

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2016

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 the half year ended 30 June 2016 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 BNM/RH/STD 032-5: Financial Reporting issued by Bank Negara Malaysia in 2015.

YUAN BIN
Chief Executive Officer

Date: 28 July 2016

Industrial and Commercial Bank of China (Malaysia) Berhad

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(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	30 Jun 2016 RM'000	31 Dec 2015 RM'000
ASSETS			
Cash and short-term funds	10	881,559	1,297,823
Deposits and placements with banks and other financial institutions	11	-	2,314
Financial investments available-for-sale	12	75,421	202,568
Loans, advances and financing	13	2,470,325	2,528,388
Derivative financial assets	14	8,520	7,555
Other assets	15	4,597	4,684
Statutory deposits with Bank Negara Malaysia		21,100	22,460
Plant and equipment		4,503	3,875
Intangible asset		564	824
Deferred tax assets		3,445	4,058
TOTAL ASSETS		3,470,034	4,074,549
LIABILITIES			
Deposits from customers	16	2,670,175	3,310,848
Deposits and placements of banks and other financial institutions	17	312,478	298,755
Derivative financial liabilities	14	6,821	6,965
Other liabilities	18	41,986	41,616
Provision for taxation		5,234	2,824
TOTAL LIABILITIES		3,036,694	3,661,008
EQUITY			
Share capital		331,000	331,000
Reserves		102,340	82,541
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		433,340	413,541
TOTAL LIABILITIES AND EQUITY		3,470,034	4,074,549
COMMITMENTS AND CONTINGENCIES	27	3,069,238	3,027,115

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 2015 and accompanying explanatory notes on pages 5 to 17 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 28 July 2016.

Industrial and Commercial Bank of China (Malaysia) Berhad

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(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	2nd quarter ended		Year-To-Date ended	
		30 Jun 2016 RM'000	30 Jun 2015 RM'000	30 Jun 2016 RM'000	30 Jun 2015 RM'000
Interest income	19	26,469	29,273	54,905	56,438
Interest expense	20	(9,796)	(12,510)	(20,119)	(25,858)
Net interest income		16,673	16,763	34,786	30,580
Net fee income	21	3,637	3,728	6,942	6,075
Net trading income	22	5,642	3,524	11,811	6,719
Other operating income	23	15	-	720	-
Net operating income		25,967	24,015	54,259	43,374
Other operating expenses	24	(15,499)	(11,125)	(32,254)	(22,067)
Operating profit		10,468	12,890	22,005	21,307
Allowance for impairment on loans, advances and financing	25	1,615	(439)	3,991	(577)
Profit before taxation		12,083	12,451	25,996	20,730
Tax expense		(3,751)	(3,132)	(8,138)	(5,207)
Profit for the period		8,332	9,319	17,858	15,523
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value		(28)	292	2,554	(215)
- Deferred tax adjustment		7	(73)	(613)	54
Total other comprehensive income for the period		(21)	219	1,941	(161)
Total comprehensive income for the period		8,311	9,538	19,799	15,362
Basic earnings per ordinary share (sen):		2.52	2.82	5.40	4.69

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 2015 and accompanying explanatory notes on pages 5 to 17 attached to the unaudited condensed interim financial statements.

