on a regular basis to suit with the Bank's policy and the traits of its loan portfolio.

Loans, advances and financing past due but not impaired

Past due but not impaired loans, advances and financing are loans/financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes loans/financing which are due one or more days after the contractual due date but less than three months.

33. Financial risk management *(continued)*

(b) Credit risk *(continued)*

Write-off policy

Clear write-off policy is established to stipulate the approving authority, escalation process and circumstances under which a loan can be written-off. The determination is made after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the exposure.

(i) Exposure to credit risk

2015	**Loans, Advances and Financing to Customers RM'000**	**Loans, Advances and Financing to Banks* RM'000**	**Investment Securities RM'000**
Carrying amount	2,528,388	1,300,137	202,568
Assets at amortised cost			
Individually impaired	2,080	-	-
Allowance for impairment	(2,080)	-	-
	-	-	-
Past due but not impaired			
Carrying amount	104	-	-
Past due comprises			
- Less than one month	86	-	-
- Between one to two months	15	-	-
- Between two to three months	3	-	-
	104	-	-
Neither past due nor impaired			
- Pass	2,545,671	1,300,137	202,568
Collective allowance for impairment	(17,387)	-	-
Carrying amount - amortised cost	2,528,388	1,300,137	202,568
Available-for-sale (AFS)			
Neither past due nor impaired			
- Pass	-	-	202,568
Carrying amount - fair value	-	-	202,568

In addition to the above, the Bank had entered into lending commitments of RM1.07 billion. The Bank had also issued financial guarantee contracts for which the maximum amount payable by the Bank, assuming all guarantees are called on, is RM623 million.

* Consists of cash and short-term funds and deposits and placements with banks and other financial institutions.

The Bank holds collateral against loans, advances and financing to customers in the form of fixed deposits, properties and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of loan origination.

33. Financial risk management *(continued)*

(b) Credit risk *(continued)*

(i) Exposure to credit risk (continued)

2014	**Loans, Advances and Financing to Customers RM'000**	**Loans, Advances and Financing to Banks* RM'000**	**Investment Securities RM'000**
Carrying amount	2,210,784	1,747,095	55,156
Assets at amortised cost			
Individually impaired	2,080	-	-
Allowance for impairment	(2,080)	-	-
	-	-	-
Past due but not impaired			
Carrying amount	176	-	-
Past due comprises			
- Less than one month	144	-	-
- Between one to two months	13	-	-
- Between two to three months	19	-	-
	176	-	-
Neither past due nor impaired			
- Pass	2,221,797	1,747,095	55,156
Collective allowance for impairment	(11,189)	-	-
Carrying amount - amortised cost	2,210,784	1,747,095	55,156
Available-for-sale (AFS)			
Neither past due nor impaired			
- Pass	-	-	55,156
Carrying amount - fair value	-	-	55,156

In addition to the above, the Bank had entered into lending commitments of RM1.41 billion. The Bank had also issued financial guarantee contracts for which the maximum amount payable by the Bank, assuming all guarantees are called on, is RM865 million.

* Consists of cash and short-term funds and deposits and placements with banks and other financial institutions.

The Bank holds collateral against loans, advances and financing to customers in the form of fixed deposits, properties and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of loan origination.

33. Financial risk management *(continued)*

(b) Credit risk *(continued)*

(ii) Concentration by sector and geographical location

The Bank monitors the concentration of credit risk by sector and by geographical distribution. An analysis of the concentration of credit risk as at the respective reporting dates are shown below:

	2015 Loans, Advances and Financing to Banks* RM'000	2014 Loans, Advances and Financing to Banks* RM'000
Carrying amount	1,300,137	1,747,095
Concentration of credit risk based on sector		
Financial services	784,824	962,299
Government and central bank	515,313	784,796
	1,300,137	1,747,095
Concentration of credit risk based on geographical location		
Malaysia	963,495	1,050,365
East Asia	65,640	435,782
South East Asia	45,828	229,654
United States of America	220,820	30,584
Europe	1,988	211
Oceania	2,366	499
	1,300,137	1,747,095

* Consists of cash and short-term funds and deposits and placements with banks and other financial institutions.

