

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2018**

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed financial statements for the 3rd quarter and nine months ended 30 September 2018 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Guidelines on Financial Reporting for Financial Institutions (BNM/RH/PD 032-13) issued by Bank Negara Malaysia on 2 February 2018.

Wang Qiang
Chief Executive Officer/Managing Director

Date: 30 October 2018

Industrial and Commercial Bank of China (Malaysia) Berhad

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(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2018

	Note	30 Sep 2018 RM'000	31 Dec 2017 RM'000
ASSETS			
Cash and short-term funds	11	629,329	1,062,859
Deposits and placements with banks and other financial institutions	12	291,253	150,000
Financial investments	13	766,735	404,443
Loans, advances and financing	14	3,072,350	3,185,671
Derivative financial assets	15	21,077	15,939
Other assets	16	11,918	11,175
Statutory deposits with Bank Negara Malaysia		46,042	20,378
Plant and equipment		8,744	9,691
Deferred tax assets		5,435	6,048
TOTAL ASSETS		4,852,883	4,866,204
LIABILITIES			
Deposits from customers	17	2,669,120	2,839,525
Deposits and placements of banks and other financial institutions	18	982,150	906,980
Derivative financial liabilities	15	20,250	15,760
Other liabilities	19	72,868	65,132
Provision for credit commitments and contingencies	20	4,307	-
Provision for taxation		10,354	13,074
TOTAL LIABILITIES		3,759,049	3,840,471
EQUITY			
Share capital		832,609	832,609
Reserves		261,225	193,124
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		1,093,834	1,025,733
TOTAL LIABILITIES AND EQUITY		4,852,883	4,866,204
COMMITMENTS AND CONTINGENCIES	28	3,567,653	3,205,975

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2017 and accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 October 2018.

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	Note	3rd quarter ended		Year-To-Date ended	
		30 Sep 2018 RM'000	30 Sep 2017 RM'000	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Interest income	21	52,874	43,185	150,049	118,600
Interest expense	22	(20,281)	(11,354)	(58,815)	(32,722)
Net interest income		32,593	31,831	91,234	85,878
Net fee income	23	3,237	5,005	23,389	17,168
Net trading income	24	5,637	6,574	27,929	19,110
Other operating income	25	6	60	50	101
Net operating income		41,473	43,470	142,602	122,257
Other operating expenses	26	(19,302)	(21,476)	(59,279)	(57,689)
Operating profit		22,171	21,994	83,323	64,568
Write-back of/(Allowance for) credit loss/ impairment on loans, advances and financing	27	3,705	(2,592)	(934)	(11,492)
Profit before taxation		25,876	19,402	82,389	53,076
Tax expense		(1,384)	(5,039)	(15,903)	(14,246)
Profit for the period		24,492	14,363	66,486	38,830
Other comprehensive income for the period, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation reserve					
- Currency translation differences in respect of foreign operations		(242)	-	(495)	-
Fair value reserve					
- Changes in fair value		3,038	756	2,556	995
- Amount transferred to profit or loss		(13)	-	91	(11)
- Deferred tax adjustment		(729)	(72)	(613)	(126)
		2,296	684	2,034	858
Total other comprehensive income for the period		2,054	684	1,539	858
Total comprehensive income for the period		26,546	15,047	68,025	39,688
Basic earnings per ordinary share (sen):		2.94	1.73	7.99	4.66

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Industrial and Commercial Bank of China (Malaysia) Berhad

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	← Non-distributable			→ Distributable		Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Foreign Currency Translation Reserve RM'000	Available-for-sale Reserve RM'000	Regulatory Reserve RM'000		Retained Earnings RM'000
At 1 January 2017	832,609	57,213	-	(573)	17,644	42,739	949,632
Total comprehensive income for the period							
Other comprehensive income for the period, net of tax							
Fair value reserve							
- Net changes in fair value	-	-	-	995	-	-	995
- Amount transferred to profit or loss	-	-	-	(11)	-	-	(11)
- Deferred tax adjustment	-	-	-	(126)	-	-	(126)
Total other comprehensive income for the period	-	-	-	858	-	-	858
Profit for the period	-	-	-	-	-	38,830	38,830
Total comprehensive income for the period	-	-	-	858	-	38,830	39,688
Transfer to regulatory reserve	-	-	-	-	-	-	-
At 30 September 2017	832,609	57,213	-	285	17,644	81,569	989,320

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	← Non-distributable →				Distributable		
	Share Capital RM'000	Statutory Reserve RM'000	Foreign Currency Translation Reserve RM'000	Fair value Reserve RM'000	Regulatory Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
At 31 December 2017	832,609	-	253	(556)	17,644	175,783	1,025,733
Impact of adopting MFRS 9 as at 1 January 2018							
Adjustment related to measurement, net of tax	-	-	-	601	-	-	601
Adjustment related to impairment, net of tax	-	-	-	-	-	(525)	(525)
At 1 January 2018	832,609	-	253	45	17,644	175,258	1,025,809
Total comprehensive income for the period							
Other comprehensive income for the period, net of tax							
Items that are or may be reclassified subsequently to profit or loss							
Foreign currency translation reserve							
- Currency translation differences in respect of foreign operations	-	-	(495)	-	-	-	(495)
Fair value reserve (Financial investment measured at FVOCI)							
- Changes in fair value	-	-	-	2,556	-	-	2,556
- Amount transferred to profit or loss	-	-	-	91	-	-	91
- Deferred tax adjustment	-	-	-	(613)	-	-	(613)
	-	-	-	2,034	-	-	2,034
Total other comprehensive income for the period	-	-	(495)	2,034	-	-	1,539
Profit for the period	-	-	-	-	-	66,486	66,486
Total comprehensive income for the period	-	-	(495)	2,034	-	66,486	68,025
Transfer to regulatory reserve	-	-	-	-	-	-	-
At 30 September 2018	832,609	-	(242)	2,079	17,644	241,744	1,093,834

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2017 and accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 October 2018.

