

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 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 3rd quarter and nine months ended 30 September 2014 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and the Revised Guidelines on Financial Reporting for Banking Institutions issued by Bank Negara Malaysia in June 2013.

YUAN BIN

Chief Executive Officer

Date: 30 October 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 30 SEPTEMBER 2014

	Note	30 Sept 2014 RM'000	31 Dec 2013 RM'000
ASSETS			
Cash and short-term funds	10	1,295,444	2,478,860
Deposits and placements with banks and other financial institutions	11	922,958	556,355
Financial investments available-for-sale	12	82,107	99,040
Loans, advances and financing	13	1,893,881	1,821,613
Other assets	14	10,224	27,222
Statutory deposits with Bank Negara Malaysia		6,810	3,601
Tax recoverable		235	3,431
Plant and equipment		4,688	6,188
Intangible asset		1,473	1,864
Deferred tax assets		999	863
TOTAL ASSETS		4,218,819	4,999,037
LIABILITIES			
Deposits from customers	15	1,521,557	1,325,195
Deposits and placements of banks and other financial institutions	16	2,248,713	3,269,095
Other liabilities	17	65,221	37,614
TOTAL LIABILITIES		3,835,491	4,631,904
EQUITY			
Share capital		331,000	331,000
Reserves		52,328	36,133
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		383,328	367,133
TOTAL LIABILITIES AND EQUITY		4,218,819	4,999,037
COMMITMENTS AND CONTINGENCIES	24	2,041,455	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 19 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 October 2014.

Industrial and Commercial Bank of China (Malaysia) Berhad

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UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014

		3rd quarter ended		Year-To-Date ended	
	Note	30 Sept 2014 RM'000	30 Sept 2013 RM'000	30 Sept 2014 RM'000	30 Sept 2013 RM'000
Interest income	18	31,046	24,870	101,532	75,100
Interest expense	19	(16,724)	(16,776)	(57,493)	(53,204)
Net interest income		14,322	8,094	44,039	21,896
Net fee income	20	3,574	5,181	8,200	10,597
Net trading income	21	2,536	1,341	12,187	6,488
Net operating income		20,432	14,616	64,426	38,981
Other operating expenses	22	(12,631)	(12,756)	(36,264)	(31,326)
Operating profit		7,801	1,860	28,162	7,655
Allowance for impairment on loans, advances and financing	23	(1,852)	(2,085)	(6,530)	(4,136)
Profit/(Loss) before taxation		5,949	(225)	21,632	3,519
Tax expense		(1,615)	(682)	(5,521)	(1,678)
Profit/(Loss) for the period		4,334	(907)	16,111	1,841
Other comprehensive income/(expense) for the period, net of tax					
Fair value reserve					
- Net changes in fair value		70	120	(52)	(249)
- Deferred tax adjustment		(17)	(28)	136	(36)
Total other comprehensive income/(expense) for the period		53	92	84	(285)
Total comprehensive income/(expense) for the period		4,387	(815)	16,195	1,556
Basic earnings/(loss) per ordinary share (sen):		1.31	(0.27)	4.87	0.56

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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 2014

	Non-distributable			Distributable		Total Equity RM'000
	Share Capital RM'000	Statutory Reserve RM'000	Available-for-sale Reserve RM'000	Regulatory Reserve RM'000	Retained Earnings RM'000	
At 1 January 2013	331,000	12,629	50	-	15,799	359,478
Total comprehensive income for the period						
Profit for the period	-	-	-	-	1,841	1,841
Other comprehensive expense for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	(249)	-	-	(249)
- Deferred tax adjustment	-	-	(36)	-	-	(36)
Total other comprehensive expense for the period	-	-	(285)	-	-	(285)
Total comprehensive (expense)/income for the period	-	-	(285)	-	1,841	1,556
At 30 September 2013	331,000	12,629	(235)	-	17,640	361,034
At 1 January 2014	331,000	16,607	(251)	6,175	13,602	367,133
Total comprehensive income for the period						
Profit for the period	-	-	-	-	16,111	16,111
Other comprehensive (expense)/income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	(52)	-	-	(52)
- Deferred tax adjustment	-	-	136	-	-	136
Total other comprehensive income for the period	-	-	84	-	-	84
Total comprehensive income for the period	-	-	84	-	16,111	16,195
At 30 September 2014	331,000	16,607	(167)	6,175	29,713	383,328

