

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

31 MARCH 2014

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 first quarter and three months ended 31 March 2014 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Revised Guidelines on Financial Reporting for Banking Institutions issued by Bank Negara Malaysia in June 2013.

WEI XIAOGANG

Deputy Chief Executive Officer

Date: 29 April 2014

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

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UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2014

		31 Mar 2014	31 Dec 2013
		RM'000	RM'000
ASSETS			
Cash and short-term funds	10	1,967,729	2,478,860
Deposits and placements with banks and other financial institutions	11	389,547	556,355
Financial investments available-for-sale	12	92,964	99,040
Loans, advances and financing	13	1,976,076	1,821,613
Other assets	14	21,506	27,222
Statutory deposits with Bank Negara Malaysia		14,160	3,601
Tax recoverable		-	3,431
Plant and equipment		5,732	6,188
Intangible asset		1,734	1,864
Deferred tax assets		811	863
TOTAL ASSETS		4,470,259	4,999,037
LIABILITIES			
Deposits from customers	15	1,623,853	1,325,195
Deposits and placements of banks and other financial institutions	16	2,422,460	3,269,095
Other liabilities	17	42,742	37,614
Provision for taxation		917	-
TOTAL LIABILITIES		4,089,972	4,631,904
EQUITY			
Share capital		331,000	331,000
Reserves		49,287	36,133
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		380,287	367,133
TOTAL LIABILITIES AND EQUITY		4,470,259	4,999,037
COMMITMENTS AND CONTINGENCIES	23	2,548,100	3,380,078

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 2013 and accompanying explanatory notes on pages 5 to 18 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 29 April 2014.

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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Note	1st quarter ended		Year-To-Date ended	
		31 Mar 2014 RM'000	31 Mar 2013 RM'000	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Interest income	18	38,625	20,612	38,625	20,612
Interest expense	18	(22,419)	(14,542)	(22,419)	(14,542)
Net interest income	18	16,206	6,070	16,206	6,070
Net fee income	19	2,993	2,268	2,993	2,268
Net trading income	20	7,501	2,248	7,501	2,248
Net operating income		26,700	10,586	26,700	10,586
Other operating expenses	21	(9,964)	(8,917)	(9,964)	(8,917)
Operating profit		16,736	1,669	16,736	1,669
Allowance for impairment on loans, advances and financing	22	116	(236)	116	(236)
Profit before taxation		16,852	1,433	16,852	1,433
Tax expense		(4,348)	(292)	(4,348)	(292)
Profit for the period		12,504	1,141	12,504	1,141
Other comprehensive income, net of tax					
Fair value reserve					
- Net changes in fair value		702	81	702	81
- Deferred tax adjustment		(52)	(20)	(52)	(20)
Total other comprehensive income for the period		650	61	650	61
Total comprehensive income for the period		13,154	1,202	13,154	1,202
Basic earnings per ordinary share (sen):		3.78	0.34	3.78	0.34

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Share Capital RM'000	Non-distributable Statutory Reserve RM'000	Available- for-sale Reserve RM'000	Regulatory Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
At 1 January 2013	331,000	12,629	50	-	15,799	359,478
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,141	1,141
Other comprehensive income, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	81	-	-	81
- Deferred tax adjustment	-	-	(20)	-	-	(20)
Total other comprehensive income for the period	-	-	61	-	-	61
Total comprehensive income for the period	-	-	61	-	1,141	1,202
At 31 March 2013	<u>331,000</u>	<u>12,629</u>	<u>111</u>	<u>-</u>	<u>16,940</u>	<u>360,680</u>
At 1 January 2014	331,000	16,607	(251)	6,175	13,602	367,133
Total comprehensive income for the period						
Profit for the period	-	-	-	-	12,504	12,504
Other comprehensive income, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	702	-	-	702
- Deferred tax adjustment	-	-	(52)	-	-	(52)
Total other comprehensive income for the period	-	-	650	-	-	650
Total comprehensive income for the period	-	-	650	-	12,504	13,154
At 31 March 2014	<u>331,000</u>	<u>16,607</u>	<u>399</u>	<u>6,175</u>	<u>26,106</u>	<u>380,287</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2014

