

# 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 2018

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 2018

ASSETS	<u>Note</u>	<u>30 Sep 2018</u> RM'000	<u>31 Dec 2017</u> RM'000
Cash and short-term funds	a	4,369,456	3,893,686
Securities purchased under resale agreement		230,608	46,776
Financial assets measured at fair value through profit or loss / Financial assets held for trading	b	1,172,467	887,490
Derivative financial instruments		539,561	516,759
Financial assets measured at fair value through other comprehensive income / Financial assets available-for-sale	c	548,293	148,476
Loans and advances	d	431,947	307,077
Amount due from related parties		2,001,528	549,747
Statutory deposits with Bank Negara Malaysia		2	2
Other assets	e	141,583	53,854
Tax recoverable		12,145	19,889
Deferred tax assets		3,110	3,110
Fixed assets		3,510	5,906
<b>TOTAL ASSETS</b>		<b><u>9,454,210</u></b>	<b><u>6,432,772</u></b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Deposits from customers	f	7,028,511	3,129,533
Deposits and placements of banks and other financial institutions	g	365,262	224,762
Obligations on securities sold under repurchase agreements		120,088	48,384
Derivative financial instruments		472,905	519,968
Amount due to related parties		174,244	1,352,728
Other liabilities	h	177,283	112,439
<b>Total liabilities</b>		<b><u>8,338,293</u></b>	<b><u>5,387,814</u></b>
Share capital		127,500	127,500
Retained earnings		963,110	896,950
Reserves		25,307	20,508
<b>Shareholders' equity</b>		<b><u>1,115,917</u></b>	<b><u>1,044,958</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b><u>9,454,210</u></b>	<b><u>6,432,772</u></b>
<b>COMMITMENTS AND CONTINGENCIES</b>	o	<b><u>70,789,567</u></b>	<b><u>64,125,536</u></b>

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

UNAUDITED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	<u>Note</u>	<u>30 Sep 2018</u> (Quarter 3 2018) RM'000	<u>30 Sep 2017</u> (Quarter 3 2017) RM'000
Interest income	i	129,815	99,833
Interest expense	j	(46,133)	(33,075)
		<hr/>	<hr/>
Net interest income		83,682	66,758
Other operating income	k	115,860	97,324
		<hr/>	<hr/>
Net income		199,542	164,082
Other operating expenses	l	(115,090)	(111,260)
		<hr/>	<hr/>
Operating profit before allowances		84,452	52,822
Write back of/(allowance for) losses on loans and advances	m	77	(1,149)
		<hr/>	<hr/>
Profit before taxation		84,529	51,673
Taxation		(23,344)	(13,583)
		<hr/>	<hr/>
Net profit for the financial period		<u>61,185</u>	<u>38,090</u>

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

	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Fair value reserves- FVOCI / available-for- sale securities RM'000	Option reserve RM'000	Regulatory reserve RM'000	Retained earnings RM'000	<u>Total</u> RM'000
At 1 January 2018	127,500	-	-	40	18,053	2,415	896,950	1,044,958
- effects of adoption of MFRS 9	-	-	-	-	-	-	9,821	9,821
- as restated	<u>127,500</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>18,053</u>	<u>2,415</u>	<u>906,771</u>	<u>1,054,779</u>
Net profit for the financial period	-	-	-	-	-	-	61,185	61,185
Transfer to regulatory reserve	-	-	-	-	-	4,846	(4,846)	-
Other comprehensive income	-	-	-	(47)	-	-	-	(47)
At 30 September 2018	<u>127,500</u>	<u>-</u>	<u>-</u>	<u>(7)</u>	<u>18,053</u>	<u>7,261</u>	<u>963,110</u>	<u>1,115,917</u>
At 1 January 2017	85,500	42,000	97,778	252	15,914	6,379	734,627	982,450
Net profit for the financial year	-	-	-	-	-	-	60,581	60,581
Transfer (from)/to regulatory reserve	-	-	-	-	-	(3,964)	3,964	-
Transfer to share capital	42,000	(42,000)	-	-	-	-	-	-
Transfer from statutory reserve	-	-	(97,778)	-	-	-	97,778	-
Other comprehensive income	-	-	-	(212)	-	-	-	(212)
Employee share option scheme - Options granted	-	-	-	-	2,139	-	-	2,139
At 31 December 2017	<u>127,500</u>	<u>-</u>	<u>-</u>	<u>40</u>	<u>18,053</u>	<u>2,415</u>	<u>896,950</u>	<u>1,044,958</u>