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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE
FINANCIAL PERIOD ENDED 30 SEPTEMBER 2014**

	Note	30 Sept 2014 RM'000	30 Sept 2013 RM'000
Cash flows (used in)/generated from operating activities			
Profit before taxation		21,632	3,519
Adjustments for:			
Depreciation of plant and equipment		1,687	1,622
Amortisation of intangible asset		391	391
Allowance for impairment on loans, advances and financing		6,530	4,136
Net unrealised losses arising from derivative trading		(4,398)	1,034
Operating profit before working capital changes		<u>25,842</u>	10,702
(Increase)/Decrease in operating assets			
Deposits and placements with banks and other financial institutions		(366,603)	1,306,938
Loans, advances and financing		(78,798)	(894,617)
Other assets		9,649	(1,583)
Statutory deposits with Bank Negara Malaysia		(3,209)	-
Increase/(Decrease) in operating liabilities			
Deposits from customers		196,362	309,359
Deposits and placements of banks and other financial institutions		(1,020,382)	14,960
Other liabilities		39,515	32,635
Cash (used in)/generated from operations		<u>(1,197,624)</u>	778,394
Income taxes paid		(2,325)	(5,877)
Net cash (used in)/generated from operating activities		<u>(1,199,949)</u>	<u>772,517</u>
Cash flows generated from/(used in) investing activities			
Purchase of plant and equipment		(187)	(3,743)
Net proceeds/(purchase) of financial investments available-for-sale		16,720	(100,045)
Net cash generated from/(used in) investing activities		<u>16,533</u>	<u>(103,788)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(1,183,416)</u>	668,729
Cash and cash equivalents at beginning of the financial period		<u>2,478,860</u>	1,335,609
Cash and cash equivalents at end of the financial period		<u>1,295,444</u>	<u>2,004,338</u>
Cash and cash equivalents comprise:			
Cash and short-term funds	10	<u>1,295,444</u>	<u>2,004,338</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 19 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 October 2014.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 SEPTEMBER 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 3rd quarter and nine months ended 30 September 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 and amendments effecting for annual periods beginning on or after 1 January 2016

MFRS 14, *Regulatory Deferral Accounts*

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

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

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

MFRS effecting for annual periods beginning on or after 1 January 2017

MFRS 15, *Revenue From Contracts with Customers*

MFRSs, 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 and amendments from the annual period beginning on 1 January 2016 for those standards and amendments that are effective for annual periods beginning on or after 1 January 2016, except for Amendments to MFRS 11 and Amendments to MFRS 141 as they are not applicable to the Bank.

The Bank plans to apply the abovementioned standard from the annual period beginning on 1 January 2017 for the standard that is effective for annual periods beginning on or after 1 January 2017.

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 3rd quarter and nine months ended 30 September 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 3rd quarter and nine months ended 30 September 2014.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the 3rd quarter and nine months ended 30 September 2014.

8. Dividend Paid

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

	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Cash and balances with banks and other financial institutions	84,312	32,106
Money at call and deposit placements maturing within one month	1,211,132	2,446,754
	<u>1,295,444</u>	<u>2,478,860</u>

11. Deposits and placements with banks and other financial institutions

	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Foreign banks	<u>922,958</u>	<u>556,355</u>

12. Financial investments available-for-sale

	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
At fair value		
Malaysian Government Securities	50,345	50,290
Private debt securities	31,762	48,750
	<u>82,107</u>	<u>99,040</u>

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

Within one year	26,786	43,780
More than three years to five years	55,321	55,260
	<u>82,107</u>	<u>99,040</u>

