

J.P.Morgan

J.P. MORGAN CHASE BANK BERHAD

(Company number: 316347 D)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

Domiciled in Malaysia
Principal place of business:
Level 18, Integra Tower
The Intermark
348, Jalan Tun Razak
50400 Kuala Lumpur

J.P. MORGAN CHASE BANK BERHAD (316347-D)
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017

| ASSETS | Note | 30 Sep 2017 RM'000 | 31 Dec 2016 RM'000 |
|-------------------------------------------------------------------|-------|------------------------------|------------------------------|
| Cash and short-term funds | a | 3,869,639 | 3,918,993 |
| Securities purchased under resale agreement | | 119,365 | 602,550 |
| Financial assets held for trading | b | 953,991 | 986,291 |
| Derivative financial instruments | | 479,111 | 917,635 |
| Financial assets available-for-sale | c | 141,961 | 140,963 |
| Loans and advances | d | 365,187 | 618,262 |
| Amount due from related parties | | 618,952 | 1,277,377 |
| Statutory deposits with Bank Negara Malaysia | | 2 | 2 |
| Other assets | e | 123,251 | 273,591 |
| Tax recoverable | | 22,081 | 10,590 |
| Deferred tax assets | | 2,403 | 2,403 |
| Fixed assets | | 6,524 | 10,189 |
| TOTAL ASSETS | | <u>6,702,467</u> | <u>8,758,846</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | | |
| Deposits from customers | f | 3,967,732 | 5,457,190 |
| Deposits and placements of banks and other financial institutions | g | 215,027 | 240,310 |
| Obligations on securities sold under repurchase agreements | | 31,759 | 278,001 |
| Derivative financial instruments | | 433,220 | 799,373 |
| Amount due to related parties | | 857,644 | 613,740 |
| Other liabilities | h | 176,841 | 387,782 |
| Total liabilities | | <u>5,682,223</u> | <u>7,776,396</u> |
| Share capital | | 85,500 | 85,500 |
| Share premium | | 42,000 | 42,000 |
| Retained earnings | | 776,877 | 734,627 |
| Reserves | | 115,867 | 120,323 |
| Shareholders' equity | | <u>1,020,244</u> | <u>982,450</u> |
| TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY | | <u>6,702,467</u> | <u>8,758,846</u> |
| COMMITMENTS AND CONTINGENCIES | o | <u>65,551,491</u> | <u>61,767,373</u> |

J.P. MORGAN CHASE BANK BERHAD (316347-D)
(Incorporated in Malaysia)

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

| | <u>Note</u> | <u>30 Sep 2017</u> (Quarter 3 2017) RM'000 | <u>30 Sep 2016</u> (Quarter 3 2016) RM'000 |
|-----------------------------------------------------------------------------------------------------|-------------|--------------------------------------------------|--------------------------------------------------|
| Interest income | i | 99,833 | 135,838 |
| Interest expense | j | (33,075) | (81,970) |
| | | <hr/> | <hr/> |
| Net interest income | | 66,758 | 53,868 |
| Other operating income | k | 97,324 | 120,910 |
| | | <hr/> | <hr/> |
| Net income | | 164,082 | 174,778 |
| Other operating expenses | l | (111,260) | (98,862) |
| | | <hr/> | <hr/> |
| Operating profit before allowances (Allowance for)/write back of losses on loans and advances | m | 52,822 (1,149) | 75,916 950 |
| | | <hr/> | <hr/> |
| Profit before taxation | | 51,673 | 76,866 |
| Taxation | | (13,583) | (19,518) |
| | | <hr/> | <hr/> |
| Net profit for the financial period | | <u>38,090</u> | <u>57,348</u> |

STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

| | Share capital RM'000 | Share premium RM'000 | Statutory reserve RM'000 | Fair value reserves- available-for- sale securities RM'000 | Option reserve RM'000 | Regulatory reserve RM'000 | Retained earnings RM'000 | Total RM'000 |
|---------------------------------------------------|----------------------------|----------------------------|--------------------------------|---------------------------------------------------------------------------|-----------------------------|---------------------------------|--------------------------------|------------------|
| At 1 January 2017 | 85,500 | 42,000 | 97,778 | 252 | 15,914 | 6,379 | 734,627 | 982,450 |
| Net profit for the financial period | - | - | - | - | - | - | 38,090 | 38,090 |
| Transfer from regulatory reserve | - | - | - | - | - | (4,160) | 4,160 | - |
| Other comprehensive income | - | - | - | (296) | - | - | - | (296) |
| At 30 September 2017 | <u>85,500</u> | <u>42,000</u> | <u>97,778</u> | <u>(44)</u> | <u>15,914</u> | <u>2,219</u> | <u>776,877</u> | <u>1,020,244</u> |
| At 1 January 2016 | 85,500 | 42,000 | 97,778 | 1,332 | 11,890 | 2,384 | 660,385 | 901,269 |
| Net profit for the financial year | - | - | - | - | - | - | 78,237 | 78,237 |
| Transfer to regulatory reserve | - | - | - | - | - | 3,995 | (3,995) | - |
| Other comprehensive income | - | - | - | (1,080) | - | - | - | (1,080) |
| Employee share option scheme - Options granted | - | - | - | - | 4,024 | - | - | 4,024 |
| At 31 December 2016 | <u>85,500</u> | <u>42,000</u> | <u>97,778</u> | <u>252</u> | <u>15,914</u> | <u>6,379</u> | <u>734,627</u> | <u>982,450</u> |

CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017

| | <u>30 Sep 2017</u> RM'000 | <u>30 Sep 2016</u> RM'000 |
|--------------------------------------------------------------------------------------|------------------------------|------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 51,673 | 76,866 |
| Adjustments for items not involving the movement of cash and cash equivalents: | | |
| Depreciation of fixed assets | 4,242 | 4,326 |
| Loss on disposal of fixed assets | - | 14 |
| Allowance for/(write back) of losses on loans and advances | 1,149 | (950) |
| Net unrealised loss/(gain) from revaluation of financial assets held for trading | 2,483 | (1,227) |
| Net loss on derivatives | 2,836 | 26,677 |
| Net unrealised gain on revaluation of derivatives | (6,600) | (11,074) |
| OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES | <u>55,783</u> | <u>94,632</u> |
| Increase in deposits and placements with banks and other financial institutions | - | (300,841) |
| Decrease/(increase) in securities purchased under resale agreement | 483,185 | (448,598) |
| Decrease/(increase) in financial assets held for trading | 29,817 | (528,663) |
| Decrease in derivative financial instruments | 76,135 | 60,021 |
| Increase in financial assets available-for-sale | (1,294) | (1,291) |
| Decrease/(increase) in loans and advances | 251,926 | (112,143) |
| Decrease/(increase) in other assets | 143,252 | (147,801) |
| Decrease in statutory deposits with Bank Negara Malaysia | - | 3,044 |
| Decrease in deposits from customers | (1,489,458) | (829,377) |
| Decrease in deposits and placements of banks and other financial institutions | (25,283) | (494,911) |
| (Decrease)/increase in securities sold under repurchase agreements | (246,242) | 221,527 |
| (Decrease)/increase in other liabilities | (210,941) | 221,331 |
| Increase/(decrease) in amount due to related parties | 243,904 | (2,978,803) |
| Cash used in operating activities | <u>(689,216)</u> | <u>(5,241,873)</u> |
| Income taxes paid | (17,986) | (13,615) |
| Net cash used in operating activities | <u>(707,202)</u> | <u>(5,255,488)</u> |

J.P. MORGAN CHASE BANK BERHAD (316347-D)

(Incorporated in Malaysia)