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE
FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**

	Note	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Cash flows generated from operating activities			
Profit before taxation		82,389	53,076
Adjustments for:			
Depreciation of plant and equipment		2,751	1,528
Plant and equipment written off		43	-
Amortisation of intangible asset		-	304
Allowance for credit loss/impairment on loans, advances and financing		934	11,492
Net unrealised gains arising from financial investment measured at FVOCI		(120)	-
Net unrealised losses arising from financial investment measured at amortised cost		(603)	-
Net unrealised (gains)/losses arising from derivative trading		(648)	18,837
Transfer to foreign currency translation reserve		(495)	-
Accretion of discounts net of amortisation of premiums on financial investments measured at FVOCI		283	-
Accretion of discounts net of amortisation of premiums on financial investments available-for-sale		666	148
Operating profit before working capital changes		<u>85,200</u>	<u>85,385</u>
Changes in operating assets			
Deposits and placements with banks and other financial institutions		(141,318)	128,047
Loans, advances and financing		117,060	(294,147)
Other assets		(743)	(1,513)
Statutory deposits with Bank Negara Malaysia		(25,664)	(6,691)
Changes in operating liabilities			
Deposits from customers		(170,405)	1,016,489
Deposits and placements of banks and other financial institutions		75,170	356,963
Other liabilities		7,736	25,216
Provision for credit commitments and contingencies		3	-
Cash generated from operations		<u>(52,961)</u>	1,309,749
Income taxes paid		<u>(18,623)</u>	(10,493)
Net cash generated (used in)/from operating activities		<u>(71,584)</u>	<u>1,299,256</u>
Cash flows used in investing activities			
Purchase of plant and equipment		(1,847)	(2,422)
Purchase of financial investments measured at FVOCI		(215,000)	-
Purchase of financial investments measured at amortised cost		(145,079)	-
Net proceeds from financial investments available-for-sale		-	(232,791)
Net cash used in investing activities		<u>(361,926)</u>	<u>(235,213)</u>

(Company No. 839839 M)

**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE
FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (continued)**

	Note	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Net (decrease)/increase in cash and cash equivalents		(433,510)	1,064,043
Cash and cash equivalents at beginning of the financial period		1,062,837	954,456
Impact of adopting MFRS 9 during the financial period		2	-
		1,062,839	954,456
Cash and cash equivalents at end of the financial period		629,329	2,018,499
Cash and cash equivalents comprise:			
Cash and short-term funds	11	629,329	2,018,499

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2017 and accompanying explanatory notes on pages 7 to 34 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 October 2018.

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2018**1. General Information**

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

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

2. Basis of Preparation

The unaudited condensed interim financial statements for the 3rd quarter and nine months ended 30 September 2018 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and the Guidelines on Financial Reporting for Financial Institutions (BNM/RH/PD 032-13) issued by Bank Negara Malaysia on 2 February 2018.

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank as at and for the financial year ended 31 December 2017. The explanatory notes attached to the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2017.

All the significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2017, except for the adoption of the following MFRSs during the financial period:

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*

Clarifications to MFRS 15, *Revenue from Contracts with Customers*

IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Amendments to MFRS 2, *Share-based Payment - Classification and Measurement of Share-based Payment Transactions*

Amendments to MFRS 4, *Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Amendments to MFRS 140, *Investment Property - Transfers of Investment Property*

2. Basis of Preparation (continued)

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 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The adoption of MFRS 15 does not have any material impact on the financial statements of the Bank as revenue of the Bank is already recognised in accordance with the principles of 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.

In implementing MFRS 9, the Bank has set up a MFRS 9 Project Team which is assisted by external consultants. The Bank had completed a gap assessment and developed MFRS 9 compliant ECL models for applicable credit exposures as well as incorporated the model in its information systems. Independent validation has been completed to ensure the MFRS 9 models are fit for purpose and comply with the requirements of MFRS 9.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The three-stage approach which reflects the change in credit quality of a financial instrument since initial recognition is as follows:

i) Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

ii) Stage 2: Lifetime ECL - non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

iii) Stage 3: Lifetime ECL - credit impaired

A financial asset is assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

2. Basis of Preparation *(continued)*

MFRS 9, *Financial Instruments (continued)*

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

The recognition and measurement of impairment under MFRS 9 will be more forward-looking and will result in earlier recognition of credit losses as compared to MFRS 139.

Hence, the total ECL allowance computed under MFRS 9 is expected to be higher than the total allowance for impairment on loans, advances and financing under MFRS 139 as more forward looking approach is adopted as well as more financial assets (MFRS 9 includes loan commitments and financial guarantee contracts) will be assessed for impairment and allowance for impairment will be made at least based on 12 month ECL. Upon the initial adoption of MFRS 9, a negative adjustment will be made to opening retained earnings, which will decrease the equity and net assets of the Bank. The quantitative impact to the overall financial statements has been finalised and the impact to the capital ratios of the Bank is not expected to be significant on the basis that regulatory reserves would be allowed to mitigate the higher impairment allowance.