13. Loans, advances and financing

At amortised cost	30 Sept 2014	31 Dec 2013
(i) By type	RM'000	RM'000
Overdrafts	125,081	85,462
Term loans		
- Housing loans	31,484	8,129
- Syndicated term loans	50,829	11,936
- Other term loans	667,549	1,208,311
Bills receivable	645	22,633
Trust receipt	-	401
Revolving credit	958,479	385,277
Bankers' acceptances	72,101	105,833
Staff loans	1,651	1,223
Credit card loans	1,058	874
Gross loans, advances and financing	<u>1,908,877</u>	<u>1,830,079</u>
Less: Allowance for impairment		
- Collective allowance for impairment	(12,916)	(8,466)
- Individual allowance for impairment	(2,080)	-
Net loans, advances and financing	<u>1,893,881</u>	<u>1,821,613</u>

13. Loans, advances and financing (continued)

(ii) By type of customer	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	12,038	10,019
Domestic business enterprises		
- Small medium enterprises	58,016	41,441
- Others	858,030	587,536
Individuals	29,157	17,734
Foreign entities	951,636	1,173,349
	<u>1,908,877</u>	<u>1,830,079</u>
(iii) By interest rate sensitivity	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Fixed rate loans	1,651	4,535
Variable rate		
- Base Lending Rate plus	47,199	23,674
- Cost plus	709,499	468,997
- Other variable rates	1,150,528	1,332,873
	<u>1,908,877</u>	<u>1,830,079</u>
(iv) By sector	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Primary agriculture	19,143	11,936
Mining and quarrying	-	24,823
Manufacturing	31,561	39,698
Construction	206,910	129,951
Real estate	3,485	13,640
Wholesale & retail trade and restaurants & hotels	912,210	1,055,656
Transport, storage and communication	391,049	203,389
Finance, insurance and business services	285,241	331,730
Education, health and others	15,144	-
Household	44,134	19,256
	<u>1,908,877</u>	<u>1,830,079</u>
(v) By purpose	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Purchase of landed properties		
- Non residential	101,703	60,942
- Residential	32,431	8,612
Purchase of transport vehicles	179	120
Construction	10,374	14,779
Credit card	1,058	874
Personal use	854	863
Mergers and acquisitions	9,516	4,942
Working capital	1,726,403	1,737,440
Other purpose	26,359	1,507
	<u>1,908,877</u>	<u>1,830,079</u>

13. Loans, advances and financing (continued)

(vi) By geographical distribution	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Within Malaysia	883,510	407,077
Outside Malaysia	1,025,367	1,423,002
	<u>1,908,877</u>	<u>1,830,079</u>

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

(vii) By residual contractual maturity	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Maturity within one year	1,496,657	1,158,068
More than one year to three years	190,384	428,826
More than three years to five years	48,233	126,615
More than five years	173,603	116,570
	<u>1,908,877</u>	<u>1,830,079</u>

(viii) Impaired loans, advances and financing

(a) Movement in impaired loans, advances and financing	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
At beginning of the financial period/year	-	-
Impaired during the financial period/year	2,080	-
At end of the financial period/year	2,080	-
Less: Individual allowance for impairment	(2,080)	-
Net impaired loans, advances and financing	-	-
As % of gross loans, advances and financing (net of individual allowance for impairment)	0%	0%

(b) By sector	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Wholesale & retail trade and restaurants & hotels	2,029	-
Household	51	-
	<u>2,080</u>	<u>-</u>

(c) By purpose	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Working capital	2,029	-
Credit card	51	-
	<u>2,080</u>	<u>-</u>

(d) By geographical	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Malaysia	2,080	-

13. Loans, advances and financing (continued)

(ix) Movements in allowance for impairment on loans, advances and financing	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
<u>Collective allowance for impairment</u>		
At beginning of the financial period/year	8,466	3,978
Allowance made during the financial period/year	7,616	6,916
Allowance written back during the financial period/year	<u>(3,166)</u>	<u>(2,428)</u>
At end of the financial period/year	<u><u>12,916</u></u>	<u><u>8,466</u></u>
<u>Individual allowance for impairment</u>		
At beginning of the financial period/year	-	-
Allowance made during the financial period/year	<u>2,080</u>	<u>-</u>
At end of the financial period/year	<u><u>2,080</u></u>	<u><u>-</u></u>