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Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Non-distributable			Distributable		
	Share	Statutory	Available-	Regulatory	Retained	Total
	Capital	Reserve	for-sale	Reserve	Earnings	Equity
	RM'000	RM'000	Reserve	RM'000	RM'000	RM'000
At 1 January 2015	331,000	26,227	(278)	11,051	18,346	386,346
Total comprehensive income for the period						
Profit for the period	-	-	-	-	15,523	15,523
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	(215)	-	-	(215)
- Deferred tax adjustment	-	-	54	-	-	54
Total other comprehensive expenses for the period	-	-	(161)	-	-	(161)
Total comprehensive income for the period	-	-	(161)	-	15,523	15,362
Transfer to regulatory reserve	-	-	-	7,186	(7,186)	-
At 30 June 2015	331,000	26,227	(439)	18,237	26,683	401,708
At 1 January 2016	331,000	40,392	(1,413)	13,162	30,400	413,541
Total comprehensive income for the period						
Profit for the period	-	-	-	-	17,858	17,858
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	2,554	-	-	2,554
- Deferred tax adjustment	-	-	(613)	-	-	(613)
Total other comprehensive income for the period	-	-	1,941	-	-	1,941
Total comprehensive income for the period	-	-	1,941	-	17,858	19,799
Transfer to regulatory reserve	-	-	-	3,246	(3,246)	-
At 30 June 2016	331,000	40,392	528	16,408	45,012	433,340

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 2015 and accompanying explanatory notes on pages 5 to 17 attached to the unaudited condensed interim financial statements.

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Industrial and Commercial Bank of China (Malaysia) Berhad

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(Company No. 839839 M)

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2016

	Note	30 Jun 2016 RM'000	30 Jun 2015 RM'000
Cash flows generated from operating activities			
Profit before taxation		25,996	20,730
Adjustments for:			
Depreciation of plant and equipment		1,114	1,055
Amortisation of intangible asset		260	260
Allowance for impairment on loans, advances and financing		(3,991)	577
Net unrealised gains arising from derivative trading		(1,109)	(52)
Gain on disposal of financial investments available-for-sale		(658)	-
Accretion of discounts net of amortisation of premiums on financial investments available-for-sale		(220)	57
Operating profit before working capital changes		21,392	22,627
Decrease/(Increase) in operating assets			
Deposits and placements with banks and other financial institutions		2,314	(113,376)
Loans, advances and financing		62,054	(278,293)
Other assets		307	300
Statutory deposits with Bank Negara Malaysia		1,360	(5,790)
(Decrease)/Increase in operating liabilities			
Deposits from customers		(640,673)	453,072
Deposits and placements of banks and other financial institutions		13,723	(494,377)
Other liabilities		370	(19,309)
Cash used in operations		(539,153)	(435,146)
Income taxes paid		(5,728)	(3,883)
Net cash used in operating activities		(544,881)	(439,029)
Cash flows from/(used in) investing activities			
Purchase of plant and equipment		(1,742)	(102)
Net proceeds of financial investments available-for-sale		130,359	(88,665)
Net cash from investing activities		128,617	(88,767)
Net decrease in cash and cash equivalents		(416,264)	(527,796)
Cash and cash equivalents at beginning of the financial period		1,297,823	1,639,495
Cash and cash equivalents at end of the financial period		881,559	1,111,699
Cash and cash equivalents comprise:			
Cash and short-term funds	10	881,559	1,111,699

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 2015 and accompanying explanatory notes on pages 5 to 17 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 28 July 2016.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 JUNE 2016**

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 half year ended 30 June 2016 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 2015. 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 2015.

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 2015, except for the adoption of the following MFRSs and amendments to MFRSs.

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

MFRS 9, *Financial Instruments (2014)*
MFRS 15, *Revenue From Contracts with Customers*

MFRSs, Interpretations and amendments effective from a date yet to be confirmed

Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures*
- *Sale or Contribution of Assets between an Investor and its Associate or joint Venture*

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

- from the annual period beginning on 1 January 2018 for those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018.

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 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 118, Revenue. The Bank is currently assessing the financial impact of adopting MFRS 15.

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The Bank is currently assessing the financial impact of adopting MFRS 9.

3. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2015 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 half year ended 30 June 2016.

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 half year ended 30 June 2016.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the half year ended 30 June 2016.

8. Dividend Paid

No dividend was paid during the half year ended 30 June 2016.