As permitted under MFRS 9, the Bank has not restated comparative information for financial instruments reported under MFRS 139 for financial year 2017. The accounting policies changes and the impact of adoption of the requirements of MFRS 9 is further disclosed in Note 3. The adjustments to the affected financial assets, financial liabilities and opening retained earnings on the initial adoption of MFRS 9 as disclosed have however yet to be audited.

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

MFRSs, Interpretations and Amendments effective for annual periods beginning on or after 1 January 2019

MFRS 16, *Leases*

IC Interpretation 23, *Uncertainty over Income Tax Treatments*

Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*

Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in and Joint Ventures*

MFRSs effective for annual periods beginning on or after 1 January 2021

MFRS 17, *Insurance Contracts*

Amendments effective for annual periods beginning on or after 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*

2. Basis of Preparation (continued)

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

- from the annual period beginning on 1 January 2019 those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 3, Amendments to MFRS 11 and Amendments to MFRS 128 as they are not applicable to the Bank.

The Bank does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Bank.

The initial applications of the 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 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to classify a lease as finance or operating lease.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 16.

3. Impact on MFRS 9 adoption

The MFRS classification and measurement requirements and the impairment requirements have been applied retrospectively through adjustments to the Bank's financial position on the date of the initial application (1 January 2018), with no restatement of comparative periods. The impacts of the MFRS 9 adoption were recognised through adjustments to retained earnings and total other comprehensive income on 1 January 2018.

The following table presents the classification and carrying amounts of the Bank's financial assets and financial liabilities, as previously established in accordance with MFRS 139 as at 31 December 2017, as well as the new classification and new carrying amounts established in accordance with MFRS 9 as at 1 January 2018, where applicable.

Financial assets	Classification under MFRS 139	Classification under MFRS 9	As at 31 December 2017 RM'000	As at 1 January 2018 RM'000
Cash and short-term funds	Loans and receivables	Amortised cost	1,062,859	1,062,837
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	150,000	149,973
Financial investments	Available-for-sale	Fair value through comprehensive income ("FVOCI")	372,094	372,094
	Held-to maturity	Amortised cost	32,349	32,349
Loans, advances and financing	Loans and receivables	Amortised cost	3,185,671	3,193,706
Derivative financial assets	Fair value through profit or loss ("FVTPL")	FVTPL	15,939	15,939
Other assets	Loans and receivables	Amortised cost	11,175	11,175
Statutory deposits with Bank Negara Malaysia	Loans and receivables	Amortised cost	20,378	20,378
Total financial assets			4,850,465	4,858,451

3. Impact on MFRS 9 adoption (continued)

Financial liabilities	Classification under MFRS 139	Classification under MFRS 9	As at 31 December 2017 RM'000	As at 1 January 2018 RM'000
Deposits from customers	Amortised cost	Amortised cost	2,839,525	2,839,525
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	906,980	906,980
Derivative financial liabilities	FVTPL	FVTPL	15,760	15,760
Other liabilities	Amortised cost	Amortised cost	65,132	65,132
Provision for credit commitments and contingencies	-	Amortised cost	-	7,910
Total financial liabilities			<u><u>3,827,397</u></u>	<u><u>3,835,307</u></u>

4. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

5. Seasonality or Cyclical Factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the 3rd quarter and nine months ended 30 September 2018.

7. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Bank for the 3rd quarter and nine months ended 30 September 2018.

8. Issue of Shares and Debentures

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

9. Dividend Paid

No dividend was paid during the 3rd quarter and nine months ended 30 September 2018.

10. Significant Events

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

11. Cash and short-term funds

	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Cash and balances with banks and other financial institutions	85,090	56,695
Money at call and deposit placements maturing within one month	544,259	1,006,164
	629,349	1,062,859
Less: Allowance for credit loss	(20)	-
	629,329	1,062,859

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount				
As at 1 January 2018	1,062,859	-	-	1,062,859
New assets originated or purchased	204,325	-	-	204,325
Assets derecognised or repaid	(637,835)	-	-	(637,835)
As at 30 September 2018	629,349	-	-	629,349
ECL allowance				
As at 1 January 2018	22	-	-	22
New assets originated or purchased	17	-	-	17
Assets derecognised or repaid	(19)	-	-	(19)
As at 30 September 2018	20	-	-	20

12. Deposits and placements with banks and other financial institutions

	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Foreign banks	161,323	-
Licensed Malaysian banks	130,000	150,000
	291,323	150,000
Less: Allowance for credit loss	(70)	-
	291,253	150,000

12. Deposits and placements with banks and other financial institutions (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
As at 1 January 2018	150,000	-	-	150,000
New assets originated or purchased	291,323	-	-	291,323
Assets derecognised or repaid	(150,000)	-	-	(150,000)
Foreign exchange adjustments	-	-	-	-
As at 30 September 2018	<u>291,323</u>	<u>-</u>	<u>-</u>	<u>291,323</u>
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance				
As at 1 January 2018	27	-	-	27
New assets originated or purchased	56	-	-	56
Assets derecognised or repaid	(18)	-	-	(18)
Foreign exchange adjustments	5	-	-	5
As at 30 September 2018	<u>70</u>	<u>-</u>	<u>-</u>	<u>70</u>

13. Financial investments

	30 Sep 2018 RM'000	31 Dec 2017 RM'000
Financial investments measured at FVOCI	589,485	-
Financial investments available-for-sale	-	372,094
Financial investments at amortised cost	177,250	-
Financial investments held-to-maturity	-	32,349
	<u>766,735</u>	<u>404,443</u>

