

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

31 MARCH 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 1st quarter and three months ended 31 March 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: 29 April 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 31 MARCH 2016**

	Note	31 Mar 2016 RM'000	31 Dec 2015 RM'000
ASSETS			
Cash and short-term funds	10	728,227	1,297,823
Deposits and placements with banks and other financial institutions	11	108,553	2,314
Financial investments available-for-sale	12	75,486	202,568
Loans, advances and financing	13	2,406,090	2,528,388
Derivative financial assets	14	7,448	7,555
Other assets	15	3,508	4,684
Statutory deposits with Bank Negara Malaysia		19,900	22,460
Plant and equipment		4,669	3,875
Intangible asset		693	824
Deferred tax assets		3,438	4,058
TOTAL ASSETS		3,358,012	4,074,549
LIABILITIES			
Deposits from customers	16	2,490,304	3,310,848
Deposits and placements of banks and other financial institutions	17	290,194	298,755
Derivative financial liabilities	14	4,097	6,965
Other liabilities	18	144,463	41,616
Provision for taxation		3,925	2,824
TOTAL LIABILITIES		2,932,983	3,661,008
EQUITY			
Share capital		331,000	331,000
Reserves		94,029	82,541
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		425,029	413,541
TOTAL LIABILITIES AND EQUITY		3,358,012	4,074,549
COMMITMENTS AND CONTINGENCIES	26	2,418,371	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 18 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 29 April 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 31 MARCH 2016

	Note	1st quarter ended		Year-To-Date ended	
		31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Interest income	19	28,436	27,165	28,436	27,165
Interest expense	20	(10,323)	(13,348)	(10,323)	(13,348)
Net interest income		18,113	13,817	18,113	13,817
Net fee income	21	3,305	2,347	3,305	2,347
Net trading income	22	6,169	3,195	6,169	3,195
Other operating income	23	705	-	705	-
Net operating income		28,292	19,359	28,292	19,359
Other operating expenses	24	(16,755)	(10,942)	(16,755)	(10,942)
Operating profit		11,537	8,417	11,537	8,417
Allowance for impairment on loans, advances and financing	25	2,376	(138)	2,376	(138)
Profit before taxation		13,913	8,279	13,913	8,279
Tax expense		(4,387)	(2,075)	(4,387)	(2,075)
Profit for the period		9,526	6,204	9,526	6,204
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value		2,582	292	2,582	292
- Deferred tax adjustment		(620)	(73)	(620)	(73)
Total other comprehensive income for the period		1,962	219	1,962	219
Total comprehensive income for the period		11,488	6,423	11,488	6,423
Basic earnings per ordinary share (sen):		2.88	1.87	2.88	1.87

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 18 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 31 MARCH 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	-	-	-	-	6,204	6,204
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	292	-	-	292
- Deferred tax adjustment	-	-	(73)	-	-	(73)
Total other comprehensive income for the period	-	-	219	-	-	219
Total comprehensive income for the period	-	-	219	-	6,204	6,423
Transfer to regulatory reserve	-	-	-	5,264	(5,264)	-
At 31 March 2015	331,000	26,227	(59)	16,315	19,286	392,769
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	-	-	-	-	9,526	9,526
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	2,582	-	-	2,582
- Deferred tax adjustment	-	-	(620)	-	-	(620)
Total other comprehensive income for the period	-	-	1,962	-	-	1,962
Total comprehensive income for the period	-	-	1,962	-	9,526	11,488
Transfer to regulatory reserve	-	-	-	880	(880)	-
At 31 March 2016	331,000	40,392	549	14,042	39,046	425,029

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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 31 MARCH 2016

	Note	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Cash flows generated from operating activities			
Profit before taxation		13,913	8,279
Adjustments for:			
Depreciation of plant and equipment		564	527
Amortisation of intangible asset		131	130
Allowance for impairment on loans, advances and financing		(2,376)	138
Net unrealised losses/(gains) arising from derivative trading		(2,761)	142
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		8,593	9,273
Decrease/(Increase) in operating assets			
Deposits and placements with banks and other financial institutions		(106,239)	(117,004)
Loans, advances and financing		124,674	(81,562)
Other assets		1,396	1,345
Statutory deposits with Bank Negara Malaysia		2,560	(2,280)
(Decrease)/Increase in operating liabilities			
Deposits from customers		(820,544)	262,927
Deposits and placements of banks and other financial institutions		(8,561)	(809,157)
Other liabilities		102,847	17,378
Cash generated used in operations		(695,274)	(719,080)
Income taxes paid		(3,286)	(2,035)
Net cash used in operating activities		(698,560)	(721,115)
Cash flows from/(used in) investing activities			
Purchase of plant and equipment		(1,358)	(11)
Net proceeds of financial investments available-for-sale		130,322	120
Net cash from investing activities		128,964	109
Net decrease in cash and cash equivalents		(569,596)	(721,006)
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		728,227	918,489
Cash and cash equivalents comprise:			
Cash and short-term funds	10	728,227	918,489