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 Jun 2016 RM'000	31 Dec 2015 RM'000
Cash and balances with banks and other financial institutions	74,420	326,271
Money at call and deposit placements maturing within one month	<u>807,139</u>	<u>971,552</u>
	<u>881,559</u>	<u>1,297,823</u>

11. Deposits and placements with banks and other financial institutions

	30 Jun 2016 RM'000	31 Dec 2015 RM'000
Licensed Malaysian banks	-	-
Foreign banks	-	2,314
	<u>-</u>	<u>2,314</u>

12. Financial investments available-for-sale

	30 Jun 2016 RM'000	31 Dec 2015 RM'000
At fair value		
Malaysian Government Securities	70,437	70,553
Financial Institutions Securities	-	127,042
Private debt securities	<u>4,984</u>	<u>4,973</u>
	<u>75,421</u>	<u>202,568</u>

12. Financial investments available-for-sale (continued)

	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
The maturity structure of financial investments available-for-sale are as follows:		
Within one year	55,329	127,042
More than one years to three years	-	55,668
More than three years to five years	20,092	19,858
	<u>75,421</u>	<u>202,568</u>

13. Loans, advances and financing

At amortised cost		30 Jun 2016	31 Dec 2015
(i) By type		RM'000	RM'000
Overdrafts		165,432	165,405
Term loans			
- Housing loans		53,006	47,605
- Syndicated term loans		166,774	178,456
- Other term loans		557,995	567,547
Bills receivable		4,321	33,810
Revolving credit		1,451,266	1,459,748
Bankers' acceptances		82,976	91,605
Staff loans		2,452	2,118
Credit card loans		1,580	1,561
Gross loans, advances and financing		<u>2,485,802</u>	2,547,855
Less: Allowance for impairment			
- Collective allowance for impairment		(13,397)	(17,387)
- Individual allowance for impairment		(2,080)	(2,080)
Net loans, advances and financing		<u>2,470,325</u>	<u>2,528,388</u>
 (ii) By type of customer		 30 Jun 2016	 31 Dec 2015
		RM'000	RM'000
Domestic banking institutions		78,009	-
Domestic non-bank financial institutions			
- Others		50,143	20,042
Domestic business enterprises			
- Small medium enterprises		58,663	70,827
- Others		1,457,349	1,468,940
Individuals		47,599	43,628
Foreign entities		794,039	944,418
		<u>2,485,802</u>	<u>2,547,855</u>
 (iii) By interest rate sensitivity		 30 Jun 2016	 31 Dec 2015
		RM'000	RM'000
Fixed rate loans		4,032	18,944
Variable rate			
- Base rate/base lending rate plus		114,064	116,754
- Cost plus		2,147,291	1,070,516
- Other variable rates		220,415	1,341,641
		<u>2,485,802</u>	<u>2,547,855</u>

13. Loans, advances and financing (continued)

(iv) By sector	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Primary agriculture	63,840	49,297
Manufacturing	110,159	136,688
Electricity, gas and water	161,247	-
Construction	131,959	122,614
Real estate	235,918	363,146
Wholesale & retail trade and restaurants & hotels	558,755	760,497
Transport, storage and communication	482,102	533,691
Finance, insurance and business services	496,039	397,736
Education, health and others	171,018	114,728
Household	74,765	69,458
	<u>2,485,802</u>	<u>2,547,855</u>
(v) By purpose	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Purchase of landed properties		
- Non residential	183,963	125,610
- Residential	54,874	49,107
Purchase of transport vehicles	86	113
Construction	14,285	9,099
Credit card	1,580	1,561
Personal use	1,006	863
Mergers and acquisitions	163,259	2,147
Working capital	2,044,393	2,335,892
Other purpose	22,356	23,463
	<u>2,485,802</u>	<u>2,547,855</u>
(vi) By geographical distribution	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Within Malaysia	1,896,070	1,634,748
Outside Malaysia	589,732	913,107
	<u>2,485,802</u>	<u>2,547,855</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 Jun 2016	31 Dec 2015
	RM'000	RM'000
Maturity within one year	1,732,906	1,770,401
More than one year to three years	499,492	452,935
More than three years to five years	139,515	211,844
More than five years	113,889	112,675
	<u>2,485,802</u>	<u>2,547,855</u>
(viii) Impaired loans, advances and financing		
(a) Movement in impaired loans, advances and financing	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
At beginning of the financial period/year	2,080	2,080
Impaired during the financial period/year	5	-
Reclassified as non-impaired during the financial period/year	(5)	-
At end of the financial period/year	2,080	2,080
Less: Individual allowance for impairment	(2,080)	(2,080)
Net impaired loans, advances and financing	-	-
As % of gross loans, advances and financing (net of individual allowance for impairment)	0%	0%