CASH FLOW STATEMENT

FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2017 (CONTINUED)

| | <u>30 Sep 2017</u> RM'000 | <u>30 Sep 2016</u> RM'000 |
|-------------------------------------------------------------------|------------------------------|------------------------------|
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (577) | (817) |
| Net cash used in investing activities | <u>(577)</u> | <u>(817)</u> |
| NET DECREASE IN CASH AND CASH EQUIVALENTS | (707,779) | (5,256,305) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD | 5,196,370 | 8,037,314 |
| CASH AND CASH EQUIVALENT AT END OF FINANCIAL PERIOD | <u>4,488,591</u> | <u>2,781,009</u> |
| ANALYSIS OF CASH AND CASH EQUIVALENTS | | |
| Cash and short term funds | 3,869,639 | 1,494,681 |
| Amount due from related parties | 618,952 | 1,286,328 |
| | <u>4,488,591</u> | <u>2,781,009</u> |

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

A Basis of preparation

The unaudited interim financial statements herein have been prepared in accordance with MFRS 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board.

The unaudited interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2016. The explanatory notes attached in the unaudited 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 2016.

The significant accounting policies and methods of computation applied in the unaudited interim financial statements are consistent with those adopted in the most recent audited financial statements for the financial year ended 31 December 2016.

B Auditor's Report on preceding Annual Financial Statements

The auditor's report on the financial statements for the financial year ended 31 December 2016 was not subject to any qualification.

C Seasonality or Cyclical factors

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

D 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 financial period ended 30 September 2017.

E Change in estimates

There were no changes in estimates of amounts reported in prior financial years that have material effect on the financial results and position of the Bank for the financial period ended 30 September 2017.

F Issuance and repayment of Debts and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the financial period ended 30 September 2017.

G Dividend

No dividend was paid during the financial period ended 30 September 2017.

H Subsequent events

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

J.P. MORGAN CHASE BANK BERHAD (316347-D)

(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

I Review of Bank's Performance

The Bank's profit before taxation for the financial period to September 2017 amounted to RM52.8 million. Net interest income for the period was RM66.8 million. Major contributor for interest income include inter-bank lending (RM48.6 million) and interest earned from securities (RM43.3 million). Interest income from loans and advances for the period amounted to RM7.9 million. As for interest expense, amount incurred on inter-bank borrowings was RM10.1 million and interest incurred on customer deposits was RM22.9 million.

Income generated from the Bank's treasury activities comprises net gain on foreign exchange trading of RM36.1 million as well as net gain from securities trading of RM13.6 million and net gain on derivatives of RM3.8 million. Inter-company charges, commission and fees earned by the Bank amounted to RM43.8 million.

Total overhead expenditure incurred in the 9 months was RM111.3 million. Staff cost and benefits came up to RM36.3 million while establishment expenses amounted to RM9.0 million. Inter-company fees incurred during the period was RM58.6 million, making up the bulk of general administrative expenses of RM64.8 million.

Performance for year-to-date September 2017 was lower than that of the corresponding period in 2016. In the current period, the profit before taxation was RM52.8 million (YTD September 2016: RM75.9 million). Net interest income for the current period was higher by RM12.9 million while other operating income in the first 9 months of 2017 was RM97.3 million as compared to RM120.9 million in the corresponding period in 2016. The decrease was mainly due to a lower net gain in foreign exchange and in securities trading by RM34.5 and RM17.0 million respectively. These were offset by higher other operating income of RM9.7 million and a net gain of RM3.8 million in derivatives trading versus a loss of RM15.6 million recorded during the same period in 2016. Other operating expenses came up to RM111.3 million as compared with RM98.9 million incurred during the corresponding period of 2016. The increase of RM12.4 million was mainly attributed to increase in personnel costs by RM3.4 million as well as increase in administration and general expenses by RM7.7 million.