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 18 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 29 April 2016.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 MARCH 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 1st quarter and three months ended 31 March 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 1st quarter and three months ended 31 March 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 1st quarter and three months ended 31 March 2016.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the 1st quarter and three months ended 31 March 2016.

8. Dividend Paid

No dividend was paid during the 1st quarter and three months ended 31 March 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

	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Cash and balances with banks and other financial institutions	280,122	326,271
Money at call and deposit placements maturing within one month	448,105	971,552
	<u>728,227</u>	<u>1,297,823</u>

11. Deposits and placements with banks and other financial institutions

	31 Mar 2016 RM'000	31 Dec 2015 RM'000
Licensed Malaysian banks	108,553	-
Foreign banks	-	2,314
	<u>108,553</u>	<u>2,314</u>

12. Financial investments available-for-sale

	31 Mar 2016 RM'000	31 Dec 2015 RM'000
At fair value		
Malaysian Government Securities	70,510	70,553
Financial Institutions Securities	-	127,042
Private debt securities	4,976	4,973
	<u>75,486</u>	<u>202,568</u>

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

	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
The maturity structure of financial investments available-for-sale are as follows:		
Within one year	55,456	127,042
More than one years to three years	-	55,668
More than three years to five years	20,030	19,858
	<u>75,486</u>	<u>202,568</u>

13. Loans, advances and financing

At amortised cost	31 Mar 2016	31 Dec 2015
(i) By type	RM'000	RM'000
Overdrafts	168,233	165,405
Term loans		
- Housing loans	52,691	47,605
- Syndicated term loans	160,842	178,456
- Other term loans	648,272	567,547
Bills receivable	4,562	33,810
Revolving credit	1,308,766	1,459,748
Bankers' acceptances	75,763	91,605
Staff loans	2,337	2,118
Credit card loans	1,715	1,561
Gross loans, advances and financing	2,423,181	2,547,855
Less: Allowance for impairment		
- Collective allowance for impairment	(15,011)	(17,387)
- Individual allowance for impairment	(2,080)	(2,080)
Net loans, advances and financing	<u>2,406,090</u>	<u>2,528,388</u>
(ii) By type of customer	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	50,146	20,042
Domestic business enterprises		
- Small medium enterprises	75,626	70,827
- Others	1,339,053	1,468,940
Individuals	47,705	43,628
Foreign entities	910,651	944,418
	<u>2,423,181</u>	<u>2,547,855</u>
(iii) By interest rate sensitivity	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Fixed rate loans	4,052	18,944
Variable rate		
- Base rate/base lending rate plus	122,348	116,754
- Cost plus	2,078,556	1,070,516
- Other variable rates	218,225	1,341,641
	<u>2,423,181</u>	<u>2,547,855</u>

13. Loans, advances and financing (continued)

(iv) By sector	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Primary agriculture	59,349	49,297
Manufacturing	106,426	136,688
Electricity, gas and water	156,159	-
Construction	114,233	122,614
Real estate	316,429	363,146
Wholesale & retail trade and restaurants & hotels	595,349	760,497
Transport, storage and communication	469,129	533,691
Finance, insurance and business services	416,793	397,736
Education, health and others	114,725	114,728
Household	74,589	69,458
	<u>2,423,181</u>	<u>2,547,855</u>
(v) By purpose	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Purchase of landed properties		
- Non residential	106,223	125,610
- Residential	54,447	49,107
Purchase of transport vehicles	99	113
Construction	11,612	9,099
Credit card	1,715	1,561
Personal use	632	863
Mergers and acquisitions	158,110	2,147
Working capital	2,067,429	2,335,892
Other purpose	22,914	23,463
	<u>2,423,181</u>	<u>2,547,855</u>
(vi) By geographical distribution	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Within Malaysia	1,704,748	1,634,748
Outside Malaysia	718,433	913,107
	<u>2,423,181</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	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Maturity within one year	1,716,539	1,770,401
More than one year to three years	490,084	452,935
More than three years to five years	97,498	211,844
More than five years	119,060	112,675
	<u>2,423,181</u>	<u>2,547,855</u>
(viii) Impaired loans, advances and financing		
(a) Movement in impaired loans, advances and financing	31 Mar 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	-	-
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	<u>-</u>	<u>-</u>
As % of gross loans, advances and financing (net of individual allowance for impairment)	<u>0%</u>	<u>0%</u>