CASH FLOW STATEMENT  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018

	<u>30 Sep 2018</u> RM'000	<u>30 Sep 2017</u> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	84,529	51,673
Adjustments for items not involving the movement of cash and cash equivalents:		
Depreciation of fixed assets	2,642	4,242
Loss on disposal of fixed assets	18	-
(Write back of)/allowance for losses on loans and advances	(77)	1,149
Net unrealised loss from revaluation of financial assets fair value through profit and loss / held for trading	1,690	2,483
Net (gain)/loss on derivatives	(8,265)	2,836
Net unrealised loss/(gain) on revaluation of derivatives	13,198	(6,600)
<b>OPERATING PROFIT BEFORE WORKING CAPITAL CHANGES</b>	<hr/> 93,735	<hr/> 55,783
(Increase)/decrease in securities purchased under resale agreement	(183,832)	483,185
(Increase)/decrease in financial assets measured at fair value through profit and loss / financial assets held for trading	(286,667)	29,817
(Increase)/decrease in derivative financial instruments	(74,798)	76,135
Increase in instruments at fair value through other comprehensive income / financial assets available-for-sale	(399,810)	(1,294)
(Increase)/decrease in loans and advances	(124,793)	251,926
(Increase)/decrease in other assets	(77,962)	143,252
Increase/(decrease) in deposits from customers	3,898,978	(1,489,458)
Increase/(decrease) in deposits and placements of banks and other financial institutions	140,500	(25,283)
Increase/(decrease) in other liabilities	64,844	(246,242)
Increase/(decrease) in securities sold under repurchase agreements	71,704	(210,941)
(Decrease)/increase in amount due to related parties	(1,178,484)	243,904
	<hr/>	<hr/>
Cash generated from/(used in) operating activities	1,943,415	(689,216)
Income taxes paid	(15,600)	(17,986)
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	<u>1,927,815</u>	<u>(707,202)</u>

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

CASH FLOW STATEMENT  
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER (CONTINUED)

	<u>30 Sep 2018</u> RM'000	<u>30 Sep 2017</u> RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(264)	(577)
Net cash used in investing activities	<u>(264)</u>	<u>(577)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	1,927,551	(707,779)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	4,443,433	5,196,370
CASH AND CASH EQUIVALENT AT END OF FINANCIAL PERIOD	<u><u>6,370,984</u></u>	<u><u>4,488,591</u></u>
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Cash and short term funds	4,369,456	3,869,639
Amount due from related parties	2,001,528	618,952
	<u><u>6,370,984</u></u>	<u><u>4,488,591</u></u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

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 2017. 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 2017.

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 2017, except for the following:

- MFRS 9: Effective 1 January 2018, the Bank adopted MFRS 9, Financial Instruments, which replaces MFRS 139, Financial Instruments: Recognition and Measurement and substantially changes the classification, measurement and impairment of financial assets, income statement and financial position presentation and disclosure of financial instruments and other arrangements in scope.

B Auditor's Report on preceding Annual Financial Statements

The auditor's report on the financial statements for the financial year ended 31 December 2017 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 2018.

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 2018.

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 2018.

G Dividend

No dividend was paid during the financial period ended 30 September 2018.

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.

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

I Review of Bank's Performance

The Bank's profit before taxation for the financial period to September 2018 amounted to RM84.5 million. Net interest income for the period was RM83.7 million. Major contributor for interest income include inter-bank lending (RM68.7 million) and interest earned from securities (RM51.1 million). Interest income from loans and advances for the period amounted to RM10 million. As for interest expense, amount incurred on inter-bank borrowings was RM7.4 million and interest incurred on customer deposits was RM38.7 million.