J Business outlook for 2017

The macro-economic environment remains challenging in 2017 due to the continued volatility in currencies and asset value. Despite these conditions, we remain optimistic that the economic environment will stabilize and the economy will continue to grow. J.P. Morgan will remain focused on the quality and stability of our earnings by investing in transaction services, trade and wholesale banking businesses while also enhancing flow business.

J.P. Morgan's target clients, which consists of multi-national corporations, large domestic corporates, financial institutions and non-bank financial institutions, benefit from our significant competitive advantage in terms of our broad mix and global network. Both elements ensure we can effectively service clients that have both domestic and international presence.

With the J.P. Morgan's strong capitalization, fortress balance sheet and proven track record in meeting the needs of our clients with exceptional products, innovative solutions and best in class advice, our revenue will continue to grow. In addition, J.P. Morgan's Corporate and Investment Bank's international business are important components of J.P. Morgan's overall global strategy and remain a significant focus of the firm. They will also continue to contribute positively to our growth aspirations.

J.P. MORGAN CHASE BANK BERHAD (316347-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

| | <u>30 Sep 2017</u> RM '000 | <u>31 Dec 2016</u> RM '000 |
|-------------------------------------------------------------------|-------------------------------|-------------------------------|
| a) Cash and short-term funds | | |
| Cash and balances with banks and other financial institutions | 27,976 | 31,646 |
| Money at call and deposit placements maturing within one month | <u>3,841,663</u> | <u>3,887,347</u> |
| | <u><u>3,869,639</u></u> | <u><u>3,918,993</u></u> |
| b) Financial assets held for trading | | |
| <u>Money market instruments</u> | | |
| Malaysian Government Securities | 639,802 | 362,321 |
| Bank Negara Malaysia bills | - | 145,810 |
| Malaysian Treasury bills | 99,438 | 5,805 |
| Malaysian Government Investment Issuance | 114,190 | 75,957 |
| <u>Unquoted securities</u> | | |
| Private debt securities | <u>100,561</u> | <u>396,398</u> |
| | <u><u>953,991</u></u> | <u><u>986,291</u></u> |
| c) Financial assets available-for-sale | | |
| <u>Money market instruments</u> | | |
| Malaysian Government Securities | <u>141,961</u> | <u>140,963</u> |

J.P. MORGAN CHASE BANK BERHAD (316347-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

| | <u>30 Sep 2017</u> | <u>31 Dec 2016</u> |
|-----------------------------------------------------------------------|-----------------------|-----------------------|
| | RM '000 | RM '000 |
| d) Loans and advances | | |
| i) Loans and advances analysed by type of loan are as follows: | | |
| Overdrafts | 18,311 | 46,478 |
| Housing loans | 676 | 758 |
| Staff loans | 756 | 949 |
| Revolving credits | 191,084 | 511,053 |
| Trade finance | <u>156,607</u> | <u>60,122</u> |
| | 367,434 | 619,360 |
| Less: Allowance for losses on loans and advances: | | |
| - Individual assessment | (57) | (45) |
| - Collective assessment | <u>(2,190)</u> | <u>(1,053)</u> |
| Total net loans and advances | <u><u>365,187</u></u> | <u><u>618,262</u></u> |
| ii) The maturity structure of loans and advances are as follows: | | |
| Maturity within | | |
| - one year | 366,020 | 617,722 |
| - one year to three years | 160 | 209 |
| - three years to five years | 120 | 104 |
| - over five years | <u>1,134</u> | <u>1,325</u> |
| | <u><u>367,434</u></u> | <u><u>619,360</u></u> |
| iii) Loans and advances analysed by type of customers are as follows: | | |
| Domestic business enterprises | | |
| - Others | 335,043 | 571,005 |
| Individuals | 1,432 | 1,707 |
| Foreign entities | <u>30,959</u> | <u>46,648</u> |
| | <u><u>367,434</u></u> | <u><u>619,360</u></u> |

