

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

31 MARCH 2017

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 2017 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.

Wang Qiang
Chief Executive Officer

Date: 27 April 2017

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 2017

	Note	31 Mar 2017 RM'000	31 Dec 2016 RM'000
ASSETS			
Cash and short-term funds	10	1,248,633	954,456
Deposits and placements with banks and other financial institutions	11	-	288,047
Financial investments available-for-sale	12	119,776	169,946
Loans, advances and financing	13	2,965,403	2,620,187
Derivative financial assets	14	3,473	2,529
Other assets	15	7,046	7,278
Statutory deposits with Bank Negara Malaysia		8,950	10,580
Plant and equipment		4,129	4,523
Intangible asset		174	304
Deferred tax assets		5,862	5,835
TOTAL ASSETS		4,363,446	4,063,685
LIABILITIES			
Deposits from customers	16	3,114,060	2,782,198
Deposits and placements of banks and other financial institutions	17	183,109	256,640
Derivative financial liabilities	14	791	2,247
Other liabilities	18	99,560	69,888
Provision for taxation		3,681	3,080
TOTAL LIABILITIES		3,401,201	3,114,053
EQUITY			
Share capital		832,609	832,609
Reserves		129,636	117,023
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		962,245	949,632
TOTAL LIABILITIES AND EQUITY		4,363,446	4,063,685
COMMITMENTS AND CONTINGENCIES	26	2,366,636	2,187,259

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 2016 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 27 April 2017.

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 2017

	Note	1st quarter ended		Year-To-Date ended	
		31 Mar 2017 RM'000	31 Mar 2016 RM'000	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Interest income	19	36,212	28,436	36,212	28,436
Interest expense	20	(11,189)	(10,323)	(11,189)	(10,323)
Net interest income		25,023	18,113	25,023	18,113
Net fee income	21	8,299	3,305	8,299	3,305
Net trading income	22	6,889	6,169	6,889	6,169
Other operating income	23	-	705	-	705
Net operating income		40,211	28,292	40,211	28,292
Other operating expenses	24	(17,659)	(16,755)	(17,659)	(16,755)
Operating profit		22,552	11,537	22,552	11,537
(Allowance for)/Write back of impairment on loans, advances and financing	25	(5,379)	2,376	(5,379)	2,376
Profit before taxation		17,173	13,913	17,173	13,913
Tax expense		(4,476)	(4,387)	(4,476)	(4,387)
Profit for the period		12,697	9,526	12,697	9,526
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value		(99)	2,582	(99)	2,582
- Amount transferred to profit or loss		(11)	-	(11)	-
- Deferred tax adjustment		26	(620)	26	(620)
Total other comprehensive (expenses)/income for the period		(84)	1,962	(84)	1,962
Total comprehensive income for the period		12,613	11,488	12,613	11,488
Basic earnings per ordinary share (sen):		1.52	2.88	1.52	2.88

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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 2017

	Non-distributable			Distributable		Total Equity RM'000
	Share Capital RM'000	Statutory Reserve RM'000	Available-for-sale Reserve RM'000	Regulatory Reserve RM'000	Retained Earnings RM'000	
At 1 January 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
At 1 January 2017	832,609	57,213	(573)	17,644	42,739	949,632
Total comprehensive income for the period						
Profit for the period	-	-	-	-	12,697	12,697
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	(99)	-	-	(99)
- Amount transferred to profit or loss	-	-	(11)	-	-	(11)
- Deferred tax adjustment	-	-	26	-	-	26
Total other comprehensive expenses for the period	-	-	(84)	-	-	(84)
Total comprehensive (expenses)/ income for the period	-	-	(84)	-	12,697	12,613
Transfer to regulatory reserve	-	-	-	-	-	-
At 31 March 2017	832,609	57,213	(657)	17,644	55,436	962,245

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 2016 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

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(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2017

	Note	31 Mar 2017 RM'000	31 Mar 2016 RM'000
Cash flows generated from operating activities			
Profit before taxation		17,173	13,913
Adjustments for:			
Depreciation of plant and equipment		508	564
Amortisation of intangible asset		130	131
Allowance for/(Write back of) impairment on loans, advances and financing		5,379	(2,376)
Net unrealised gains arising from derivative trading		(2,400)	(2,761)
Gain on disposal of financial investments available-for-sale		-	(658)
Accretion of discounts net of amortisation of premiums on financial investments available-for-sale		59	(220)
Operating profit before working capital changes		<u>20,849</u>	8,593
Changes in operating assets			
Deposits and placements with banks and other financial institutions		288,047	(106,239)
Loans, advances and financing		(350,595)	124,674
Other assets		172	1,396
Statutory deposits with Bank Negara Malaysia		1,630	2,560
Changes in operating liabilities			
Deposits from customers		331,862	(820,544)
Deposits and placements of banks and other financial institutions		(73,531)	(8,561)
Other liabilities		29,672	102,847
Cash generated from/(used in) operations		<u>248,106</u>	(695,274)
Income taxes paid		(3,875)	(3,286)
Net cash generated from/(used in) operating activities		<u>244,231</u>	(698,560)
Cash flows (used in)/from investing activities			
Purchase of plant and equipment		(114)	(1,358)
Net proceeds of financial investments available-for-sale		50,060	130,322
Net cash from investing activities		<u>49,946</u>	128,964
Net increase/(decrease) in cash and cash equivalents		<u>294,177</u>	(569,596)
Cash and cash equivalents at beginning of the financial period		<u>954,456</u>	1,297,823
Cash and cash equivalents at end of the financial period		<u>1,248,633</u>	728,227
Cash and cash equivalents comprise:			
Cash and short-term funds	10	<u>1,248,633</u>	728,227

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 2016 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 27 April 2017.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
31 MARCH 2017**

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 2017 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 2016. 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 2016.