	Note	31 Mar 2014 RM'000	31 Mar 2013 RM'000
Cash flows (used in)/from operating activities			
Profit before taxation		16,852	1,433
Adjustments for:			
Depreciation of plant and equipment		553	426
Amortisation of intangible asset		130	130
Allowance for impairment on loans, advances and financing		(116)	236
Net unrealised (gains)/losses arising from derivative trading		(3,239)	203
Operating profit before working capital changes		<u>14,180</u>	<u>2,428</u>
Increase/(Decrease) in operating assets			
Deposits and placements with banks and other financial institutions		166,808	65,246
Loans, advances and financing		(154,347)	(95,407)
Other assets		5,992	(4,212)
Statutory deposits with Bank Negara Malaysia		(10,559)	-
Increase/(Decrease) in operating liabilities			
Deposits from customers		298,658	(80,908)
Deposits and placements of banks and other financial institutions		(846,635)	165,982
Other liabilities		8,124	13,662
Cash (used in)/from operations		<u>(517,779)</u>	<u>66,791</u>
Income taxes paid		-	(2,346)
Net cash (used in)/from operating activities		<u>(517,779)</u>	<u>64,445</u>
Cash flows from/(used in) investing activities			
Purchase of plant and equipment		(97)	(1,623)
Net sale/(purchase) of financial investments available-for-sale		6,745	(5,014)
Net cash from/(used in) investing activities		<u>6,648</u>	<u>(6,637)</u>
Net (decrease)/increase in cash and cash equivalents		(511,131)	57,808
Cash and cash equivalents at beginning of the financial period		<u>2,478,860</u>	<u>1,335,609</u>
Cash and cash equivalents at end of the financial period		<u>1,967,729</u>	<u>1,393,417</u>
Cash and cash equivalents comprise:			
Cash and short-term funds	10	<u>1,967,729</u>	<u>1,393,417</u>

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2013 and accompanying explanatory notes on pages 5 to 18 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 29 April 2014.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 MARCH 2014**

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 first quarter and three months ended 31 March 2014 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”).

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank as at and for the financial year ended 31 December 2013. 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 2013.

All other significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2013, except for the adoption of the following MFRSs and amendments to MFRSs.

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

MFRSs, Interpretations and amendments effecting for annual periods beginning on or after 1 July 2014

Amendments to MFRS 1, *First Time Adoption of Malaysian Reporting Standards (Annual Improvements 2011 - 2013 Cycle)*

Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010 - 2012 Cycle)*

Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010 - 2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2011 - 2013 Cycle)*

Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010 - 2012 Cycle)*

Amendments to MFRS 119, *Employee Benefits - Defined Benefit Plans: Employee Contributions*

Amendments to MFRS 124, *Related Party Disclosures (Annual Improvements 2010 - 2012 Cycle)*

Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010 - 2012 Cycle)*

Amendments to MFRS 140, *Investment Property (Annual Improvements 2011 - 2013 Cycle)*

MFRSs, Interpretations and amendments effecting for a date yet to be confirmed

MFRS 9, *Financial Instruments (2009)*

MFRS 9, *Financial Instruments (2010)*

MFRS 9, *Financial Instruments: Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139)*

Amendments to MFRS 7, *Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures*

2. Basis of Preparation (*continued*)

The Bank plans to apply the abovementioned standards, amendments and interpretations from the annual period beginning on 1 January 2015 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 July 2014, except for Amendments to MFRS 2, Amendments to MFRS 3 and Amendments to MFRS 140 as they are not applicable to the Bank.

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

MFRS 9, *Financial Instruments*

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

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

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current period financial statements upon their first adoption.

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Bank.

3. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2013 was not subject to any qualification.

4. Seasonality or Cyclical Factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the 1st quarter and three months ended 31 March 2014.

6. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Bank for the 1st quarter and three months ended 31 March 2014.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the 1st quarter and three months ended 31 March 2014.

8. Dividend Paid

No dividend was paid during the three months ended 31 March 2014.