J.P. MORGAN CHASE BANK BERHAD (316347-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

| | <u>30 Sep 2017</u> RM '000 | <u>31 Dec 2016</u> RM '000 |
|------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| d) Loans and advances (continued) | | |
| iv) Loans and advances analysed by interest sensitivity are as follows: | | |
| Fixed rate | | |
| - Housing loans | 1,432 | 1,675 |
| - Other fixed rate loans | - | 32 |
| Variable rate | | |
| - Cost-plus | <u>366,002</u> | <u>617,653</u> |
| | <u><u>367,434</u></u> | <u><u>619,360</u></u> |
| v) Loans and advances analysed by their economic purpose are as follows: | | |
| Purchase of landed properties | 1,432 | 1,675 |
| Purchase of transport vehicles | - | 30 |
| Personal use | - | 2 |
| Working capital | <u>366,002</u> | <u>617,653</u> |
| | <u><u>367,434</u></u> | <u><u>619,360</u></u> |
| vi) Loans and advances analysed by their geographical distribution are as follows: | | |
| In Malaysia | 336,475 | 572,712 |
| Other countries | <u>30,959</u> | <u>46,648</u> |
| | <u><u>367,434</u></u> | <u><u>619,360</u></u> |
| vii) Impaired loans | | |
| a) Movement in impaired loans and advances are as follows: | | |
| At 1 January | 123 | 171 |
| Classified as impaired during the financial period/year | 44 | 56 |
| Reclassified as performing during the financial period/year | (53) | (91) |
| Amount recovered | <u>(9)</u> | <u>(13)</u> |
| At end of financial period/year | 105 | 123 |
| Individual assessment allowance | <u>(57)</u> | <u>(45)</u> |
| Net impaired loans and advances | <u><u>48</u></u> | <u><u>78</u></u> |
| Ratio of net impaired loans and advances to net loans and advances | <u><u>0.01%</u></u> | <u><u>0.01%</u></u> |

J.P. MORGAN CHASE BANK BERHAD (316347-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

| | <u>30 Sep 2017</u> RM '000 | <u>31 Dec 2016</u> RM '000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| d) Loans and advances (continued) | | |
| vii) Impaired loans (continued) | | |
| b) Movement in allowance for impaired loans and advances are as follows: | | |
| <u>Individual assessment allowance</u> | | |
| At 1 January | 45 | 48 |
| Allowance made/(written back) during the financial period/year | <u>12</u> | <u>(3)</u> |
| Balance at end of financial period/year | <u><u>57</u></u> | <u><u>45</u></u> |
| <u>Collective assessment allowance</u> | | |
| At 1 January | 1,053 | 1,603 |
| Allowance made/(written back) during the financial period/year | <u>1,137</u> | <u>(550)</u> |
| Balance at end of financial period/year | <u><u>2,190</u></u> | <u><u>1,053</u></u> |
| Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans and advances, net of individual assessment allowance | <u><u>1.20%</u></u> | <u><u>1.20%</u></u> |
| c) Impaired loans analysed by their economic purpose are as follows: | | |
| Purchase of landed property | <u><u>105</u></u> | <u><u>123</u></u> |
| d) Impaired loans analysed by their geographical distribution are as follows: | | |
| In Malaysia | <u><u>105</u></u> | <u><u>123</u></u> |
| e) Other assets | | |
| Other receivables | 109,771 | 253,294 |
| Deposits and prepayments | <u>13,480</u> | <u>20,297</u> |
| | <u><u>123,251</u></u> | <u><u>273,591</u></u> |