Concentration of credit risk by geographical distribution for loans, advances and financing is measured based on the location of the borrower.

Concentration by sector and geographical distribution for loans, advances and financing to customers are disclosed under Notes 7 (iv) and 7 (vi) to the financial statements.

	2015 Investment Securities RM'000	2014 Investment Securities RM'000
Carrying amount	202,568	55,156
Concentration of credit risk based on sector		
Financial services	127,042	-
Government and central bank	70,553	50,185
Others	4,973	4,971
	202,568	55,156
Concentration of credit risk based on geographical location		
Malaysia	75,526	55,156
China	127,042	-
	202,568	55,156

Concentration of credit risk by geographical distribution for investment securities is measured based on the location of the issuer.

33. Financial risk management *(continued)*

(b) Credit risk *(continued)*

(iii) Derivatives risk

The Bank's derivatives may give rise to risks in the event the counterparty defaults. Control measures, such as limit setting and monitoring, are in place to manage the risk.

(iv) Settlement risk

The Bank's activities may give rise to risks at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash or other assets as contractually agreed.

(c) Liquidity risk

Liquidity risks are the risks when the Bank fails to raise funds to meet the present or future demand of customers or counterparties at a reasonable cost. The potential liquidity risks of the Bank mainly include customers' premature and collective withdrawal, overdue repayment from debtors, mismatched asset-liability maturity structure and difficulties in realisation of assets.

Management of liquidity risk

The management of liquidity and funding is mainly carried out in compliance with BNM's liquidity coverage ratio; and practices and limits set by the Assets and Liabilities Committee ("ALCO"). The Bank maintains a strong liquidity position and constantly manages the liquidity profile of its assets, liabilities and commitments to ensure that cash flow requirements are appropriately balanced and all obligations are met accordingly.

It is imperative for the Bank to continuously seek and maintain new sources of funding to increase and diversify its funding base.

Cash flows payable by the Bank (financial liabilities) based on remaining contractual maturity:

	2015				
	On demand RM'000	**Due within 3 months RM'000**	**Between 3 to 12 months RM'000**	**Between 1 to 3 years RM'000**	**Total RM'000**
Deposits from customers	1,269,189	1,203,038	843,098	12,333	3,327,658
Deposits and placements of banks and other financial institutions	177,060	76,528	48,424	-	302,012
Derivative financial liabilities	-	3,844	3,121	-	6,965
Other liabilities	34,548	-	-	-	34,548
	1,480,797	1,283,410	894,643	12,333	3,671,183

	2014				
	On demand RM'000	**Due within 3 months RM'000**	**Between 3 to 12 months RM'000**	**Between 1 to 3 years RM'000**	**Total RM'000**
Deposits from customers	393,668	1,247,662	320,581	1,463	1,963,374
Deposits and placements of banks and other financial institutions	86,460	1,069,261	503,669	-	1,659,390
Derivative financial liabilities	-	438	104	-	542
Other liabilities	41,430	-	-	-	41,430
	521,558	2,317,361	824,354	1,463	3,664,736

33. Financial risk management *(continued)*

(c) Liquidity risk *(continued)*

The balances in the above table will not agree directly with the balances in the statement of financial position as the table incorporates, on an undiscounted basis, all cash flows relating to principal and future interest payments.

Cash flows payable in respect of deposits from customers are primarily contractually repayable on demand or at short notice. However, in practice, short term deposit balances remain stable and cash flow position has been actively managed.

Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts:

	2015		
	Contract/ Nominal Amount Up to 1 year RM'000	**Positive Fair Value Up to 1 Year RM'000**	**Negative Fair value Up to 1 Year RM'000**
Trading derivatives			
Foreign exchange contracts			
- Currency forwards and spots	580,512	7,166	6,961
- Currency Swaps	173,550	389	4
	754,062	7,555	6,965

	2014		
	Contract/ Nominal Amount Up to 1 year RM'000	**Positive Fair Value Up to 1 Year RM'000**	**Negative Fair value Up to 1 Year RM'000**
Trading derivatives			
Foreign exchange contracts			
- Currency forwards and spots	800,655	336	541
- Currency Swaps	6,145	256	1
	806,800	592	542

(d) Market risk

Market risk is the risk of loss arising from movements in market variables, such as interest rates, credit spreads and foreign exchange rates.