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

(b) By sector	31 Mar 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	31 Mar 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	31 Mar 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	31 Mar 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	362	9,199
Allowance written back during the financial period/year	<u>(2,738)</u>	<u>(3,001)</u>
At end of the financial period/year	<u>15,011</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	-	-
At end of the financial period/year	<u>2,080</u>	<u>2,080</u>

14. Derivatives financial assets/liabilities

	31 Mar 2016		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	539,933	4,158	4,097
- Currency swaps	87,852	3,290	-
Total recognised derivatives assets/liabilities (Note 26)	<u>627,785</u>	<u>7,448</u>	<u>4,097</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 26)	<u>754,062</u>	<u>7,555</u>	<u>6,965</u>

15. Other assets	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Interest receivable	625	1,536
Deposits	1,898	1,924
Other receivables and prepayments	985	1,224
	<u>3,508</u>	<u>4,684</u>
16. Deposits from customers		
(i) By type of deposit	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Demand deposits	647,781	1,166,923
Fixed deposits	624,313	638,283
Savings deposits	108,204	101,741
Money market deposits	1,076,549	1,356,784
Short-term deposits	17,679	19,424
Other deposits	15,778	27,693
	<u>2,490,304</u>	<u>3,310,848</u>
(ii) By type of customer	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Business enterprises	1,446,194	2,203,566
Individuals	191,401	193,067
Foreign entities	851,878	913,380
Others	831	835
	<u>2,490,304</u>	<u>3,310,848</u>
(iii) By maturity structure of term deposit	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Due within six months	2,398,586	2,550,783
More than six months to one year	91,338	757,345
More than one year to three years	380	2,720
	<u>2,490,304</u>	<u>3,310,848</u>
17. Deposits and placements of banks and other financial institutions	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Licensed Malaysian banks	179,211	179,730
Licensed Investment banks	39	43
Licensed Islamic banks	339	157
Other financial institutions	101,794	105,174
Foreign banks	8,811	13,651
	<u>290,194</u>	<u>298,755</u>
18. Other liabilities	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Interest payable	7,719	7,068
Other payables and accruals	136,744	34,548
	<u>144,463</u>	<u>41,616</u>

19. Interest income	1st quarter ended		Year-To-Date ended	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Loans, advances and financing:	23,314	18,051	23,314	18,051
Money at call and deposit placements with financial institutions	4,183	8,658	4,183	8,658
Investment securities available-for-sale	917	456	917	456
Others	22	-	22	-
	28,436	27,165	28,436	27,165
20. Interest expense				
Deposits and placements of banks and other financial institutions	(1,217)	(4,436)	(1,217)	(4,436)
Deposits from customers	(9,102)	(8,904)	(9,102)	(8,904)
Others	(4)	(8)	(4)	(8)
	(10,323)	(13,348)	(10,323)	(13,348)
Net interest income	18,113	13,817	18,113	13,817

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	1st quarter ended		Year-To-Date ended	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Fee income:				
- Commission	13	11	13	11
- Service charges and fees	654	427	654	427
- Loan processing fees	573	41	573	41
- Guarantee fees	996	773	996	773
- Commitment fees	154	211	154	211
- Other loans related fees income	3	80	3	80
- Other fees income	923	808	923	808
	3,316	2,351	3,316	2,351
Fee expense:				
- Brokerage fees	(6)	(4)	(6)	(4)
- Other fees expense	(5)	-	(5)	-
	(11)	(4)	(11)	(4)
Net fee income	3,305	2,347	3,305	2,347