J.P. MORGAN CHASE BANK BERHAD (316347-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

| | <u>30 Sep 2017</u> RM '000 | <u>31 Dec 2016</u> RM '000 |
|---------------------------------------------------------------------------|-------------------------------|-------------------------------|
| f) Deposits from customers | | |
| i) Deposits from customers analysed by type of deposits are as follows: | | |
| Demand deposits | 3,936,927 | 5,438,611 |
| Fixed deposits | <u>30,805</u> | <u>18,579</u> |
| | <u><u>3,967,732</u></u> | <u><u>5,457,190</u></u> |
| Maturity structure of fixed deposits are as follows: | | |
| Due within six months | <u>30,805</u> | <u>18,579</u> |
| ii) Deposits from customers analysed by type of customers are as follows: | | |
| Business enterprises | 3,967,493 | 5,456,896 |
| Others | <u>239</u> | <u>294</u> |
| | <u><u>3,967,732</u></u> | <u><u>5,457,190</u></u> |
| g) Deposits and placements of banks and other financial institutions | | |
| Licensed banks | 212,968 | 236,171 |
| Other financial institutions | <u>2,059</u> | <u>4,139</u> |
| | <u><u>215,027</u></u> | <u><u>240,310</u></u> |
| h) Other liabilities | | |
| Other payables | 168,196 | 373,817 |
| Accruals and charges | <u>8,645</u> | <u>13,965</u> |
| | <u><u>176,841</u></u> | <u><u>387,782</u></u> |

J.P. MORGAN CHASE BANK BERHAD (316347-D)
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

| | <u>30 Sep 2017</u> (Quarter 3 2017) RM '000 | <u>30 Sep 2016</u> (Quarter 3 2016) RM '000 |
|------------------------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| i) Interest income | | |
| Loans and advances | | |
| - Interest income other than recoveries from impaired loans | 7,973 | 7,409 |
| - Recoveries from impaired loans | 4 | 6 |
| Money at call and placements with financial institutions | 48,524 | 119,287 |
| Financial assets | | |
| - Held for trading | 39,719 | 5,523 |
| - Available-for-sale | <u>3,613</u> | <u>3,613</u> |
| | <u>99,833</u> | <u>135,838</u> |
| j) Interest expense | | |
| Deposits from customers | 22,929 | 18,514 |
| Deposits and placements of banks and other financial institutions | <u>10,146</u> | <u>63,456</u> |
| | <u>33,075</u> | <u>81,970</u> |
| k) Other operating income | | |
| Fee income: | | |
| Service charges and fees | 3,397 | 4,562 |
| Guarantee fees | <u>2,649</u> | <u>2,597</u> |
| | 6,046 | 7,159 |
| Net income from securities: | | |
| Net gain from sale of financial assets held for trading | 16,088 | 29,382 |
| Unrealised (loss)/gain from revaluation of financial assets held for trading | (2,483) | 1,227 |
| Derivatives: | | |
| Net (loss)/gain from trading of derivatives | (2,836) | (26,677) |
| Unrealised gain from revaluation of derivatives | 6,600 | 11,074 |
| Other income: | | |
| Foreign exchange gain | 36,054 | 70,534 |
| Other operating income | 37,779 | 28,146 |
| Loss on disposal of fixed assets | - | (14) |
| Other non-operating income | <u>76</u> | <u>79</u> |
| | <u>97,324</u> | <u>120,910</u> |

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

| | <u>30 Sep 2017</u> (Quarter 3 2017) RM '000 | <u>30 Sep 2016</u> (Quarter 3 2016) RM '000 |
|--------------------------------------------------------------|---------------------------------------------------|---------------------------------------------------|
| l) Other operating expenses | | |
| Personnel expenses | 36,296 | 32,870 |
| Establishment expenses | 9,048 | 8,081 |
| Marketing expenses | 1,124 | 808 |
| General administrative expenses | <u>64,792</u> | <u>57,103</u> |
| | <u>111,260</u> | <u>98,862</u> |
| m) Allowance for losses on loans and advances: | | |
| (a) Individual assessment allowance - (Made)/written back | (12) | 1 |
| (b) Collective assessment allowance - (Made)/written back | (1,137) | 965 |
| Bad debts on loans and advances | | |
| - Recovered | - | 1 |
| - Written off | <u>-</u> | <u>(17)</u> |
| | <u>(1,149)</u> | <u>950</u> |