9. Significant Events

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

10. Cash and short-term funds

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Cash and balances with banks and other financial institutions	42,032	32,106
Money at call and deposit placements maturing within one month	1,925,697	2,446,754
	<u>1,967,729</u>	<u>2,478,860</u>

11. Deposits and placements with banks and other financial institutions

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Foreign banks	<u>389,547</u>	<u>556,355</u>

12. Financial investments available-for-sale

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
At fair value		
Malaysian Government Securities	50,545	50,290
Private debt securities	42,419	48,750
	<u>92,964</u>	<u>99,040</u>
 The maturity structure of financial investments available-for-sale are as follows:		
Within one year	37,447	43,780
More than three years to five years	55,517	55,260
	<u>92,964</u>	<u>99,040</u>

13. Loans, advances and financing

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	104,245	85,462
Term loans		
- Housing loans	15,425	8,129
- Syndicated term loans	36,068	11,936
- Other term loans	1,063,317	1,208,311
Bills receivable	9,271	22,633
Trust receipt	-	401
Revolving credit	692,587	385,277
Bankers' acceptances	61,439	105,833
Staff loans	1,363	1,223
Credit card loans	711	874
Gross loans, advances and financing	<u>1,984,426</u>	<u>1,830,079</u>
Less: Allowance for impairment		
- Collective allowance for impairment	(8,350)	(8,466)
Net loans, advances and financing	<u>1,976,076</u>	<u>1,821,613</u>

13. Loans, advances and financing (continued)

(ii) By type of customer	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Domestic banking institution	198	-
Domestic non-bank financial institutions		
- Others	27,068	10,019
Domestic business enterprises		
- Small medium enterprises	53,762	41,441
- Others	869,903	587,536
Individuals	26,149	17,734
Foreign entities	1,007,346	1,173,349
	<u>1,984,426</u>	<u>1,830,079</u>
(iii) By interest rate sensitivity	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Fixed rate loans	3,382	4,535
Variable rate		
- Base Lending Rate plus	25,909	23,674
- Cost plus	731,124	468,997
- Other variable rates	1,224,011	1,332,873
	<u>1,984,426</u>	<u>1,830,079</u>
(iv) By sector	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Primary agriculture	14,225	11,936
Mining and quarrying	-	24,823
Manufacturing	42,399	39,698
Construction	202,054	129,951
Real estate	13,086	13,640
Wholesale & retail trade and restaurants & hotels	926,346	1,055,656
Transport, storage and communication	380,512	203,389
Finance, insurance and business services	369,214	331,730
Education, health and others	8,933	-
Household	27,657	19,256
	<u>1,984,426</u>	<u>1,830,079</u>
(v) By purpose	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Purchase of landed properties		
- Non residential	102,539	60,942
- Residential	16,002	8,612
Purchase of transport vehicles	152	120
Construction	14,383	14,779
Credit card	711	874
Personal use	911	863
Mergers and acquisitions	4,897	4,942
Working capital	1,821,487	1,737,440
Other purpose	23,344	1,507
	<u>1,984,426</u>	<u>1,830,079</u>

13. Loans, advances and financing (continued)

(vi) By geographical distribution	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Within Malaysia	569,345	407,077
Outside Malaysia	1,415,081	1,423,002
	<u>1,984,426</u>	<u>1,830,079</u>

Concentration by location for loans, advances and financing is based on the location of the borrower.

(vii) By residual contractual maturity	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Maturity within one year	1,422,814	1,158,068
More than one year to three years	314,380	428,826
More than three years to five years	82,054	126,615
More than five years	165,178	116,570
	<u>1,984,426</u>	<u>1,830,079</u>

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

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
At beginning of the financial period/year	8,466	3,978
Allowance made during the financial period/year	637	6,916
Allowance written back during the financial period/year	(753)	(2,428)
At end of the financial period/year	<u>8,350</u>	<u>8,466</u>
As % of gross loans, advances and financing (net of individual allowance for impairment)	<u>0.4%</u>	<u>0.5%</u>

14. Other assets

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Derivative financial assets (Note 23, 25)	8,123	7,880
Interest receivable	10,988	12,181
Deposits	1,270	1,237
Other receivables and prepayments	1,125	5,924
	<u>21,506</u>	<u>27,222</u>

15. Deposits from customers

(i) By type of deposits	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Demand deposits	559,683	409,288
Fixed deposits	570,473	587,849
Savings deposits	40,872	35,871
Money market deposits	403,293	257,464
Short term deposits	47,561	32,622
Others	1,971	2,101
	<u>1,623,853</u>	<u>1,325,195</u>
(ii) By type of customer	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Business enterprises	1,396,536	1,105,461
Individuals	135,735	115,196
Others	91,582	104,538
	<u>1,623,853</u>	<u>1,325,195</u>
(iii) By maturity structure of term deposits	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Due within six months	1,570,981	1,282,394
More than six months to one year	50,980	40,548
More than one year to three years	1,892	2,253
	<u>1,623,853</u>	<u>1,325,195</u>