22. Net trading income	1st quarter ended		Year-To-Date ended	
	31 Mar 2016 RM'000	31 Mar 2015 RM'000	31 Mar 2016 RM'000	31 Mar 2015 RM'000
Net gains/(losses) from dealing in foreign exchange	17,430	(1,329)	17,430	(1,329)
Net (losses)/gains arising from derivative trading	(13,945)	4,591	(13,945)	4,591
Net unrealised revaluation (losses)/gains in foreign exchange	(77)	75	(77)	75
Net unrealised gains/(losses) arising from derivative trading	2,761	(142)	2,761	(142)
	6,169	3,195	6,169	3,195

	1st quarter ended		Year-To-Date ended	
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	RM'000	RM'000	RM'000	RM'000
23. Other operating income				
Gain on disposal:				
- Financial investments available-for-sale	658	-	658	-
Others	47	-	47	-
	<u>705</u>	<u>-</u>	<u>705</u>	<u>-</u>

	1st quarter ended		Year-To-Date ended	
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	RM'000	RM'000	RM'000	RM'000
24. Other operating expenses				
Personnel costs:				
- Salaries, allowances and bonuses	9,703	5,177	9,703	5,177
- Pension fund contributions	700	579	700	579
- Other staff costs	1,089	907	1,089	907
Promotion and marketing related expenses:				
- Advertising and promotion	861	710	861	710
- Others	188	351	188	351
Establishment costs:				
- Depreciation of plant and equipment	564	527	564	527
- Amortisation of intangible asset	131	130	131	130
- Rental	1,412	1,064	1,412	1,064
- Others	454	277	454	277
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	36	59	36	59
• audit related services	22	-	22	-
- Professional fees	130	145	130	145
- License fee	77	47	77	47
- Membership fee	31	15	31	15
- Others	1,357	954	1,357	954
	<u>16,755</u>	<u>10,942</u>	<u>16,755</u>	<u>10,942</u>

25. Allowance for impairment on loans, advances and financing

	1st quarter ended		Year-To-Date ended	
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- made during the financial period	362	798	362	798
- written back during the financial period	(2,738)	(660)	(2,738)	(660)
	<u>(2,376)</u>	<u>138</u>	<u>(2,376)</u>	<u>138</u>

26. Commitments and contingencies

The commitments and contingencies constitute the following:

	31 Mar 2016			
	Principal	Positive Value	Credit	Risk-
	Amount	of Derivative	Equivalent	Weighted
	Contracts ^	Amount *	Assets *	
	RM'000	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	789,563	-	394,782	251,723
Short term self-liquidating trade-related contingencies	29,959	-	5,992	5,705
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	125,735	-	62,868	52,992
- Not exceeding one year	815,367	-	163,073	139,166
Unutilised credit card lines	29,961	-	5,992	4,494
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	627,786	7,448	16,654	8,019
Total	2,418,371	7,448	649,361	462,099

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
	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.

27. 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:

	31 Mar 2016	31 Dec 2015
	RM'000	RM'000
Common Equity Tier 1 ("CET1") Capital		
Paid-up share capital	331,000	331,000
Retained earnings	29,520	30,400
Statutory reserve	40,392	40,392
Regulatory reserve	14,042	13,162
Unrealised gains/(losses) on financial investments available-for-sale	549	(1,413)
	415,503	413,541
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(693)	(824)
- Deferred tax assets	(3,438)	(4,058)
- 55% cumulative gains of financial investments available-for-sale	(302)	-
- Regulatory reserve attributable to loans, advances and financing	(14,042)	(13,162)
	(18,475)	(18,044)
Total CET1 Capital	397,028	395,497
Tier 2 capital		
Collective impairment allowance	15,011	17,387
Regulatory reserve	14,042	13,162
Total Tier 2 Capital	29,053	30,549
Total Capital	426,081	426,046
CET1 capital ratio	18.030%	15.675%
Tier 1 capital ratio	18.030%	15.675%
Total capital ratio	19.350%	16.886%

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

	31 Mar 2016		31 Dec 2015	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	4,011,499	2,027,455	4,869,479	2,363,908
Total RWA for market risk	-	5,634	-	894
Total RWA for operational risk	-	168,921	-	158,249
	4,011,499	2,202,010	4,869,479	2,523,051