Income generated from the Bank's treasury activities comprises net gain on foreign exchange trading of RM58.6 million, net gain in securities trading of RM2 million and net loss on derivatives of RM4.9 million. Inter-company charges, commission and fees earned by the Bank amounted to RM60.2 million.

Total overhead expenditure incurred in the 9 months was RM115.1 million. Staff cost and benefits came up to RM39.9 million while establishment expenses amounted to RM7.5 million. Inter-company fees incurred during the period was RM56.5 million.

Performance for year-to-date September 2018 was higher than that of the corresponding period in 2017. In the current period, the profit before taxation was RM84.5 million (YTD September 2017: RM51.7 million). Net interest income for the current period was higher by RM16.9 million while other operating income in the first 9 months of 2018 was RM115.9 million, higher than the amount earned in the corresponding period in 2017 by RM18.5 million. During the current period, there was higher net gain in foreign exchange and other operating income by RM22.5 million and RM16.5 million respectively. These were offset by lower net income from securities of RM11.6 million as well as higher losses from derivatives trading by RM8.6 million. Other operating expenses came up to RM115.1 million as compared with RM111.3 million incurred during the corresponding period of 2017. The increase of RM3.8 million was mainly attributed to increase in personnel costs by RM3.6 million as well as increase in administration and general expenses by RM4.0 million. These increases were offset by decrease in establishment costs and management fees by RM1.6 million and RM2.2 million respectively.

J Business outlook for 2018

The macro-economic environment looks more promising going into 2018. In view of this, the markets in which we operate look reasonably healthy leading to optimism in the outlook and better prospects for the 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 product mix and global network. Both elements ensure we can effectively service clients that have both a domestic and international presence.

Globally, with J.P. Morgan's strong capitalisation, 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 businesses are important components of J.P. Morgan's overall global strategy and remain a significant focus of the firm. They will continue to contribute positively to our growth aspirations.



NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

	<u>30 Sep 2018</u>	<u>31 Dec 2017</u>
	RM '000	RM '000
a) Cash and short-term funds		
Cash and balances with banks and other financial institutions	39,511	29,684
Money at call and deposit placements maturing within one month	<u>4,329,945</u>	<u>3,864,002</u>
	<u><u>4,369,456</u></u>	<u><u>3,893,686</u></u>
b) Financial assets measured at fair value through profit or loss / Financial assets held for trading		
<u>Money market instruments</u>		
Malaysian Government Securities	541,562	534,543
Malaysian Treasury bills	4,902	-
Bank Negara Interbank bills	320,092	-
Malaysian Government Investment Issuance	109,847	246,479
<u>Unquoted securities</u>		
Private debt securities	<u>196,064</u>	<u>106,468</u>
	<u><u>1,172,467</u></u>	<u><u>887,490</u></u>
c) Financial assets measured at fair value through other comprehensive income / Financial assets available-for-sale		
<u>Money market instruments</u>		
Bank Negara Interbank bills	548,293	-
Bank Negara Malaysia bills	-	148,476
	<u>548,293</u>	<u>148,476</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

	<u>30 Sep 2018</u> RM '000	<u>31 Dec 2017</u> RM '000
d) Loans and advances		
i) Loans and advances analysed by type of loan are as follows:		
Overdrafts	42,861	37,503
Housing loans	609	703
Staff loans	653	741
Revolving credits	304,314	175,981
Trade finance	83,580	93,475
	<u>432,017</u>	<u>308,403</u>
Less: Allowance for losses on loans and advances:		
- Individual assessment	-	(41)
- Collective assessment	-	(1,285)
- ECL not credit impaired	(45)	-
- ECL credit impaired	(25)	-
Total net loans and advances	<u>431,947</u>	<u>307,077</u>
ii) The maturity structure of loans and advances are as follows:		
Maturity within		
- one year	430,854	306,973
- one year to three years	104	172
- three years to five years	166	118
- over five years	893	1,140
	<u>432,017</u>	<u>308,403</u>
iii) Loans and advances analysed by type of customers are as follows:		
Domestic business enterprises		
- Others	397,179	273,388
Individuals	1,263	1,444
Foreign entities	33,575	33,571
	<u>432,017</u>	<u>308,403</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