Financial investments measured at FVOCI

	30 Sep 2018 RM'000
(i) <i>By type</i>	
Malaysian Government Securities	206,227
Malaysian Government Investment Issues	222,929
Malaysian Government Sukuk	29,805
Financial Institutions securities	30,337
Private debt securities	80,170
Other debt securities	
- Cagamas bonds	<u>20,017</u>
	<u>589,485</u>
(ii) <i>By maturity structure</i>	
More than one year to three years	196,078
More than three years to five years	196,398
More than five years	<u>197,009</u>
	<u>589,485</u>

13. Financial investments (continued)*(iii) Movement of allowance for credit loss to comprehensive income*

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
As at 1 January 2018	372,094	-	-	372,094
New assets originated or purchased	219,057	-	-	219,057
Assets derecognised or repaid	(1,666)	-	-	(1,666)
As at 30 September 2018	<u>589,485</u>	-	-	<u>589,485</u>

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance				
As at 1 January 2018	601	-	-	601
New assets originated or purchased	209	-	-	209
Assets derecognised or repaid	(116)	-	-	(116)
Foreign exchange adjustments	(1)	-	-	(1)
As at 30 September 2018	<u>693</u>	-	-	<u>693</u>

*Financial investments available-for-sale**(i) By type*

	31 Dec 2017 RM'000
Malaysian Government Securities	100,280
Malaysian Government Investment Issues	111,352
Malaysian Government Sukuk	29,661
Financial Institutions securities	30,526
Private debt securities	80,290
Other debt securities	
- Cagamas bonds	19,985
	<u>372,094</u>

(ii) By maturity structure

	31 Dec 2017 RM'000
More than one year to three years	80,633
More than three years to five years	170,573
More than five years	120,888
	<u>372,094</u>

13. Financial investments (continued)*Financial investments at amortised cost*

(i) <i>By type</i>	30 Sep 2018
	RM'000
Malaysian Government Investment Issues	32,299
Financial Institutions securities	59,981
Private debt securities	65,084
Other debt securities	
- Cagamas bonds	<u>20,000</u>
	177,364
Less: Allowance for credit loss	<u>(114)</u>
	<u>177,250</u>
	30 Sep 2018
(ii) <i>By maturity structure</i>	RM'000
Maturity within one year	59,981
More than one year to three years	20,000
More than three years to five years	<u>97,383</u>
	<u>177,364</u>

(iii) Movement of allowance for credit loss to profit or loss

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount				
As at 1 January 2018	32,349	-	-	32,349
New assets originated or purchased	145,163	-	-	145,163
Assets derecognised or repaid	(148)	-	-	(148)
As at 30 September 2018	<u>177,364</u>	-	-	<u>177,364</u>
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL allowance				
As at 1 January 2018	-	-	-	-
New assets originated or purchased	115	-	-	115
Foreign exchange adjustments	(1)	-	-	(1)
As at 30 September 2018	<u>114</u>	-	-	<u>114</u>

Financial investments held-to-maturity

(i) <i>By type</i>	31 Dec 2017
	RM'000
At amortised cost	
Malaysian Government Investment Issues	<u>32,349</u>
(ii) <i>By maturity structure</i>	31 Dec 2017
	RM'000
More than three years to five years	<u>32,349</u>

14. Loans, advances and financing

At amortised cost	30 Sep 2018	31 Dec 2017
(i) By type	RM'000	RM'000
Overdrafts	98,883	83,744
Term loans		
- Housing loans	75,094	63,829
- Syndicated term loans	1,006,407	485,755
- Other term loans	550,730	1,391,814
Bills receivable	1,117	10,613
Revolving credits	1,248,934	1,084,770
Bankers' acceptances	111,977	88,286
Staff loans	2,033	2,517
Credit card loans	1,937	2,869
Gross loans, advances and financing	<u>3,097,112</u>	<u>3,214,197</u>
Less: Allowance for impairment		
- Collective allowance for impairment	-	(27,399)
- Individual allowance for impairment	-	(1,127)
	-	(28,526)
Less: Allowance for credit loss	<u>(24,762)</u>	<u>-</u>
Net loans, advances and financing	<u><u>3,072,350</u></u>	<u><u>3,185,671</u></u>
(ii) By type of customer	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Domestic banking institutions	55,620	64,021
Domestic non-bank financial institutions		
- Others	140,273	100,210
Domestic business enterprises		
- Small medium enterprises	66,529	62,313
- Others	1,540,215	1,963,067
Individuals	46,397	47,247
Foreign entities	1,248,078	977,339
	<u>3,097,112</u>	<u>3,214,197</u>
(iii) By interest rate sensitivity	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Fixed rate loans	3,970	5,386
Variable rate		
- Base rate/base lending rate plus	91,936	96,651
- Cost plus	2,827,986	2,976,494
- Other variable rates	173,220	135,666
	<u>3,097,112</u>	<u>3,214,197</u>