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

n) Capital adequacy

The capital adequacy ratios of the Bank are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

| | | |
|------------------------------------------------------------|-----------------------|-----------------------|
| i) The capital adequacy ratios of the Bank are as follows: | <u>30 Sep 2017</u> | <u>31 Dec 2016</u> |
| | RM '000 | RM '000 |
| Tier-I capital | | |
| Paid-up share capital | 85,500 | 85,500 |
| Share premium | 42,000 | 42,000 |
| Retained earnings | 734,627 | 734,627 |
| Fair value reserve - available-for-sale securities | (44) | 252 |
| Option reserve | 15,914 | 15,914 |
| Statutory reserve | <u>97,778</u> | <u>97,778</u> |
| | 975,775 | 976,071 |
| Deferred tax assets | (2,403) | (2,403) |
| Available-for-sale securities | <u>-</u> | <u>(138)</u> |
| Total Tier I capital | <u>973,372</u> | <u>973,530</u> |
| Tier-II capital | | |
| Regulatory reserve | 2,219 | 6,379 |
| Collective assessment allowance | <u>2,190</u> | <u>1,053</u> |
| Total Tier-II capital | <u>4,409</u> | <u>7,432</u> |
| Total capital | <u><u>977,781</u></u> | <u><u>980,962</u></u> |
| Common Equity Tier 1 capital ratio | 23.891% | 19.842% |
| Tier 1 capital ratio | 23.891% | 19.842% |
| Total capital ratio | 23.999% | 19.993% |

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NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

n) Capital adequacy (continued)

ii) Total risk weighted assets and capital requirements as at 30 September 2017 and 31 December 2016

| Exposure class | 30 September 2017 | | | | 31 December 2016 | | | |
|------------------------------------------------------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|-----------------------|----------------------|----------------------|
| | Gross exposures | Net exposures | Risk weighted assets | Capital requirements | Gross exposures | Net exposures | Risk weighted assets | Capital requirements |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| (a) <u>Credit risk</u> | | | | | | | | |
| On-balance sheet exposures | | | | | | | | |
| Sovereigns/central banks | 4,122,863 | 4,122,863 | 185,844 | 14,868 | 4,523,241 | 4,523,241 | 89,732 | 7,179 |
| Banks | 723,953 | 723,953 | 153,917 | 12,313 | 1,069,456 | 1,069,456 | 213,891 | 17,111 |
| Insurance companies, securities firms and fund managers | 43,892 | 43,892 | 21,970 | 1,758 | 622,541 | 622,541 | 314,902 | 25,192 |
| Corporates | 366,002 | 366,002 | 366,002 | 29,280 | 619,312 | 619,312 | 618,570 | 49,486 |
| Residential mortgages | 1,322 | 1,322 | 507 | 41 | 1,229 | 1,229 | 434 | 35 |
| Higher risk assets | 4 | 4 | 6 | - | 17 | 17 | 26 | 2 |
| Other assets | 20,626 | 20,626 | 20,168 | 1,613 | 27,989 | 27,989 | 27,357 | 2,189 |
| Defaulted exposures | 105 | 105 | 105 | 8 | 123 | 123 | 123 | 10 |
| Total on-balance sheet exposures | <u>5,278,767</u> | <u>5,278,767</u> | <u>748,519</u> | <u>59,883</u> | <u>6,863,908</u> | <u>6,863,908</u> | <u>1,265,035</u> | <u>101,204</u> |
| Off-balance sheet exposures over-the-counter ('OTC') derivatives | 2,259,276 | 2,259,276 | 848,866 | 67,909 | 2,717,421 | 2,717,421 | 1,266,361 | 101,309 |
| Off-balance sheet exposures other than OTC derivatives | 417,733 | 417,733 | 403,442 | 32,275 | 396,105 | 396,105 | 381,145 | 30,492 |
| Total off-balance sheet exposures | <u>2,677,009</u> | <u>2,677,009</u> | <u>1,252,308</u> | <u>100,184</u> | <u>3,113,526</u> | <u>3,113,526</u> | <u>1,647,506</u> | <u>131,801</u> |
| Total on and off-balance sheet exposures | <u>7,955,776</u> | <u>7,955,776</u> | <u>2,000,827</u> | <u>160,066</u> | <u>9,977,434</u> | <u>9,977,434</u> | <u>2,912,541</u> | <u>233,005</u> |
| (b) <u>Market risk</u> | <u>Long position</u> | <u>Short position</u> | | | <u>Long position</u> | <u>Short position</u> | | |
| Interest rate risk | 85,263,490 | 84,177,386 | 1,322,217 | 105,778 | 81,390,360 | 81,613,133 | 1,453,306 | 116,265 |
| Equity position risk | | | 938 | 75 | | | 1,000 | 80 |
| Foreign currency risk | 12,195 | 52,760 | 52,763 | 4,221 | 6,214 | 11 | 6,213 | 497 |
| Option risk | | | 281,938 | 22,555 | | | 150,900 | 12,072 |
| (c) <u>Operational risk</u> | | | 415,559 | 33,245 | | | 382,539 | 30,603 |
| Total risk weighted assets and capital requirements | | | <u>4,074,242</u> | <u>325,940</u> | | | <u>4,906,499</u> | <u>392,522</u> |