Management of market risk

The Bank's market risk management is the process of identifying, measuring, monitoring, controlling and reporting market risk for the purposes of setting up and enhancing the market risk management system, specifying responsibilities and process, determining and standardising the measurement approaches, limit management indicators and market risk reports, controlling and mitigating market risk and improving the level of market risk management. The objective of market risk management is to manage and control market risk exposures within a tolerable level and maximise risk-adjusted return according to the Bank's risk preference.

The Bank does not engage in any proprietary trading activities. Exposures arising from normal banking activities (deposits, loans, foreign exchange, etc) are hedged accordingly to minimise and preferably eliminate exposure to market risk. All risks related to treasury money market activities will be managed according to, and within the authorised risk limits.

33. Financial risk management *(continued)*

(d) Market risk *(continued)*

Foreign exchange risk

Foreign exchange risk is the risk that arises as a result of movements in the relative value of currencies. The Bank is exposed to foreign currency risk on transactions that are denominated in currencies other than its functional currency. The Bank minimises its exposure to foreign currency risk through hedging and limiting the net open position of the foreign exchange portfolio.

The following tables summarise the assets, liabilities and net open position by currency as at the reporting date, which are mainly in Ringgit Malaysia, United States Dollars and Chinese Renminbi. Other currencies mainly include exposure to Euro, Australia Dollars, Great Britain Pounds, Hong Kong Dollars, Japanese Yen, Canadian Dollars and Singapore Dollars.

	Malaysia Ringgit RM'000	United States Dollars RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
2015					
ASSETS					
Cash and short-term funds	521,216	672,630	84,663	19,314	1,297,823
Deposits and placements with banks and other financial institutions	-	-	2,314	-	2,314
Financial investments available-for-sale	75,526	-	127,042	-	202,568
Loans, advances and financing	900,615	1,548,023	79,750	-	2,528,388
Derivative financial assets	191	7,098	71	195	7,555
Other assets	4,141	125	418	-	4,684
Statutory deposits with Bank Negara Malaysia	22,460	-	-	-	22,460
Plant and equipment	3,875	-	-	-	3,875
Intangible asset	824	-	-	-	824
Deferred tax assets	4,058	-	-	-	4,058
TOTAL ASSETS	1,532,906	2,227,876	294,258	19,509	4,074,549
LIABILITIES					
Deposits from customers	962,758	2,129,675	171,314	47,101	3,310,848
Deposits and placements of banks and other financial institutions	118,173	17,174	163,406	2	298,755
Derivative financial liabilities	2,270	173	4,518	4	6,965
Other liabilities	30,476	9,755	1,374	11	41,616
Provision for taxation	2,824	-	-	-	2,824
TOTAL LIABILITIES	1,116,501	2,156,777	340,612	47,118	3,661,008

33. Financial risk management *(continued)*

(d) Market risk *(continued)*

	Malaysia Ringgit RM'000	United States Dollars RM'000	Chinese Renminbi RM'000	Others RM'000	Total RM'000
2014					
ASSETS					
Cash and short-term funds	850,436	273,663	499,260	16,136	1,639,495
Deposits and placements with banks and other financial institutions	-	59,695	47,905	-	107,600
Financial investments available-for-sale	55,156	-	-	-	55,156
Loans, advances and financing	626,552	1,495,467	88,765	-	2,210,784
Derivative financial assets	-	411	181	-	592
Other assets	4,370	1,149	1,645	-	7,164
Statutory deposits with Bank Negara Malaysia	10,340	-	-	-	10,340
Tax recoverable	-	-	-	-	-
Plant and equipment	4,303	-	-	-	4,303
Intangible asset	1,344	-	-	-	1,344
Deferred tax assets	3,102	-	-	-	3,102
TOTAL ASSETS	1,555,603	1,830,385	637,756	16,136	4,039,880
LIABILITIES					
Deposits from customers	933,734	891,412	109,166	15,516	1,949,828
Deposits and placements of banks and other financial institutions	198,602	916,085	535,530	1	1,650,218
Derivative financial liabilities	295	162	85	-	542
Other liabilities	21,704	29,479	796	7	51,986
Provision for taxation	960	-	-	-	960
TOTAL LIABILITIES	1,155,295	1,837,138	645,577	15,524	3,653,534