14. Loans, advances and financing (continued)

(iv) By sector	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Primary agriculture	87,797	82,272
Manufacturing	212,821	829,100
Electricity, gas and water	67,486	67,827
Construction	111,539	162,592
Real estate	665,733	597,516
Wholesale & retail trade and restaurants & hotels	910,421	755,280
Transport, storage and communication	131,228	11,285
Finance, insurance and business services	440,657	433,198
Education, health and others	372,773	189,180
Household	96,657	85,947
	<u>3,097,112</u>	<u>3,214,197</u>
(v) By purpose	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Purchase of properties		
- Non residential	160,832	156,703
- Residential	76,661	65,864
Purchase of fixed assets (excluding properties)	207,175	-
Purchase of transport vehicles	7	23
Construction	74,258	55,567
Credit card	1,937	2,869
Personal use	856	929
Mergers and acquisitions	5,393	27,734
Working capital	1,929,898	2,523,298
Other purpose	640,095	381,210
	<u>3,097,112</u>	<u>3,214,197</u>
(vi) By geographical distribution	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Within Malaysia	2,157,274	2,391,609
Outside Malaysia	939,838	822,588
	<u>3,097,112</u>	<u>3,214,197</u>
Concentration by location for loans, advances and financing is based on the geographical location where the credit risk resides.		
(vii) By residual contractual maturity	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Maturity within one year	1,709,663	1,625,183
More than one year to three years	436,702	326,344
More than three years to five years	562,726	930,777
More than five years	388,021	331,893
	<u>3,097,112</u>	<u>3,214,197</u>

14. Loans, advances and financing (continued)**(viii) Movement of allowance for credit loss**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
As at 1 January 2018	3,212,407	663	1,127	3,214,197
New assets originated or purchased	936,874	44,872	6	981,752
Assets derecognised or repaid	(1,051,667)	(19,319)	(27,875)	(1,098,861)
Transfer to Stage 1	113	(113)	-	-
Transfer to Stage 2	(239,357)	239,357	-	-
Transfer to Stage 3	(28,459)	(10)	28,469	-
Foreign exchange adjustments	-	-	24	24
As at 30 September 2018	<u>2,829,911</u>	<u>265,450</u>	<u>1,751</u>	<u>3,097,112</u>

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance				
As at 1 January 2018	19,336	28	1,127	20,491
New assets originated or purchased	3,731	433	4	4,168
Assets derecognised or repaid	(994)	(66)	(2)	(1,062)
Transfer to Stage 1	2	(2)	-	-
Transfer to Stage 2	(2,753)	2,753	-	-
Transfer to Stage 3	(70)	-	70	-
Changes due to change in credit risk	(3,806)	4,468	528	1,190
Foreign exchange adjustments	(49)	-	24	(25)
As at 30 September 2018	<u>15,397</u>	<u>7,614</u>	<u>1,751</u>	<u>24,762</u>

An analysis of the allowance for impairment losses under MFRS 139 for loans, advances and financing for the year to 31 December 2017 is as follows:

	31 Dec 2017 RM'000
<u>Collective allowance for impairment</u>	
At beginning of the financial year	13,966
Allowance made during the financial year	16,353
Allowance written back during the financial year	(3,091)
Exchange differences	171
At end of the financial year	<u>27,399</u>
<u>Individual allowance for impairment</u>	
At beginning of the financial year	2,080
Allowance made during the financial year	1,384
Allowance written back during the financial year	(171)
Amount written-off during the financial year	(2,080)
Exchange differences	(86)
At end of the financial year	<u>1,127</u>

15. Derivatives financial assets/liabilities

	30 Sep 2018		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	144,157	1,258	471
- Currency swaps	<u>1,229,307</u>	<u>19,819</u>	<u>19,779</u>
Total recognised derivatives assets/liabilities (Note 29)	<u><u>1,373,464</u></u>	<u><u>21,077</u></u>	<u><u>20,250</u></u>
		31 Dec 2017	
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	663,122	14,010	13,951
- Currency swaps	<u>514,249</u>	<u>1,929</u>	<u>1,809</u>
Total recognised derivatives assets/liabilities (Note 29)	<u><u>1,177,371</u></u>	<u><u>15,939</u></u>	<u><u>15,760</u></u>

16. Other assets

	30 Sep 2018 RM'000	31 Dec 2017 RM'000
Interest receivable	8,422	7,616
Deposits	1,773	1,959
Other receivables and prepayments	<u>1,723</u>	<u>1,600</u>
	<u><u>11,918</u></u>	<u><u>11,175</u></u>

17. Deposits from customers

(i) By type of deposit	30 Sep 2018 RM'000	31 Dec 2017 RM'000
Demand deposits	638,863	941,186
Fixed deposits	1,641,685	1,170,990
Savings deposits	138,071	120,707
Money market deposits	218,225	568,285
Other deposits	<u>32,276</u>	<u>38,357</u>
	<u><u>2,669,120</u></u>	<u><u>2,839,525</u></u>
		31 Dec 2017 RM'000
(ii) By type of customer	30 Sep 2018 RM'000	31 Dec 2017 RM'000
Business enterprises	1,429,702	1,735,405
Individuals	238,395	250,890
Foreign entities	999,612	852,239
Others	<u>1,411</u>	<u>991</u>
	<u><u>2,669,120</u></u>	<u><u>2,839,525</u></u>

17. Deposits from customers (continued)

(iii) By maturity structure of term deposit	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Due within six months	2,431,073	2,757,025
More than six months to one year	227,736	82,500
More than one year to three years	10,311	-
	<u>2,669,120</u>	<u>2,839,525</u>

18. Deposits and placements of banks and other financial institutions

	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Licensed Malaysian banks	244,758	238,526
Licensed investment banks	50,303	325
Licensed Islamic banks	1,704	1,709
Other financial institutions	130,193	139,600
Foreign banks	555,192	526,820
	<u>982,150</u>	<u>906,980</u>

19. Other liabilities

	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Interest payable	15,537	10,361
Other payables and accruals	57,331	54,771
	<u>72,868</u>	<u>65,132</u>