13. Loans, advances and financing (continued)**(viii) Impaired loans, advances and financing (continued)**

(b) By sector	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Wholesale & retail trade and restaurants & hotels	2,029	2,029
Household	51	51
	<u>2,080</u>	<u>2,080</u>
(c) By purpose	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Working capital	2,029	2,029
Credit card	51	51
	<u>2,080</u>	<u>2,080</u>
(d) By geographical distribution	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Within Malaysia	<u>2,080</u>	<u>2,080</u>
(ix) Movements in allowance for impairment on loans, advances and financing	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
<u>Collective allowance for impairment</u>		
At beginning of the financial period/year	17,387	11,189
Allowance made during the financial period/year	1,463	9,199
Allowance written back during the financial period/year	(5,453)	(3,001)
At end of the financial period/year	<u>13,397</u>	<u>17,387</u>
<u>Individual allowance for impairment</u>		
At beginning of the financial period/year	2,080	2,080
Allowance made during the financial period/year	5	-
Allowance write back during the financial period/year	(5)	-
At end of the financial period/year	<u>2,080</u>	<u>2,080</u>

14. Derivatives financial assets/liabilities

	30 Jun 2016		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	761,400	7,057	6,693
- Currency swaps	100,302	1,463	128
Total recognised derivatives assets/liabilities (Note 27)	<u>861,702</u>	<u>8,520</u>	<u>6,821</u>
	31 Dec 2015		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	580,512	7,166	6,961
- Currency swaps	173,550	389	4
Total recognised derivatives assets/liabilities (Note 27)	<u>754,062</u>	<u>7,555</u>	<u>6,965</u>

15. Other assets	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Interest receivable	1,421	1,536
Deposits	1,849	1,924
Other receivables and prepayments	1,327	1,224
	<u>4,597</u>	<u>4,684</u>
16. Deposits from customers		
(i) By type of deposit	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Demand deposits	782,917	1,166,923
Fixed deposits	673,646	638,283
Savings deposits	112,882	101,741
Money market deposits	1,053,107	1,356,784
Short-term deposits	18,264	19,424
Other deposits	29,359	27,693
	<u>2,670,175</u>	<u>3,310,848</u>
(ii) By type of customer	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Business enterprises	1,591,069	2,203,566
Individuals	193,714	193,067
Foreign entities	884,644	913,380
Others	748	835
	<u>2,670,175</u>	<u>3,310,848</u>
(iii) By maturity structure of term deposit	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Due within six months	2,566,226	2,550,783
More than six months to one year	103,769	757,345
More than one year to three years	180	2,720
	<u>2,670,175</u>	<u>3,310,848</u>
17. Deposits and placements of banks and other financial institutions	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Licensed Malaysian banks	104,060	179,730
Licensed Investment banks	53	43
Licensed Islamic banks	1,089	157
Other financial institutions	196,594	105,174
Foreign banks	10,682	13,651
	<u>312,478</u>	<u>298,755</u>
18. Other liabilities	30 Jun 2016	31 Dec 2015
	RM'000	RM'000
Interest payable	11,169	7,068
Other payables and accruals	30,817	34,548
	<u>41,986</u>	<u>41,616</u>