	<u>30 Sep 2018</u> RM '000	<u>31 Dec 2017</u> RM '000
d) Loans and advances (continued)		
iv) Loans and advances analysed by interest sensitivity are as follows:		
Fixed rate		
- Housing loans	1,263	1,444
Variable rate		
- Cost-plus	<u>430,754</u>	<u>306,959</u>
	<u><u>432,017</u></u>	<u><u>308,403</u></u>
v) Loans and advances analysed by their economic purpose are as follows:		
Purchase of landed properties	1,263	1,444
Working capital	<u>430,754</u>	<u>306,959</u>
	<u><u>432,017</u></u>	<u><u>308,403</u></u>
vi) Loans and advances analysed by their geographical distribution are as follows:		
In Malaysia	398,442	274,832
Other countries	<u>33,575</u>	<u>33,571</u>
	<u><u>432,017</u></u>	<u><u>308,403</u></u>
vii) Impaired loans		
a) Movement in impaired loans and advances are as follows:		
At 1 January	111	123
Classified as impaired during the financial period/year	10	54
Reclassified as performing during the financial period/year	-	(54)
Amount recovered	<u>(53)</u>	<u>(12)</u>
At end of financial period/year	68	111
Individual assessment allowance	-	(41)
ECL credit impaired	<u>(25)</u>	<u>-</u>
Net impaired loans and advances	<u><u>43</u></u>	<u><u>70</u></u>
Ratio of net impaired loans and advances to net loans and advances	<u><u>0.01%</u></u>	<u><u>0.02%</u></u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

	30 Sep 2018 RM '000	31 Dec 2017 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		
- as previously reported	41	45
- effects of adoption of MFRS 9	(41)	-
	<u>-</u>	<u>45</u>
Allowance written back during the financial period/year	-	(4)
Balance at end of financial period/year	<u>-</u>	<u>41</u>
<u>ECL credit impaired</u>		
At 1 January		
- as previously reported	-	-
- effects of adoption of MFRS 9	39	-
Allowance written back during financial period/year	(14)	-
Balance at end of financial period/year	<u>25</u>	<u>-</u>
<u>Collective assessment allowance</u>		
At 1 January		
- as previously reported	1,285	1,053
- effects of adoption of MFRS 9	(1,285)	-
	<u>-</u>	<u>1,053</u>
Allowance made during the financial period/year	-	232
Balance at end of financial period/year	<u>-</u>	<u>1,285</u>
Collective assessment allowance (inclusive of regulatory reserve) as % of gross loans and advances, net of individual assessment allowance	<u>-</u>	<u>1.20%</u>
<u>ECL not credit impaired</u>		
At 1 January		
- as previously reported	-	-
- effects of adoption of MFRS 9	85	-
- as restated	85	-
Allowance written back during the financial period/year	(40)	-
Balance at end of financial period/year	<u>45</u>	<u>-</u>
ECL not credit impaired (inclusive of regulatory reserve) as % gross loan and advances, net of MFRS9 Stage 3 provision	<u>1.00%</u>	<u>-</u>
c) Impaired loans analysed by their economic purpose are as follows:		
Purchase of landed property	<u>68</u>	<u>111</u>
d) Impaired loans analysed by their geographical distribution are as follows:		
In Malaysia	<u>68</u>	<u>111</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

	<u>30 Sep 2018</u> RM '000	<u>31 Dec 2017</u> RM '000
e) Other assets		
Other receivables	122,462	49,612
Deposits and prepayments	<u>19,121</u>	<u>4,242</u>
	<u>141,583</u>	<u>53,854</u>
f) Deposits from customers		
i) Deposits from customers analysed by type of deposits are as follows:		
Demand deposits	6,986,440	3,101,125
Fixed deposits	<u>42,071</u>	<u>28,408</u>
	<u>7,028,511</u>	<u>3,129,533</u>
Maturity structure of fixed deposits are as follows:		
Due within six months	<u>42,071</u>	<u>28,408</u>
ii) Deposits from customers analysed by type of customers are as follows:		
Business enterprises	7,028,107	3,129,157
Others	<u>404</u>	<u>376</u>
	<u>7,028,511</u>	<u>3,129,533</u>
g) Deposits and placements of banks and other financial institutions		
Licensed banks	363,298	220,681
Other financial institutions	<u>1,964</u>	<u>4,081</u>
	<u>365,262</u>	<u>224,762</u>
h) Other liabilities		
Other payables	169,402	99,300
Accruals and charges	<u>7,881</u>	<u>13,139</u>
	<u>177,283</u>	<u>112,439</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