16. Deposits and placements of banks and other financial institutions

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Licensed Malaysian banks	1,605,795	2,256,615
Licensed investment banks	65,318	28
Other financial institutions	249,031	205,010
Foreign banks	502,316	807,442
	<u>2,422,460</u>	<u>3,269,095</u>

17. Other liabilities

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Interest payable	15,929	13,529
Other payables and accruals	17,492	11,768
Derivative financial liabilities (Note 25)	9,321	12,317
	<u>42,742</u>	<u>37,614</u>

18. Interest income

	1st quarter ended		Year-To-Date ended	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:				
- Interest income other than from impaired loans	13,495	3,637	13,495	3,637
Money at call and deposit placements with financial institutions	24,186	16,523	24,186	16,523
Financial investments available-for-sale	939	451	939	451
Others	5	1	5	1
	<u>38,625</u>	<u>20,612</u>	<u>38,625</u>	<u>20,612</u>

Interest expense

Deposits and placements of banks and other financial institutions	(16,051)	(11,863)	(16,051)	(11,863)
Deposits from customers	(6,362)	(2,677)	(6,362)	(2,677)
Others	(6)	(2)	(6)	(2)
	<u>(22,419)</u>	<u>(14,542)</u>	<u>(22,419)</u>	<u>(14,542)</u>
Net interest income	<u>16,206</u>	<u>6,070</u>	<u>16,206</u>	<u>6,070</u>

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

19. Fee income

	1st quarter ended		Year-To-Date ended	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Commission	5	1	5	1
- Service charges and fees	243	162	243	162
- Loan processing fees	224	38	224	38
- Syndication fees	578	-	578	-
- Guarantee fees	343	219	343	219
- Commitment fees	222	25	222	25
- Other loans related fees income	298	87	298	87
- Credit card	26	12	26	12
- Other fees income	1,263	1,731	1,263	1,731
	<u>3,202</u>	<u>2,275</u>	<u>3,202</u>	<u>2,275</u>
Fee expense:				
- Brokerage fees	(27)	(7)	(27)	(7)
- Other fees expense	(182)	-	(182)	-
	<u>(209)</u>	<u>(7)</u>	<u>(209)</u>	<u>(7)</u>
Net fee income	<u>2,993</u>	<u>2,268</u>	<u>2,993</u>	<u>2,268</u>

20. Net trading income

	1st quarter ended		Year-To-Date ended	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	RM'000	RM'000	RM'000	RM'000
Net gains from dealing in foreign exchange	8,620	1,944	8,620	1,944
Net (losses)/gains arising from derivative trading	(3,769)	504	(3,769)	504
Unrealised revaluation (losses)/gains in foreign exchange	(589)	3	(589)	3
Net unrealised gains/(losses) arising from derivative trading	<u>3,239</u>	<u>(203)</u>	<u>3,239</u>	<u>(203)</u>
	<u>7,501</u>	<u>2,248</u>	<u>7,501</u>	<u>2,248</u>

21. Other operating expenses

	1st quarter ended		Year-To-Date ended	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries, allowances and bonuses	5,584	4,706	5,584	4,706
- Pension fund contributions	576	687	576	687
- Other staff costs	596	652	596	652
Promotion and marketing related expenses:				
- Advertising and promotion	169	116	169	116
- Others	302	159	302	159
Establishment costs:				
- Depreciation of plant and equipment	553	426	553	426
- Amortisation of intangible asset	130	130	130	130
- Rental	851	809	851	809
- Others	221	201	221	201
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	55	35	55	35
- Professional fees	38	85	38	85
- Licence fee	35	35	35	35
- Membership fee	14	6	14	6
- Others	840	870	840	870
	9,964	8,917	9,964	8,917

22. Allowance for impairment on loans, advances and financing

	1st quarter ended		Year-To-Date ended	
	31 Mar 2014	31 Mar 2013	31 Mar 2014	31 Mar 2013
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- Made during the financial period	637	487	637	487
- Written back during the financial period	(753)	(251)	(753)	(251)
	(116)	236	(116)	236

23. Commitments and contingencies

The commitments and contingencies constitute the following:

	31 Mar 2014			
	Principal Amount RM'000	Positive Value of Derivative Contracts ^ RM'000	Credit Equivalent Amount * RM'000	Risk- Weighted Assets * RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	410,316	-	205,158	129,594
Short term self-liquidating trade-related contingencies	8,121	-	1,624	62
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	326,322	-	163,161	137,663
- Not exceeding one year	642,537	-	128,507	99,921
Unutilised credit card lines	21,229	-	4,246	3,184
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,139,575	8,123	23,235	8,551
Total	2,548,100	8,123	525,931	378,975

Note 14, 25

	31 Dec 2013			
	Principal Amount RM'000	Positive Value of Derivative Contracts ^ RM'000	Credit Equivalent Amount * RM'000	Risk- Weighted Assets * RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	379,783	-	189,892	116,823
Short term self liquidating trade-related contingencies	4,866	-	973	849
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	344,705	-	172,353	145,462
- Not exceeding one year	788,217	-	157,643	105,887
Unutilised credit card lines	20,105	-	4,021	4,021
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,842,402	7,880	27,218	9,857
Total	3,380,078	7,880	552,100	382,899

Note 14, 25

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

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

24. 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 have been computed in accordance with BNM's Capital Adequacy Framework (Capital Components and Basel II-Risk-Weighted Assets) issued on 28 November 2012, which is effective from 1 January 2013.

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

	31 Mar 2014	31 Dec 2013
	RM'000	RM'000
Common Equity Tier 1 ("CET1") Capital		
Paid-up share capital	331,000	331,000
Retained earnings	13,602	13,602
Statutory reserve	16,607	16,607
Regulatory reserve	6,175	6,175
Unrealised gains/(losses) on financial investments available-for-sale	399	(251)
	367,783	367,133
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(1,734)	(1,864)
- Deferred tax assets	(927)	(927)
- 55% cumulative gains of financial investments available-for-sale	(219)	-
- Regulatory reserve attributable to loans, advances and financing	(6,175)	(6,175)
	(9,055)	(8,966)
Total CET1 Capital	358,728	358,167
Tier 2 capital		
Collective impairment allowance	8,350	8,466
Regulatory reserve	6,175	6,175
Total Tier 2 Capital	14,525	14,641
Total Capital	373,253	372,808
CET1 capital ratio	19.264%	17.094%
Tier 1 capital ratio	19.264%	17.094%
Total capital ratio	20.044%	17.793%

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

	31 Mar 2014		31 Dec 2013	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	4,995,606	1,748,123	5,547,429	1,997,679
Total RWA for market risk	-	4,877	-	2,260
Total RWA for operational risk	-	109,162	-	95,324
	4,995,606	1,862,162	5,547,429	2,095,263

24. 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	31 Mar 2014			
	Gross Exposures	Net Exposures	Risk-Weighted Assets	Capital Requirements
	RM'000	RM'000	RM'000	RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	1,229,190	1,229,190	-	-
Banks, Development Financial Institutions and MDBs	1,225,577	1,225,577	280,845	22,468
Corporates	1,960,235	1,960,235	1,054,746	84,380
Regulatory Retail	11,021	11,021	6,005	480
Residential Mortgages	16,636	16,636	6,703	536
Other Assets	27,016	27,016	20,849	1,668
Total On-Balance Sheet Exposures	4,469,675	4,469,675	1,369,148	109,532
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	502,696	502,696	370,424	29,634
OTC derivatives	23,235	23,235	8,551	684
Total Off-Balance Sheet Exposures	525,931	525,931	378,975	30,318
Total On and Off-Balance Sheet Exposures	4,995,606	4,995,606	1,748,123	139,850
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	4,298	4,877	4,877	390
<i>Operational Risk</i>	-	-	-	8,733
Total RWA and Capital Requirements			1,862,162	148,973

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

24. Capital adequacy (continued)

Risk Type	31 Dec 2013			
	Gross Exposures RM'000	Net Exposures RM'000	Risk-Weighted Assets RM'000	Capital Requirements RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	874,270	874,270	-	-
Banks, Development Financial Institutions and MDBs	2,270,291	2,270,291	576,925	46,154
Corporates	1,799,752	1,799,752	996,549	79,724
Regulatory Retail	10,026	10,026	9,897	792
Residential Mortgages	9,231	9,231	4,015	321
Other Assets	31,759	31,759	27,394	2,192
Total On-Balance Sheet Exposures	4,995,329	4,995,329	1,614,780	129,183
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	524,882	524,882	373,042	29,843
OTC derivatives	27,218	27,218	9,857	789
Total Off-Balance Sheet Exposures	552,100	552,100	382,899	30,632
Total On and Off-Balance Sheet Exposures	5,547,429	5,547,429	1,997,679	159,815
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	Long <u>position</u>	Short <u>position</u>		
Foreign currency risk	383	2,260	2,260	181
<i>Operational Risk</i>	-	-	-	7,626
Total RWA and Capital Requirements			2,095,263	167,622