19. Interest income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2016 RM'000	30 Jun 2015 RM'000	30 Jun 2016 RM'000	30 Jun 2015 RM'000
Loans, advances and financing:				
Money at call and deposit placements with financial institutions	22,528	19,647	45,842	37,698
Investment securities available-for-sale	3,262	8,422	7,445	17,080
Others	659	1,195	1,576	1,651
	20	9	42	9
	<u>26,469</u>	<u>29,273</u>	<u>54,905</u>	<u>56,438</u>
Net interest income	16,673	16,763	34,786	30,580

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

21. Fee income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2016 RM'000	30 Jun 2015 RM'000	30 Jun 2016 RM'000	30 Jun 2015 RM'000
Fee income:				
- Commission	8	22	21	33
- Service charges and fees	421	437	1,075	805
- Loan processing fees	127	55	700	96
- Syndication fees	983	752	983	752
- Guarantee fees	915	1,013	1,911	1,786
- Commitment fees	142	199	296	410
- Other loans related fees income	4	1	7	81
- Credit card	187	78	187	137
- Other fees income	881	1,194	1,804	2,002
	<u>3,668</u>	<u>3,751</u>	<u>6,984</u>	<u>6,102</u>
Fee expense:				
- Brokerage fees	(7)	(4)	(13)	(8)
- Other fees expense	(24)	(19)	(29)	(19)
	<u>(31)</u>	<u>(23)</u>	<u>(42)</u>	<u>(27)</u>
Net fee income	<u>3,637</u>	<u>3,728</u>	<u>6,942</u>	<u>6,075</u>

22. Net trading income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2016 RM'000	30 Jun 2015 RM'000	30 Jun 2016 RM'000	30 Jun 2015 RM'000
Net gains from dealing in foreign exchange	853	1,862	18,283	533
Net gains/(losses) arising from derivative trading	6,537	1,744	(7,408)	6,335
Net unrealised revaluation losses in foreign exchange	(96)	(276)	(173)	(201)
Net unrealised (losses)/gains arising from derivative trading	(1,652)	194	1,109	52
	<u>5,642</u>	<u>3,524</u>	<u>11,811</u>	<u>6,719</u>

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
23. Other operating income				
Gain on disposal:				
- Financial investments available-for-sale	-	-	658	-
Others	15	-	62	-
	<u>15</u>	<u>-</u>	<u>720</u>	<u>-</u>

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
24. Other operating expenses				
Personnel costs:				
- Salaries, allowances and bonuses	8,245	5,589	17,948	10,766
- Pension fund contributions	782	647	1,482	1,226
- Other staff costs	1,473	1,054	2,562	1,961
Promotion and marketing related expenses:				
- Advertising and promotion	446	209	1,307	919
- Others	173	258	361	609
Establishment costs:				
- Depreciation of plant and equipment	550	528	1,114	1,055
- Amortisation of intangible asset	129	130	260	260
- Rental	1,448	1,092	2,860	2,156
- Others	484	281	938	558
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	37	14	73	73
• audit related services	32	45	54	45
- Professional fees	317	214	447	359
- License fee	77	48	154	95
- Membership fee	66	14	97	29
- Others	1,240	1,002	2,597	1,956
	<u>15,499</u>	<u>11,125</u>	<u>32,254</u>	<u>22,067</u>

25. Allowance for impairment on loans, advances and financing

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2016	30 Jun 2015	30 Jun 2016	30 Jun 2015
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- made during the financial period	1,101	1,406	1,463	2,204
- written back during the financial period	(2,716)	(967)	(5,454)	(1,627)
Individual allowance for impairment				
- made during the financial period	5	-	-	-
- written back during the financial period	(5)	-	-	-
	<u>(1,615)</u>	<u>439</u>	<u>(3,991)</u>	<u>577</u>