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33. Financial risk management *(continued)*

(d) Market risk *(continued)*

Interest rate risk

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following tables indicate their effective interest rates at the respective balance sheet dates and the periods in which they reprice or mature, whichever is earlier.

2015	**Non-trading book**								
	Up to 1 month RM'000	**>1 - 3 months RM'000**	**>3 - 12 months RM'000**	**1 - 5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**	**Effective interest rate %**
Assets									
Cash and short-term funds	1,280,259	-	-	-	-	17,564	-	1,297,823	1.41
Deposits and placements with banks and other financial institutions	-	2,314	-	-	-	-	-	2,314	3.50
Financial investments available-for-sale	-	-	127,042	75,526	-	-	-	202,568	3.88
Loans, advances and financing:									
- performing	1,805,192	680,672	38,927	1,592	2,005	-	-	2,528,388	3.77
Other assets ^	-	-	-	-	-	43,456	-	43,456	-
Total assets	3,085,451	682,986	165,969	77,118	2,005	61,020	-	4,074,549	
Liabilities									
Deposits from customers	1,046,813	552,439	831,719	852,184	-	27,693	-	3,310,848	2.57
Deposits and placements of banks and other financial institutions	215,862	36,290	46,603	-	-	-	-	298,755	1.41
Other liabilities	-	-	-	-	-	51,405	-	51,405	-
Total liabilities	1,262,675	588,729	878,322	852,184	-	79,098	-	3,661,008	
Equity	-	-	-	-	-	413,541	-	413,541	
Total liabilities and equity	1,262,675	588,729	878,322	852,184	-	492,639	-	4,074,549	
On-balance sheet interest sensitivity gap	1,822,776	94,257	(712,353)	(775,066)	2,005	(431,619)	-		
Total interest sensitivity gap	1,822,776	94,257	(712,353)	(775,066)	2,005	(431,619)	-		

^ Other assets include other assets, statutory deposits with BNM, derivatives financial assets, plant and equipment, intangible asset and deferred tax assets as disclosed in the statement of financial position.

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33. Financial risk management *(continued)*

(d) Market risk *(continued)*

Interest rate risk (continued)

2014	**Non-trading book** Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
Assets									
Cash and short-term funds	1,629,245	-	-	-	-	10,250	-	1,639,495	2.54
Deposits and placements with banks and other financial institutions	-	65,023	42,577	-	-	-	-	107,600	3.06
Financial investments available-for-sale	-	-	-	55,156	-	-	-	55,156	3.63
Loans, advances and financing:									
- performing	1,443,906	687,810	77,211	163	1,694	-	-	2,210,784	3.31
Other assets ^	-	-	-	-	-	26,845	-	26,845	-
Total assets	3,073,151	752,833	119,788	55,319	1,694	37,095	-	4,039,880	
Liabilities									
Deposits from customers	985,461	620,412	312,887	118	-	30,950	-	1,949,828	1.64
Deposits and placements of banks and other financial institutions	836,298	301,393	499,356	-	-	13,171	-	1,650,218	2.16
Other liabilities	-	-	-	-	-	53,488	-	53,488	-
Total liabilities	1,821,759	921,805	812,243	118	-	97,609	-	3,653,534	
Equity	-	-	-	-	-	386,346	-	386,346	
Total liabilities and equity	1,821,759	921,805	812,243	118	-	483,955	-	4,039,880	
On-balance sheet interest sensitivity gap	1,251,392	(168,972)	(692,455)	55,201	1,694	(446,860)	-		
Total interest sensitivity gap	1,251,392	(168,972)	(692,455)	55,201	1,694	(446,860)	-		

^ Other assets include other assets, statutory deposits with BNM, derivatives financial assets, plant and equipment, intangible asset and deferred tax assets as disclosed in the statement of financial position.