	<u>30 Sep 2018</u> (Quarter 3 2018) RM '000	<u>30 Sep 2017</u> (Quarter 3 2017) RM '000
i) Interest income		
Loans and advances		
- Interest income other than recoveries from impaired loans	10,034	7,973
- Recoveries from impaired loans	11	4
Money at call and placements with financial institutions	68,692	48,524
Financial assets		
- Fair value through profit and loss / held for trading	28,899	39,719
- Fair value through other comprehensive income / available-for-sale	22,179	3,613
	<u>129,815</u>	<u>99,833</u>
j) Interest expense		
Deposits from customers	38,701	22,929
Deposits and placements of banks and other financial institutions	7,432	10,146
	<u>46,133</u>	<u>33,075</u>
k) Other operating income		
Fee income:		
Service charges and fees	3,432	3,397
Guarantee fees	2,581	2,649
	<u>6,013</u>	<u>6,046</u>
Net income from securities:		
Net gain from sale of financial assets fair value through profit or loss / held for trading	3,693	16,088
Unrealised loss from revaluation of financial assets fair value through profit or loss / held for trading	(1,690)	(2,483)
Derivatives:		
Net gain/(loss) from trading of derivatives	8,265	(2,836)
Unrealised (loss)/gain from revaluation of derivatives	(13,198)	6,600
Other income:		
Foreign exchange gain	58,572	36,054
Other operating income	54,256	37,779
Loss on disposal of fixed assets	(18)	-
Other non-operating income	(33)	76
	<u>115,860</u>	<u>97,324</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

	<u>30 Sep 2018</u> (Quarter 3 2018) RM '000	<u>30 Sep 2017</u> (Quarter 3 2017) RM '000
l) Other operating expenses		
Personnel expenses	39,925	36,296
Establishment expenses	7,477	9,048
Marketing expenses	976	1,125
Management fee	56,485	58,611
General administrative expenses	<u>10,227</u>	<u>6,180</u>
	<u>115,090</u>	<u>111,260</u>
m) Allowance for losses on loans and advances:		
(a) Individual assessment allowance		
- Made	-	(12)
(b) Collective assessment allowance		
- Made	-	(1,137)
(c) Expected credit loss allowance		
- Loans and advances	55	-
- Credit commitments and contingencies	24	-
Bad debts on loans and advances		
- Written off	(3)	-
- Recoveries	1	-
	<u>77</u>	<u>(1,149)</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

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 2018</u>	<u>31 Dec 2017</u>
	RM '000	RM '000
<b>Tier-I capital</b>		
Share capital	127,500	127,500
Retained earnings	896,950	896,950
Fair value reserve - Fair value through other comprehensive income / Available-for-sale securities	(7)	40
Option reserve	<u>18,053</u>	<u>18,053</u>
	1,042,496	1,042,543
Deferred tax assets	(3,110)	(3,110)
Available-for-sale securities	<u>-</u>	<u>(22)</u>
Total Tier I capital	<u>1,039,386</u>	<u>1,039,411</u>
<b>Tier-II capital</b>		
Regulatory reserve	7,261	2,415
ECL not credit impaired / Collective assessment allowance	45	1,285
Total Tier-II capital	<u>7,306</u>	<u>3,700</u>
<b>Total capital</b>	<u>1,046,692</u>	<u>1,043,111</u>
Common Equity Tier 1 capital ratio	23.004%	25.911%
Tier 1 capital ratio	23.004%	25.911%
Total capital ratio	23.165%	26.004%



NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

n) Capital adequacy (continued)

ii) Total risk weighted assets and capital requirements as at 30 September 2018 and 31 December 2017

Exposure class	30 September 2018				31 December 2017			
	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	5,141,702	5,141,702	115,883	9,271	4,087,691	4,087,691	81,099	6,488
Banks	1,949,864	1,949,864	389,974	31,198	594,364	594,364	124,962	9,997
Insurance companies, securities firms and fund managers	202,508	202,508	101,582	8,127	32,715	32,715	16,372	1,310
Corporates	431,882	431,882	431,318	34,505	306,960	306,960	306,960	24,557
Residential mortgages	1,190	1,190	417	33	1,328	1,328	508	41
Higher risk assets	4	4	6	-	4	4	6	-
Other assets	22,881	22,881	22,632	1,811	10,576	10,576	10,150	812
Defaulted exposures	43	43	22	2	111	111	111	9
Total on-balance sheet exposures	<u>7,750,074</u>	<u>7,750,074</u>	<u>1,061,834</u>	<u>84,947</u>	<u>5,033,749</u>	<u>5,033,749</u>	<u>540,168</u>	<u>43,214</u>
Off-balance sheet exposures over-the-counter ('OTC') derivatives	2,486,668	2,486,668	968,531	77,482	2,393,520	2,393,520	949,839	75,987
Off-balance sheet exposures other than OTC derivatives	331,734	331,734	310,760	24,861	310,922	310,922	302,695	24,216
Total off-balance sheet exposures	<u>2,818,402</u>	<u>2,818,402</u>	<u>1,279,291</u>	<u>102,343</u>	<u>2,704,442</u>	<u>2,704,442</u>	<u>1,252,534</u>	<u>100,203</u>
Total on and off-balance sheet exposures	<u>10,568,476</u>	<u>10,568,476</u>	<u>2,341,125</u>	<u>187,290</u>	<u>7,738,191</u>	<u>7,738,191</u>	<u>1,792,702</u>	<u>143,417</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	87,366,172	86,630,855	1,243,739	99,499	84,484,880	84,242,850	1,274,851	101,988
Equity position risk			3,200	256			-	-
Foreign currency risk	128,557	14,486	128,563	10,285	744	184,585	184,588	14,767
Option risk			343,800	27,504			321,413	25,713
(c) <u>Operational risk</u>			457,893	36,631			437,854	35,028
Total risk weighted assets and capital requirements			<u>4,518,319</u>	<u>361,465</u>			<u>4,011,408</u>	<u>320,913</u>

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 2018

o) Commitments and contingencies

	30 September 2018			31 December 2017		
	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	259,008	259,008	242,116	211,350	211,350	205,445
Transaction-related contingent items	36,020	18,010	13,928	37,791	18,895	16,573
Short-term self-liquidating trade related contingencies	34,432	6,886	6,886	27,485	5,497	5,497
Foreign exchange related contracts:						
- less than one year	27,520,416	560,051	245,451	18,957,817	524,512	250,330
- one year to less than five years	3,533,267	398,456	150,162	2,742,824	295,514	128,328
- more than five years	206,900	43,581	12,254	1,019,626	190,831	44,370
Interest rate related contracts:						
- less than one year	5,652,952	22,394	6,489	8,838,712	43,128	18,100
- one year to less than five years	26,337,265	746,408	255,315	25,891,420	848,925	297,510
- more than five years	1,713,375	106,570	38,696	2,198,070	157,309	61,996
Credit derivatives contracts						
- one year to less than five years	377,757	76,200	28,510	50,050	11,059	2,212
Equity related contracts						
- less than one year	2,362,644	339,814	108,959	1,855,696	194,258	71,575
- one year to less than five years	1,232,896	193,194	122,695	712,939	127,984	75,418
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	95,659	47,830	47,830	150,361	75,180	75,180
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	1,426,976	-	-	1,431,395	-	-
	<u>70,789,567</u>	<u>2,818,402</u>	<u>1,279,291</u>	<u>64,125,536</u>	<u>2,704,442</u>	<u>1,252,534</u>

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