26. Credit exposure to connected parties

The credit exposures of the Bank to connected parties, as defined by BNM's "Guidelines on Credit Transactions and Exposures with Connected Parties" are as follows:

	30 Jun 2016	31 Dec 2015
		RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>148,993</u>	<u>19,053</u>
As a percentage of total credit exposures	<u>3.61%</u>	<u>0.40%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>0%</u>	<u>0%</u>

27. Commitments and contingencies

The commitments and contingencies constitute the following:

	30 Jun 2016			
	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	804,540	-	402,270	233,405
Short term self-liquidating trade-related contingencies	34,854	-	6,971	5,937
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	196,386	-	98,193	88,830
- Not exceeding one year	1,141,235	-	228,246	196,985
Unutilised credit card lines	32,473	-	6,495	4,871
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	859,750	8,520	21,631	9,833
Total	3,069,238	8,520	763,806	539,861

Note 14

^ 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.

	31 Dec 2015			
	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	818,692	-	409,346	264,726
Short term self liquidating trade-related contingencies	46,529	-	9,306	6,553
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	223,558	-	111,779	100,046
- Not exceeding one year	1,157,325	-	231,465	160,394
Unutilised credit card lines	26,949	-	5,390	4,042
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	754,062	7,555	21,870	10,523
Total	3,027,115	7,555	789,156	546,284

Note 14

^ 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.

28. 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 Jun 2016	31 Dec 2015
	RM'000	RM'000
Common Equity Tier 1 (“CET1”) Capital		
Paid-up share capital	331,000	331,000
Retained earnings	27,154	30,400
Statutory reserve	40,392	40,392
Regulatory reserve	16,408	13,162
Unrealised gains/(losses) on financial investments available-for-sale	528	(1,413)
	415,482	413,541
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(564)	(824)
- Deferred tax assets	(3,445)	(4,058)
- 55% cumulative gains of financial investments available-for-sale	(290)	-
- Regulatory reserve attributable to loans, advances and financing	(16,408)	(13,162)
	(20,707)	(18,044)
Total CET1 Capital	394,775	395,497
Tier 2 capital		
Collective impairment allowance	13,397	17,387
Regulatory reserve	16,408	13,162
Total Tier 2 Capital	29,805	30,549
Total Capital	424,580	426,046
CET1 capital ratio	17.614%	15.675%
Tier 1 capital ratio	17.614%	15.675%
Total capital ratio	18.944%	16.886%

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

	30 Jun 2016		31 Dec 2015	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	4,235,272	2,062,610	4,869,479	2,363,908
Total RWA for market risk	-	2,088	-	894
Total RWA for operational risk	-	176,598	-	158,249
	4,235,272	2,241,296	4,869,479	2,523,051

28. 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 Jun 2016			
	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	569,967	569,967	-	-
Banks, Development Financial Institutions and MDBs	473,671	473,671	118,049	9,444
Corporates	2,272,765	2,272,765	1,304,878	104,390
Regulatory Retail	82,560	82,560	69,649	5,572
Residential Mortgages	55,372	55,372	20,509	1,641
Other Assets	17,131	17,131	9,664	773
Total On-Balance Sheet Exposures	3,471,466	3,471,466	1,522,749	121,820
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	742,175	742,175	530,028	42,402
OTC derivatives	21,631	21,631	9,833	787
Total Off-Balance Sheet Exposures	763,806	763,806	539,861	43,189
Total On and Off-Balance Sheet Exposures	4,235,272	4,235,272	2,062,610	165,009
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	1,716	2,088	2,088	167
<i>Operational Risk</i>	-	-	-	176,598
Total RWA and Capital Requirements			2,241,296	179,304