20. Provision for credit commitments and contingencies

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount				
As at 1 January 2018	7,896	14	-	7,910
New assets originated or purchased	1,614	2,672	-	4,286
Assets derecognised or repaid	(6,658)	(1,234)	-	(7,892)
Foreign exchange adjustments	3	-	-	3
As at 30 September 2018	<u>2,855</u>	<u>1,452</u>	-	<u>4,307</u>

21. Interest income

	3rd quarter ended		Year-To-Date ended	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Loans, advances and financing:	37,002	31,783	101,471	90,539
Money at call and deposit placements with financial institutions	8,338	7,545	31,461	21,340
Financial investments	7,534	3,846	17,116	6,700
Others	-	11	1	21
	52,874	43,185	150,049	118,600

22. Interest expense

Deposits and placements of banks and other financial institutions	(6,122)	(870)	(17,873)	(3,075)
Deposits from customers	(14,158)	(10,484)	(40,937)	(29,645)
Others	(1)	-	(5)	(2)
	(20,281)	(11,354)	(58,815)	(32,722)
Net interest income	32,593	31,831	91,234	85,878

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

23. Fee income

	3rd quarter ended		Year-To-Date ended	
	30 Sep 2018 RM'000	30 Sep 2017 RM'000	30 Sep 2018 RM'000	30 Sep 2017 RM'000
Fee income:				
- Commissions	8	5	24	14
- Service charges and fees	541	693	1,752	1,904
- Loan processing fees	312	908	6,920	2,254
- Syndication fees	87	818	3,645	4,095
- Guarantee fees	1,934	2,062	3,959	4,075
- Commitment fees	241	275	771	1,191
- Other loans related fees income	101	86	3,542	119
- Other fees income	88	240	3,215	3,794
	3,312	5,087	23,828	17,446
Fee expense:				
- Brokerage fees	(25)	(6)	(76)	(22)
- Other fees expense	(50)	(76)	(363)	(256)
	(75)	(82)	(439)	(278)
Net fee income	3,237	5,005	23,389	17,168

24. Net trading income

	3rd quarter ended		Year-To-Date ended	
	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
	RM'000	RM'000	RM'000	RM'000
Net (losses)/gains from dealing in foreign exchange	(5,511)	11,404	20,321	25,993
Net gains arising from derivative trading	9,625	17,482	6,320	14,748
Net unrealised revaluation (losses)/gain in financial investments measured at FVOCI	24	-	120	-
Net unrealised revaluation gains in financial investments measured at amortised cost	820	-	603	-
Net unrealised revaluation losses in foreign exchange	(225)	(2,465)	(83)	(2,794)
Net unrealised gains/(losses) arising from derivative trading	904	(19,847)	648	(18,837)
	<u>5,637</u>	<u>6,574</u>	<u>27,929</u>	<u>19,110</u>

25. Other operating income

	3rd quarter ended		Year-To-Date ended	
	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
	RM'000	RM'000	RM'000	RM'000
Other income	6	60	50	101
	<u>6</u>	<u>60</u>	<u>50</u>	<u>101</u>

26. Other operating expenses

	3rd quarter ended		Year-To-Date ended	
	30 Sep 2018	30 Sep 2017	30 Sep 2018	30 Sep 2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries, allowances and bonuses	10,791	14,870	35,119	37,672
- Pension fund contributions	1,935	801	3,450	2,253
- Other staff costs	1,552	1,214	4,571	4,282
Promotion and marketing related expenses:				
- Advertising and promotion	98	83	297	366
- Others	104	119	392	344
Establishment costs:				
- Depreciation of plant and equipment	918	509	2,751	1,528
- Amortisation of intangible asset	-	44	-	304
- Rental	1,225	1,279	4,445	4,030
- Others	502	427	1,487	1,330
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	72	106	214	253
• audit related services	269	36	430	84
- Professional fees	118	425	340	716
- Licence fee	79	77	235	231
- Membership fee	48	67	136	130
- Plant and equipment written off	-	-	43	-
- Others	1,591	1,419	5,369	4,166
	<u>19,302</u>	<u>21,476</u>	<u>59,279</u>	<u>57,689</u>

27. Allowance for credit loss

The table below shows the ECL impairment on financial instruments for the period:

	3rd quarter ended			Total
	30 Sep 2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL made during the period				
- Cash and short-term funds	11	-	-	11
- Deposits and placements with banks and financial institutions	55	-	-	55
- Financial investments measured at FVOCI	(10)	-	-	(10)
- Financial investments at amortised cost	45	-	-	45
- Loans, advances and financing	550	172	795	1,517
- Provision for credit commitments and contingencies	322	63	-	385
	973	235	795	2,003
ECL written back during the period				
- Cash and short-term funds	(1)	-	-	(1)
- Deposits and placements with banks and financial institutions	-	-	-	-
- Financial investments measured at FVOCI	(1)	-	-	(1)
- Loans, advances and financing	(2,096)	(1,202)	(212)	(3,510)
- Provision for credit commitments and contingencies	(1,038)	(1,158)	-	(2,196)
	(3,136)	(2,360)	(212)	(5,708)
Total ECL impairment loss	(2,163)	(2,125)	583	(3,705)