14. Other assets

	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Derivative financial assets (Note 26)	370	7,880
Interest receivable	7,835	12,181
Deposits	1,352	1,237
Other receivables and prepayments	<u>667</u>	<u>5,924</u>
	<u><u>10,224</u></u>	<u><u>27,222</u></u>

15. Deposits from customers

(i) By type of deposit	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Demand deposits	236,798	409,288
Fixed deposits	571,211	587,849
Savings deposits	48,487	35,871
Money market deposits	659,265	257,464
Short-term deposits	-	32,622
Other deposits	<u>5,796</u>	<u>2,101</u>
	<u><u>1,521,557</u></u>	<u><u>1,325,195</u></u>
(ii) By type of customer	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Business enterprises	1,285,601	1,105,461
Individuals	148,687	115,196
Others	<u>87,269</u>	<u>104,538</u>
	<u><u>1,521,557</u></u>	<u><u>1,325,195</u></u>
(iii) By maturity structure of term deposits	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Due within six months	1,249,441	1,282,394
More than six months to one year	143,614	40,548
More than one year to three years	<u>128,502</u>	<u>2,253</u>
	<u><u>1,521,557</u></u>	<u><u>1,325,195</u></u>

16. Deposits and placements of banks and other financial institutions	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Bank Negara Malaysia	53,449	-
Licensed Malaysian banks	1,210,738	2,256,615
Licensed investment banks	211	28
Licensed Islamic banks	79	-
Other financial institutions	219,941	205,010
Foreign banks	764,295	807,442
	<u>2,248,713</u>	<u>3,269,095</u>

17. Other liabilities	30 Sept 2014	31 Dec 2013
	RM'000	RM'000
Interest payable	13,968	13,529
Other payables and accruals	50,844	11,768
Derivative financial liabilities (Note 26)	409	12,317
	<u>65,221</u>	<u>37,614</u>

18. Interest income	3rd quarter ended		Year-To-Date ended	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:	15,067	7,248	42,897	16,761
Money at call and deposit placements with financial institutions	14,900	16,213	55,367	55,631
Investment securities available-for-sale	1,078	1,409	3,254	2,707
Others	1	-	14	1
	<u>31,046</u>	<u>24,870</u>	<u>101,532</u>	<u>75,100</u>
Of which:				
Interest income earned on impaired loans, advances and financing	32	-	32	-
	<u>32</u>	<u>-</u>	<u>32</u>	<u>-</u>

19. Interest expense				
Deposits and placements of banks and other financial institutions	(9,984)	(12,250)	(37,418)	(42,365)
Deposits from customers	(6,717)	(4,526)	(20,037)	(10,834)
Others	(23)	-	(38)	(5)
	<u>(16,724)</u>	<u>(16,776)</u>	<u>(57,493)</u>	<u>(53,204)</u>

20. Fee income

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Commission	4	5	35	14
- Service charges and fees	329	274	867	728
- Loan processing fees	47	75	582	141
- Syndication fees	-	888	293	888
- Guarantee fees	1,352	404	1,992	1,016
- Commitment fees	564	42	1,010	205
- Other loans related fees income	363	1,902	825	3,003
- Credit card	67	26	157	61
- Other fees income	857	1,579	2,798	4,598
	3,583	5,195	8,559	10,654
Fee expense:				
- Brokerage fees	(9)	(14)	(54)	(57)
- Other fees expense	-	-	(305)	-
	(9)	(14)	(359)	(57)
Net fee income	3,574	5,181	8,200	10,597

21. Net trading income

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	RM'000	RM'000	RM'000	RM'000
Net gains from dealing in foreign exchange	776	9,204	11,535	4,866
Net gains/(losses) arising from derivative trading	1,770	(1,480)	(3,768)	2,725
Unrealised revaluation gains/(losses) in foreign exchange	76	102	22	(69)
Net unrealised (losses)/gains arising from derivative trading	(86)	(6,485)	4,398	(1,034)
	2,536	1,341	12,187	6,488