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

28. Capital adequacy (continued)

Risk Type	31 Dec 2015			
	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	608,326	608,326	-	-
Banks, Development Financial Institutions and MDBs	906,083	906,083	219,329	17,546
Corporates	2,425,505	2,425,505	1,507,344	120,588
Regulatory Retail	75,632	75,632	63,195	5,056
Residential Mortgages	49,611	49,611	18,374	1,470
Other Assets	15,166	15,166	9,382	751
Total On-Balance Sheet Exposures	4,080,323	4,080,323	1,817,624	145,411
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	767,286	767,286	535,761	42,861
OTC derivatives	21,870	21,870	10,523	842
Total Off-Balance Sheet Exposures	789,156	789,156	546,284	43,703
Total On and Off-Balance Sheet Exposures	4,869,479	4,869,479	2,363,908	189,114
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long position</u>	<u>Short position</u>		
Foreign currency risk	894	628	894	72
<i>Operational Risk</i>				
	-	-	-	-
Total RWA and Capital Requirements			2,523,051	201,846

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

29. Performance review

The Bank registered a profit before taxation of RM26.0 million for the half year ended 30 June 2016. The increase of RM5.3 million or 25.4% compared against previous corresponding period in 2015 was mainly on the higher net operating income and lower allowance for impairment on loans and advances. However, it was partially offset with increase of other operating expenses.

Net operating income increased by RM10.2 million or 25.1% million, mainly due to the increase of net interest income by RM4.2 million or 13.8%. The Bank's net trading income also increased by RM5.1 million or 75.8% comparing previous corresponding period. Lower allowance for impairment on loan advances and financing by RM4.6 million during the financial period mainly resulted by maturity of low grade corporate loans. Other operating expenses increased by RM10.2 million as compared to previous corresponding period mainly attributed to higher personnel cost.

As at 30 June 2016, the Bank's total assets stood at RM3.5 billion; which decreased by RM0.6 billion or 14.8% as compared against 31 December 2015. The decrease was attributed by lower cash and short-term funds as well as deposits and placements with banks and other financial institutions, as a result of lower deposits from customers of RM0.6 billion due to withdrawal upon maturity.

30. Business prospects

The World Bank and International Monetary Fund forecasted the global economy to grow at 2.4% and 3.2%, respectively, in 2016. Among the factors to weigh on global growth include sharper-than-expected slowdown in major emerging and developing economies while the crisis-related legacies would continue to constrain the modest growth of advanced economies. The volatility in global financial markets, capital flows, currencies, commodity prices and global trade would remain as the key risk drivers while the divergence in the monetary policies due to uneven growth prospect in the major economies, the spill-over effects of geo-political tensions and significant international events such as BREXIT could disrupt the revitalization of the growth momentum.

As a trade-oriented nation, Malaysia has fairly diversified its economy with service sector accounted for 54% and manufacturing sector contributed 23% of the nation's GDP in 2015. Considering the fundamentals are to remain intact, Malaysia's economy is expected to grow within the range of 4.3% to 4.5% in 2016, as compared to 5% growth registered in 2015. Growth would continue to be driven by domestic demand with support from net exports, albeit at a more subdued pace due to both domestic and external headwinds. While the external factors, such as pace of recovery in the major export markets, the stability of the commodity prices, currencies and capital flows, would remain as the key factors in driving the growth momentum of Malaysia, the measures to be taken domestically are crucial in capitalizing the growth prospects. Among the essential domestic measures include prioritizing the implementation of the strategic initiatives under the Government's Economic Transformation Program that could effectively diversifying the economy with value-added multiplier effects, gradual rationalization of macro-financial risks posed by system-wide leverage and inflationary pressures, continuous fiscal consolidation as well as promoting regional collaborations in trade and investment.

On another note, the banking system in Malaysia remained sound as evidenced by its healthy asset quality and strong capitalization. Stiffer competitions for acquiring customer deposits and quality lending deals are, however, expected to put pressure on the banking system's net interest margin. Additionally, given the expectation of slower loan growth and a potential increase in credit costs, banks' earnings are projected to soften this year.

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