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

24. Capital adequacy (continued)

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

31 Mar 2014 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures After Netting & Credit Risk Mitigation RM'000	Total Risk- Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000		
0%	1,229,190	-	590,629	234	10	6,167	1,826,230	-
20%	-	1,106,478	24,195	-	-	10,648	1,141,321	228,264
35%	-	-	-	4,058	30,079	-	34,137	11,948
50%	-	119,099	826,417	2,581	6,960	12,330	967,387	483,694
75%	-	-	-	9,256	-	-	9,256	6,942
100%	-	-	995,368	264	538	21,105	1,017,275	1,017,275
Total Exposures	1,229,190	1,225,577	2,436,609	16,393	37,587	50,250	4,995,606	1,748,123
Risk-Weighted Assets by Exposures	-	280,845	1,413,416	9,917	14,546	29,399	1,748,123	
Average Risk Weight	0.0%	22.9%	58.0%	60.5%	38.7%	58.5%	35.0%	
Deduction from Capital Base	-	-	-	-	-	-	-	-

31 Dec 2013 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 Banks RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000		
0%	874,270	-	421,463	218	10	4,365	1,300,326	-
20%	-	1,862,133	51,559	-	-	13,030	1,926,722	385,344
35%	-	-	-	-	22,221	-	22,221	7,777
50%	-	407,318	959,620	-	6,376	13,873	1,387,187	693,594
75%	-	-	-	36	-	-	36	27
100%	-	840	866,315	15,538	535	27,709	910,937	910,937
Total Exposures	874,270	2,270,291	2,298,957	15,792	29,142	58,977	5,547,429	1,997,679
Risk-Weighted Assets by Exposures	-	576,925	1,356,437	15,565	11,500	37,252	1,997,679	
Average Risk Weight	0.0%	25.4%	59.0%	98.6%	39.5%	63.2%	36.0%	
Deduction from Capital Base	-	-	-	-	-	-	-	-

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

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

25. Derivative financial instruments

	31 Mar 2014		31 Dec 2013	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives	8,123	8,136	7,880	8,159
Currency swaps	-	1,185	-	4,158
Total recognised derivative assets/liabilities	<u>8,123</u>	<u>9,321</u>	<u>7,880</u>	<u>12,317</u>

(Note 14, 17 and 23)

26. Performance review

The Bank recorded a profit before taxation of RM16.8 million for the three months ended 31 March 2014, an increase of RM15.5 million compared to 31 March 2013. Operating profit increased by RM15.1 million compared to the corresponding period in 2013. The higher operating income was contributed by higher of net interest income by RM10.1 million as a result of strong loan growth year-on-year. While operating income continue to grow steadily, the Bank's operating expenses increased by 12% mainly resulted from higher personnel cost incurred, an increase of RM0.7 million comparing previous period.

During the period, total assets decreased to RM4.5 billion, a slight decrease of RM0.5 billion or 11% compared against 31 December 2013. The decrease was largely attributed to lower of cash and short-term funds by RM0.5 billion. The Bank's loans, advances and financing continue to expand by RM0.16 billion or 8% to RM1.98 billion as of 31 March 2014 from RM1.82 billion as of 31 December 2013.

27. Business prospects

While the external economic situation remains in a state of uncertainty, the recent indicators for major economies are looking brighter and confidence among investors and analysts is high that global economic growth is to pick up later in the year.

Domestically, Malaysia's economy is expected to build on the momentum from the end of 2013. The implementation of bold reforms to improve public finances, macro-prudential measures to tame property prices and contain the increase in household debt have been smooth. Overall, barring any massive shocks in the world economy or any big changes locally, Malaysia's economy in 2014 should see good growth driven by improving external trade and stable domestic demand.

Going into 2014, the Bank will continue its business strategies which include promoting retail financial products in domestic market, while deepening relationships with the existing and potential valued corporate clients. The Bank has registered encouraging financial results in the first quarter; and remains optimistic to achieve the targets set for year 2014.