22. Other operating expenses

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries, allowances and bonuses	7,977	7,910	22,959	17,406
- Pension fund contributions	570	915	1,722	2,252
- Other staff costs	697	528	1,988	1,950
Promotion and marketing related expenses:				
- Advertising and promotion	122	96	333	309
- Others	194	138	585	457
Establishment costs:				
- Depreciation of plant and equipment	558	619	1,687	1,622
- Amortisation of intangible asset	131	131	391	391
- Rental	868	818	2,573	2,487
- Others	259	262	764	712
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	25	22	101	92
• audit related services	58	70	94	94
- Professional fees	25	43	124	204
- Licence fee	35	35	105	105
- Membership fee	30	70	58	94
- Others	1,082	1,099	2,780	3,151
	12,631	12,756	36,264	31,326

23. Allowance for impairment on loans, advances and financing

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2014	30 Sept 2013	30 Sept 2014	30 Sept 2013
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- made during the financial period	2,104	2,097	7,616	4,713
- written back during the financial period	(303)	(12)	(3,166)	(577)
Individual allowance for impairment				
- made during the financial period	51	-	2,080	-
	1,852	2,085	6,530	4,136

24. Commitments and contingencies

The commitments and contingencies constitute the following:

	30 Sept 2014			
	Principal Amount	Positive Value of Derivative Contracts ^	Credit Equivalent Amount *	Risk-Weighted Assets *
	RM'000	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	543,161	-	271,581	158,285
Short term self-liquidating trade-related contingencies	8,711	-	1,742	1,351
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	189,427	-	94,714	84,115
- Not exceeding one year	1,033,155	-	206,631	179,587
Unutilised credit card lines	18,976	-	3,795	2,846
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	248,025	370	3,678	1,760
Total	2,041,455	370	582,141	427,944

Note 14, 26

24. Commitments and contingencies (continued)

	31 Dec 2013			
	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>				
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, 26

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

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

25. Capital adequacy

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

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

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

	30 Sept 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 losses on financial investments available-for-sale	(167)	(251)
	367,217	367,133
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(1,473)	(1,864)
- Deferred tax assets	(927)	(927)
- Regulatory reserve attributable to loans, advances and financing	(6,175)	(6,175)
	(8,575)	(8,966)
Total CET1 Capital	358,642	358,167
Tier 2 capital		
Collective impairment allowance	12,916	8,466
Regulatory reserve	6,175	6,175
Total Tier 2 Capital	19,091	14,641
Total Capital	377,733	372,808
CET1 capital ratio	17.519%	17.094%
Tier 1 capital ratio	17.519%	17.094%
Total capital ratio	18.452%	17.793%

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

	30 Sept 2014		31 Dec 2013	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	4,812,271	1,925,262	5,547,429	1,997,679
Total RWA for market risk	-	1,534	-	2,260
Total RWA for operational risk	-	120,364	-	95,324
	4,812,271	2,047,160	5,547,429	2,095,263

25. Capital adequacy (continued)

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

Risk Type	30 Sept 2014			
	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	941,243	941,243	-	-
Banks, Development Financial Institutions and MDBs	1,329,160	1,329,160	362,487	28,999
Corporates	1,894,473	1,894,473	1,095,816	87,665
Regulatory Retail	11,130	11,130	10,758	861
Residential Mortgages	32,956	32,956	12,242	979
Other Assets	21,168	21,168	16,015	1,281
Total On-Balance Sheet Exposures	4,230,130	4,230,130	1,497,318	119,785
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	578,463	578,463	426,184	34,095
OTC derivatives	3,678	3,678	1,760	141
Total Off-Balance Sheet Exposures	582,141	582,141	427,944	34,236
Total On and Off-Balance Sheet Exposures	4,812,271	4,812,271	1,925,262	154,021
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	1,534	1,039	1,534	123
<i>Operational Risk</i>	-	-	-	120,364
Total RWA and Capital Requirements			2,047,160	163,773