33. Financial risk management *(continued)*

(d) Market risk *(continued)*

Interest rate risk (continued)

An analysis of the Bank's sensitivity to an increase or decrease in market interest rates, assuming no asymmetrical movement in yield curves and a constant financial position, are as follows:

(i) Sensitivity of projected net interest

	100 bps* Parallel Increase RM'000	**100 bps* Parallel Decrease RM'000**
At 31 December 2015	18,063	(18,063)
At 31 December 2014	9,340	(9,340)

**bps - basis points*

(ii) Sensitivity of reported reserves in "other comprehensive income" to interest rate movements

	100 bps* Parallel Increase RM'000	**100 bps* Parallel Decrease RM'000**
At 31 December 2015	(2,007)	2,007
At 31 December 2014	(1,106)	1,106

**bps - basis points*

(e) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risk.

Every department is responsible for understanding the operational risks inherit in its material products, activities, processes and systems. They are responsible for the management of operational risk on a day-to-day basis. The responsibility is supported by the development of a Bank-wide standard for the management of operational risk in the following areas:

• requirement for appropriate segregation of duties, including the independent authorisation of transactions
• requirements for the reconciliation and monitoring of transactions
• compliance with regulatory and other legal requirements
• documentation of controls and procedures
• development of contingency plans
• training and professional development
• ethical and business standards
• risk mitigation, including insurance where applicable

34. Capital management

Regulatory capital

The Bank's lead regulator, BNM, sets and monitors capital requirement for the Bank. The Bank is required to comply with the provisions of the Basel II framework in respect of regulatory capital adequacy.

The Bank adopts a prudent and forward-looking capital management approach to ensure it has adequate capital to support its operations at all times. On top of the minimum regulatory capital requirements, a buffer is added on to arrive at the Bank's internal capital target to ensure adequacy of capital to support the current and anticipated business growth. Internal Capital Adequacy Assessment Process ("ICAAP") is formulated to identify the material risks in the business. The material risk areas that are taken into consideration are credit risk, market risk, operational risk, credit concentration risk, liquidity risk, interest rate risk in banking book, compliance risk, strategic risk as well as reputation risk.

Internal capital assessment is carried out to determine the level of internal capital required by the Bank based on the Pillar 1 and 2 requirements as well as actual results of the preceding financial year (as the base case). Capital plan, business plan and budget are approved by the Board of Directors on annual basis. The business plan in particular would set out the Bank's risk appetite to be in line with the lending direction and business strategies for the coming year. Senior Management is responsible in ensuring a smooth development and implementation of the ICAAP policy as well as effective systems and processes are in place. The Bank's performance against the internal capital level is reviewed on a regular basis by the Senior Management. Should there be a need for capital raising exercise, it will be presented to the Board of Directors for approval.

The Bank undertakes stress test exercise on half yearly basis to assess the Bank's capability to withstand the adverse environment. The stress test will at least cover the exceptional but plausible event and the worst case scenario. The possible impact to the Bank due to occurrence of adverse events, i.e. significant deterioration in borrowers' credit profile, decline in collateral value, erosion in the Bank's net interest margin and sizeable foreign exchange loss will be examined. The results of the stress test together with the proposed mitigating actions shall be tabled to the Senior Management and the Board of Directors for deliberations.

The Bank's regulatory capital are analysed as follows:

(a) Tier 1 Capital, which comprises the followings:
• Common Equity Tier 1 ("CET1") Capital, which includes ordinary share capital, share premium, retained earnings (net of dividends declared), statutory reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purpose.

• Additional Tier 1 Capital, which consists of instruments that are issued and paid-up, subordinated to depositors and perpetual in nature (amongst all other criteria) which are not included in CET1 Capital, the share premium arising from issuance of such instruments as well as the regulatory adjustments in relation to the calculation of Additional Tier 1 Capital.

(b) Tier 2 Capital includes collective impairment allowances (excluding collective impairment allowances attributable to financing classified as impaired) and regulatory reserve.