27. Allowance for credit loss (continued)

	Year-To-Date ended			Total
	30 Sep 2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL made during the period				
- Cash and short-term funds	17	-	-	17
- Deposits and placements with banks and financial institutions	56	-	-	56
- Financial investments measured at FVOCI	209	-	-	209
- Financial investments at amortised cost	115	-	-	115
- Loans, advances and financing	4,721	8,897	815	14,433
- Provision for credit commitments and contingencies	1,614	2,672	-	4,286
	6,732	11,569	815	19,116
ECL written back during the period				
- Cash and short-term funds	(19)	-	-	(19)
- Deposits and placements with banks and financial institutions	(18)	-	-	(18)
- Financial investments measured at FVOCI	(116)	-	-	(116)
- Loans, advances and financing	(8,605)	(1,312)	(220)	(10,137)
- Provision for credit commitments and contingencies	(6,658)	(1,234)	-	(7,892)
	(15,416)	(2,546)	(220)	(18,182)
Total ECL impairment loss	(8,684)	9,023	595	934

The table below shows the impairment charges under MFRS 139 as 30 September 2017:

	3rd quarter ended and	Year-To-Date ended
	30 Sep 2017	30 Sep 2017
	RM'000	RM'000
Collective allowance for impairment		
- made during the financial period	3,827	12,408
- written back during the financial period	(1,244)	(2,280)
Individual allowance for impairment		
- made during the financial period	11	1,367
- written back during the financial period	(2)	(3)
	<u>2,592</u>	<u>11,492</u>

28. Commitments and contingencies

The commitments and contingencies comprise the following:

	30 Sep 2018			
	Principal	Positive Value	Credit	Risk-
	Amount	of Derivative	Equivalent	Weighted
	RM'000	Contracts ^	Amount *	Assets *
	RM'000	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	74,457	-	74,457	14,891
Transaction-related contingent items	633,851	-	316,926	222,016
Short term self-liquidating trade-related contingencies	158,192	-	31,638	19,713
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	336,429	-	168,215	145,625
- Not exceeding one year	950,490	-	190,098	175,487
Unutilised credit card lines	40,770	-	8,154	6,115
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,373,464	21,077	17,055	7,358
Total	3,567,653	21,077	806,543	591,205

Note 15

^ 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 amounts of these derivative financial instruments and their corresponding gross positive fair values (derivative financial assets) 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)

	31 Dec 2017			
	Principal	Positive Value	Credit	Risk-
	Amount	of Derivative	Equivalent	Weighted
	RM'000	Contracts ^	Amount *	Assets *
	RM'000	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	72,854	-	72,854	14,571
Transaction-related contingent items	801,460	-	400,730	264,760
Short term self-liquidating trade-related contingencies	42,068	-	8,414	8,349
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	131,732	-	65,866	61,631
- Not exceeding one year	942,345	-	188,469	159,126
Unutilised credit card lines	38,145	-	7,629	5,722
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,177,371	15,939	32,272	16,145
Total	3,205,975	15,939	776,234	530,304

Note 15

^ 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 amounts of these derivative financial instruments and their corresponding gross positive fair values (derivative financial assets) 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. Capital adequacy

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

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

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

	30 Sep 2018	31 Dec 2017
	RM'000	RM'000
Common Equity Tier 1 (“CET1”) Capital		
Paid-up share capital	832,609	832,609
Retained earnings	175,258	175,783
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	(242)	253
Unrealised gains on financial investments measured at FVOCI	1,387	-
Unrealised losses on financial investments available-for-sale	-	(556)
	1,026,656	1,025,733
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	(5,435)	(6,048)
- 55% cumulative gains of financial investments available-for-sale	(763)	-
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(23,842)	(23,692)
Total CET1 Capital	1,002,814	1,002,041
Tier 2 capital		
Allowance for credit loss/Collective allowance for impairment	28,215	27,399
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	45,859	45,043
Total Capital	1,048,673	1,047,084
CET1 capital ratio	25.097%	28.501%
Tier 1 capital ratio	25.097%	28.501%
Total capital ratio	26.245%	29.782%

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

	30 Sep 2018		31 Dec 2017	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	5,656,129	3,684,448	5,647,850	3,240,863
Total RWA for market risk	-	12,230	-	16,463
Total RWA for operational risk	-	299,099	-	258,530
	5,656,129	3,995,777	5,647,850	3,515,856

29. Capital adequacy (continued)

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

Risk Type	30 Sep 2018			
	Gross	Net	Risk-	Capital
	Exposures	Exposures	Weighted	Requirements
	RM'000	RM'000	Assets	RM'000
			RM'000	
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	628,837	628,837	-	-
Banks, Development Financial Institutions and MDBs	965,636	965,636	240,631	19,250
Corporates	3,069,086	3,069,086	2,735,139	218,811
Regulatory Retail	81,629	81,629	69,411	5,553
Residential Mortgages	74,297	74,297	27,399	2,192
Other Assets	30,101	30,101	20,663	1,653
Total On-Balance Sheet Exposures	4,849,586	4,849,586	3,093,243	247,459
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	789,488	789,488	583,848	46,708
OTC derivatives	17,055	17,055	7,357	589
Total Off-Balance Sheet Exposures	806,543	806,543	591,205	47,297
Total On and Off-Balance Sheet Exposures	5,656,129	5,656,129	3,684,448	294,756
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	Long	Short		
	position	position		
Foreign currency risk	12,230	-	12,230	978
<i>Operational Risk</i>	-	-	299,099	23,928
Total RWA and Capital Requirements			3,995,777	319,662

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

*The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's RWCAF.