27. Capital adequacy (continued)

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

Risk Type	31 Mar 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	437,711	437,711	-	-
Banks, Development Financial Institutions and MDBs	481,237	481,237	96,247	7,700
Corporates	2,293,424	2,293,424	1,373,996	109,920
Regulatory Retail	77,723	77,723	65,898	5,272
Residential Mortgages	54,930	54,930	20,344	1,628
Other Assets	17,113	17,113	8,871	710
Total On-Balance Sheet Exposures	3,362,138	3,362,138	1,565,356	125,230
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	632,707	632,707	454,080	36,326
OTC derivatives	16,654	16,654	8,019	642
Total Off-Balance Sheet Exposures	649,361	649,361	462,099	36,968
Total On and Off-Balance Sheet Exposures	4,011,499	4,011,499	2,027,455	162,198
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long position</u>	<u>Short position</u>		
Foreign currency risk	5,634	728	5,634	451
<i>Operational Risk</i>				
	-	-	-	
Total RWA and Capital Requirements			168,921	13,514
			2,202,010	176,163

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

27. Capital adequacy (continued)

Risk Type	31 Dec 2015			
	Gross	Net	Risk-	Capital
	Exposures	Exposures	Weighted	Requirements
	RM'000	RM'000	Assets	RM'000
	RM'000	RM'000	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>				
	Long	Short		
	<u>position</u>	<u>position</u>		
Foreign currency risk	894	628	894	72
<i>Operational Risk</i>	-	-	-	-
Total RWA and Capital Requirements			158,249	12,660
			2,523,051	201,846

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

27. Capital adequacy (continued)

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

31 Mar 2016 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Bank RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000		
0%	437,711	-	525,322	3,897	271	8,242	975,443	-
20%	-	481,237	338,172	-	-	3,211	822,620	164,524
35%	-	-	-	-	60,611	-	60,611	21,214
50%	-	-	576,833	20,649	8,726	12,132	618,340	309,170
75%	-	-	-	7,754	-	-	7,754	5,816
100%	-	-	1,448,405	67,800	344	10,182	1,526,731	1,526,731
Total Exposures	437,711	481,237	2,888,732	100,100	69,952	33,767	4,011,499	2,027,455
Risk-Weighted Assets by Exposures	-	96,247	1,804,456	83,941	25,921	16,890	2,027,455	
Average Risk Weight	0.0%	20.0%	62.5%	83.9%	37.1%	50.0%	50.5%	
Deduction from Capital Base	-	-	-	-	-	-	-	-

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

31 Dec 2015 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Bank RM'000	Banks, MDBs and DFIs RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Other Assets RM'000		
0%	608,326	-	629,397	5,922	270	5,784	1,249,699	-
20%	-	779,040	199,762	-	-	1,970	980,772	196,154
35%	-	-	-	-	58,370	-	58,370	20,430
50%	-	127,043	687,233	20,649	8,657	19,540	863,122	431,561
75%	-	-	-	7,011	-	-	7,011	5,258
100%	-	-	1,633,253	67,163	347	9,742	1,710,505	1,710,505
Total Exposures	608,326	906,083	3,149,645	100,745	67,644	37,036	4,869,479	2,363,908
Risk-Weighted Assets by Exposures	-	219,330	2,016,821	82,746	25,105	19,906	2,363,908	
Average Risk Weight	0.0%	24.2%	64.0%	82.1%	37.1%	53.7%	48.5%	
Deduction from Capital Base	-	-	-	-	-	-	-	-

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

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

28. Performance review

The Bank registered a profit before taxation of RM13.9 million for the three months ended 31 March 2016. The increase of RM5.6 million or 68.1% 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.

Specifically, net operating income increased by RM8.9 million or 46.1% million, mainly due to the increase of net interest income by RM4.3 million or 31.1%, coupled with higher of net trading income by RM3.0 million or 93.1% comparing previous corresponding period. Lower allowance for impairment on loan advances and financing by RM2.5 million during the financial period mainly resulted by maturity of low grade corporate loans. Other operating expenses increased by RM5.8 million as compared to previous correspondence period mainly attributed to higher personal cost.

As at 31 March 2016, the Bank's total assets stood at RM3.4 billion; which decreased by RM0.7 billion or 17.6% 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 RM0.8 billion due to withdrawal upon maturity.

29. Business prospects

The World Bank and International Monetary Fund forecasted the global economy to grow at 2.9% and 3.4%, 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 and the spill-over effects of geo-political tensions could disrupt the revitalization of the growth momentum.

As a trade-oriented nation, Malaysia has fairly diversified its economy with service sector accounted for 53.5% 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.