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

25. Capital adequacy (continued)

Risk Type	31 Dec 2013			
	Gross	Net	Risk-	Capital
	Exposures RM'000	Exposures RM'000	Weighted Assets RM'000	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>	-	-	95,324	7,626
Total RWA and Capital Requirements			2,095,263	167,622

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

25. Capital adequacy (continued)

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

30 Sept 2014 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Bank RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000		
0%	941,243	-	544,216	395	474	5,153	1,491,481	-
20%	-	1,006,976	52,300	-	-	311	1,059,587	211,917
35%	-	-	-	-	42,228	-	42,228	14,780
50%	-	322,184	706,419	-	6,479	3,338	1,038,420	519,210
75%	-	-	-	4,802	-	-	4,802	3,602
100%	-	-	1,147,753	11,421	535	16,044	1,175,753	1,175,753
Total Exposures	941,243	1,329,160	2,450,688	16,618	49,716	24,846	4,812,271	1,925,262
Risk-Weighted Assets by Exposures	-	362,487	1,511,423	15,023	18,554	17,775	1,925,262	
Average Risk Weight	0.0%	27.3%	61.7%	90.4%	37.3%	71.5%	40.0%	
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 guidelines of the Revised Capital Adequacy Framework on Standardised Approach.

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 Bank RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000		
0%	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 the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

26. Derivative financial instruments

	30 Sept 2014		31 Dec 2013	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives	347	382	7,880	8,159
Currency swaps	23	27	-	4,158
Total recognised derivative assets/liabilities (Note 14, 17, 24)	<u>370</u>	<u>409</u>	<u>7,880</u>	<u>12,317</u>

27. Performance review

The Bank registered a profit before taxation of RM21.6 million for the nine months ended 30 September 2014, an increase of RM18.1 million compared against the corresponding period in 2013. Operating profit increased by RM20.5 million, mainly due to the rises of net interest income by RM22.1 million comparing previous corresponding period, which was mainly driven by loans growth. Allowance for impairment on loans and advances increased by RM2.4 million or 57.9% to RM6.5 million from higher collective impairment and new individual impairment made during the current financial period.

As of 30 September 2014, total assets decreased marginally by 15.6% to RM4.2 billion comparing 31 December 2013, mainly due to decrease of cash and short term funds by RM1.2 billion or 47.7% during the financial period. Deposits and placement of banks and other financial institutions also reduced by RM1.0 billion or 31.2% compared against 31 December 2013.

28. Business prospects

The global economy growth in the first half of 2014 has been weaker than expected as global recovery remains uneven. In many emerging market economies including Malaysia, bank credit expansion has continued to slow down and monetary conditions have tightened as central banks have responded with policy rate increases since the US Federal Reserve tapering of its quantitative easing policy in May 2013. Nonetheless, the outlook for the emerging and developing Asia region is expected to remain solid in the remainder of 2014 and in 2015, supported by favourable financial conditions and broadly accommodative policies. Overall, the International Monetary Fund has projected a weaker global growth rate of 3.1% for 2014 and improving to 3.8% for 2015.

In Malaysia, growth is supported by robust private domestic demand as well as increased public expenditure and investments. Nonetheless, loans growth for the banking sector has continued to be at a slower pace following the credit tightening measures on household debts imposed by Bank Negara Malaysia since July 2013. Consumer spending is slowing down on the back of rising inflationary pressures as the government seeks to narrow the country's budget deficit through subsidy rationalisation. Looking ahead, private consumption growth is also expected to soften when the Goods and Services Tax comes into force in April 2015.

Going forward, the Bank will focus in sustaining the growth momentum in both lending business and deposits base. The Bank's asset portfolio is sound and the pipeline of deals is encouraging. On deposit-taking, the Bank will continue to promote wholesale deposits and foreign currency deposits. Overall, the Bank remains optimistic that profit growth can be sustained at a reasonable level in this challenging environment.