29. Capital adequacy (continued)

Risk Type	31 Dec 2017			
	Gross	Net	Risk-Weighted	Capital
	Exposures	Exposures	Assets	Requirements
	RM'000	RM'000	RM'000	RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	363,855	363,855	-	-
Banks, Development Financial Institutions and MDBs	1,231,890	1,231,890	274,742	21,979
Corporates	3,119,905	3,119,905	2,340,413	187,233
Regulatory Retail	63,096	63,096	50,139	4,011
Residential Mortgages	66,322	66,322	24,399	1,952
Other Assets	26,548	26,548	20,866	1,669
Total On-Balance Sheet Exposures	4,871,616	4,871,616	2,710,559	216,844
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	743,962	743,962	514,159	41,133
OTC derivatives	32,272	32,272	16,145	1,292
Total Off-Balance Sheet Exposures	776,234	776,234	530,304	42,425
Total On and Off-Balance Sheet Exposures	5,647,850	5,647,850	3,240,863	259,269
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	16,463	199	16,463	1,317
<i>Operational Risk</i>	-	-	-	20,682
Total RWA and Capital Requirements			3,515,856	281,268

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

*The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's RWCAF.

29. Capital adequacy (continued)

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

30 September 2018 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Bank RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail	Residential Mortgages RM'000	Other Assets RM'000		
0%	628,837	-	183,219	10,349	839	9,439	832,683	-
20%	-	900,360	210,125	-	-	4,062	1,114,547	222,909
35%	-	-	-	-	64,194	-	64,194	22,468
50%	-	167,034	200,580	11,936	8,666	12,894	401,110	200,555
75%	-	-	-	20,315	-	-	20,315	15,236
100%	-	-	3,093,060	108,862	598	20,760	3,223,280	3,223,280
Total Exposures	628,837	1,067,394	3,686,984	151,462	74,297	47,155	5,656,129	3,684,448
Risk-Weighted Assets by Exposures	-	263,589	3,235,375	130,066	27,399	28,019	3,684,448	
Average Risk Weight	0.0%	24.7%	87.8%	85.9%	36.9%	59.4%	65.1%	
Deduction from Capital Base	-	-	-	-	-	-	-	-

The above are disclosures on credit risk by risk weights of the Bank at the end of the respective reporting periods as required by the guidelines in the Revised Capital Adequacy Framework on Standardised Approach.

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

29. Capital adequacy (continued)

31 Dec 2017 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Bank RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail	Residential Mortgages RM'000	Other Assets RM'000		
0%	363,855	-	538,284	8,290	270	5,681	916,380	-
20%	-	1,228,410	232,698	-	-	4,825	1,465,933	293,186
35%	-	-	-	-	64,473	-	64,473	22,566
50%	-	115,797	379,613	18,755	7,961	24,536	546,662	273,331
75%	-	-	-	10,488	-	-	10,488	7,866
100%	-	-	2,573,911	45,754	471	23,778	2,643,914	2,643,914
Total Exposures	363,855	1,344,207	3,724,506	83,287	73,175	58,820	5,647,850	3,240,863
Risk-Weighted Assets by Exposures	-	303,581	2,810,256	62,998	27,017	37,011	3,240,863	
Average Risk Weight	0.0%	22.6%	75.5%	75.6%	36.9%	62.9%	57.4%	
Deduction from Capital Base	-	-	-	-	-	-	-	-

The above are disclosures on credit risk by risk weights of the Bank at the end of the respective reporting periods as required by the guidelines in the Revised Capital Adequacy Framework on Standardised Approach.

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

30. Performance review

The Bank recorded a profit before tax of RM82.39 million for the nine months ended 30 September 2018, a 55.2% growth compared against the corresponding period in 2017. Net interest income which contributed 64.0% to the Bank's total operating income rose 6.2% or RM5.36 million to RM91.23 million as at September 2018 as a result of higher lending rate and expanded average daily interest-bearing assets. Net fee income contributed 16.4% of the Bank's total operating income. It rose 36.2% or RM6.22 million to RM23.39 million as at September 2018, underpinned by higher fees received related to loans. Net trading income has increased by 46.1% or RM8.82 million to RM27.93 million during the reporting period mainly due to higher volume of foreign exchange transactions.

Allowance for credit loss reduced by RM10.56 million compared to 30 September 2017 mainly resulted by reduction in loan base and upgrade of certain borrowers' credit rating. The Bank's other operating expenses increased by 2.8% or RM1.59 million to RM59.28 million during the period largely attributable to higher establishment cost and administration cost.

The Bank's total assets as at 30 September 2018 stood at RM4.85 billion, a marginal decrease of RM0.02 billion or 0.3% comparing total assets as at 31 December 2017. Gross loan, advances and financing reduced by 3.6% to RM3.10 billion while financial investments increased by 89.6% to RM0.77 billion since end of year 2017. However, deposits from customers reduced by 6.1% to RM2.67 billion during the nine months ended 30 September 2018.

31. Business prospects

The performance of the global economy is expected to face greater challenges following the increased concerns over the trade war between the major economies which could negatively impact the global supply chain that involves developed nations and emerging markets alike. In Malaysia, it is expected that the growth momentum would continue to be driven by domestic demand with support from net exports despite at slower pace due to the impacts of both domestic and external factors. The impending policies and new directives from the new government would be the key contributing factor for the momentum of economic growth going forward. While the external factors, such as pace of recovery in the major export markets, the sustainability 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 by the new administration of Malaysia and the private sectors in overcoming the said challenging conditions are crucial in capitalizing the growth prospects as well.

The Bank will remain prudent and continue to focus on its long term strategic objectives in providing banking service solutions that suit clients' evolving needs and promoting cross border trade and investment activities by capitalizing on the ICBC Group's established business network and service channels globally. Notwithstanding the challenging operating environment, the Bank will continue to uphold commitment to grow the profitability and manage the balance sheet in a sustainable manner.