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NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2017

o) Commitments and contingencies

| | 30 September 2017 | | | 31 December 2016 | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------------------------------------|--------------------------------|----------------------------|-------------------------------------|--------------------------------|
| | Principal amount RM'000 | Credit equivalent amount* RM'000 | Risk-weighted amount RM'000 | Principal amount RM'000 | Credit equivalent amount* RM'000 | Risk-weighted amount RM'000 |
| Direct credit substitutes | 312,600 | 312,600 | 301,833 | 298,477 | 298,477 | 287,625 |
| Transaction-related contingent items | 39,983 | 19,991 | 16,468 | 55,796 | 27,898 | 23,791 |
| Short-term self-liquidating trade related contingencies | 33,993 | 6,799 | 6,799 | 125,042 | 25,008 | 25,008 |
| Foreign exchange related contracts: | | | | | | |
| - less than one year | 19,621,012 | 519,329 | 270,697 | 18,985,033 | 948,484 | 597,791 |
| - one year to less than five years | 1,876,303 | 214,201 | 74,307 | 2,596,930 | 338,171 | 148,128 |
| - more than five years | 1,062,127 | 185,757 | 44,247 | 1,038,420 | 205,961 | 51,392 |
| Interest rate related contracts: | | | | | | |
| - less than one year | 9,263,916 | 43,170 | 19,895 | 7,119,002 | 36,408 | 14,912 |
| - one year to less than five years | 27,768,964 | 923,954 | 294,081 | 27,298,029 | 853,890 | 315,059 |
| - more than five years | 2,239,123 | 160,465 | 60,704 | 1,466,299 | 122,397 | 49,329 |
| Credit derivatives contracts | | | | | | |
| - one year to less than five years | - | - | - | 282,082 | 55,394 | 21,811 |
| Equity related contracts | | | | | | |
| - less than one year | 1,642,369 | 165,617 | 61,296 | 903,647 | 90,326 | 37,950 |
| - one year to less than five years | 263,702 | 46,783 | 23,638 | 373,558 | 66,390 | 29,988 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 156,685 | 78,343 | 78,343 | 89,444 | 44,722 | 44,722 |
| Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in borrower's creditworthiness | 1,270,714 | - | - | 1,135,614 | - | - |
| | <u>65,551,491</u> | <u>2,677,009</u> | <u>1,252,308</u> | <u>61,767,373</u> | <u>3,113,526</u> | <u>1,647,506</u> |

* The credit equivalent amount is arrived at using the credit conversion factor as per Bank Negara Malaysia guidelines.