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 2016, 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*

Clarifications to MFRS 15, *Revenue from Contracts with Customers*

IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*

Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*

Amendments to MFRS 2, *Share-based Payment – Classification and Measurement of Share-based Payment Transactions*

Amendments to MFRS 4, *Insurance Contracts – Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*

Amendments to MFRS 128, *Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014 -2016 Cycle)*

Amendments to MFRS 140, *Investment Property – Transfers of Investment Property*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 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, except for Amendments to MFRS 1, Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140 as they are not applicable to the Bank.
- from the annual period beginning on 1 January 2019 for the accounting standard that is effective for annual periods beginning on or after 1 January 2019.

2. Basis of Preparation (continued)

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 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue - Barter Transactions Involving Advertising Services*.

The Bank is currently assessing the financial impact that may arise from the adoption of 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.

MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Bank is currently assessing the financial impact that may arise from the adoption of MFRS 16.

3. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2016 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 2017.

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 2017.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the 1st quarter and three months ended 31 March 2017.

8. Dividend Paid

No dividend was paid during the 1st quarter and three months ended 31 March 2017.

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 2017	31 Dec 2016
	RM'000	RM'000
Cash and balances with banks and other financial institutions	49,606	58,102
Money at call and deposit placements maturing within one month	1,199,027	896,354
	<u>1,248,633</u>	<u>954,456</u>

11. Deposits and placements with banks and other financial institutions

	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Bank Negara Malaysia	-	60,000
Licensed Malaysian banks	-	200,000
Foreign banks	-	28,047
	<u>-</u>	<u>228,047</u>

12. Financial investments available-for-sale

	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
At fair value		
Malaysian Government Securities	40,026	90,071
Malaysian Government Investment Issues	79,750	79,875
	<u>119,776</u>	<u>169,946</u>
	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
The maturity structure of financial investments available-for-sale are as follows:		
Within one year	-	50,045
More than three years to five years	119,776	119,901
	<u>119,776</u>	<u>169,946</u>

13. Loans, advances and financing

	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	93,828	96,172
Term loans		
- Housing loans	54,885	54,683
- Syndicated term loans	245,142	181,512
- Other term loans	1,376,486	1,058,343
Bills receivable	6,191	14,480
Revolving credit	1,106,536	1,137,905
Bankers' acceptances	98,972	87,844
Staff loans	2,804	2,808
Credit card loans	1,984	2,486
Gross loans, advances and financing	<u>2,986,828</u>	<u>2,636,233</u>
Less: Allowance for impairment		
- Collective allowance for impairment	(19,345)	(13,966)
- Individual allowance for impairment	(2,080)	(2,080)
Net loans, advances and financing	<u>2,965,403</u>	<u>2,620,187</u>

13. Loans, advances and financing (continued)

(ii) By type of customer	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Domestic banking institutions		
Domestic non-bank financial institutions	72,408	75,217
- Others	100,189	100,188
Domestic business enterprises		
- Small medium enterprises	57,415	66,850
- Others	1,970,713	1,564,421
Individuals	46,818	47,378
Foreign entities	739,285	782,179
	<u>2,986,828</u>	<u>2,636,233</u>
(iii) By interest rate sensitivity	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Fixed rate loans	4,981	5,294
Variable rate		
- Base rate/base lending rate plus	110,510	112,295
- Cost plus	2,740,580	2,383,145
- Other variable rates	130,757	135,499
	<u>2,986,828</u>	<u>2,636,233</u>
(iv) By sector	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Primary agriculture	79,998	79,535
Manufacturing	832,187	654,048
Electricity, gas and water	68,027	179,819
Construction	155,305	149,366
Real estate	404,660	225,859
Wholesale & retail trade and restaurants & hotels	686,812	547,308
Transport, storage and communication	45,357	46,708
Finance, insurance and business services	466,980	505,574
Education, health and others	171,170	170,962
Household	76,332	77,054
	<u>2,986,828</u>	<u>2,636,233</u>
(v) By purpose	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Purchase of landed properties		
- Non residential	177,184	177,375
- Residential	57,160	56,939
Purchase of transport vehicles	49	62
Construction	29,561	25,847
Credit card	1,984	2,486
Personal use	977	987
Mergers and acquisitions	36,299	179,819
Working capital	2,418,094	2,171,481
Other purpose	265,520	21,237
	<u>2,986,828</u>	<u>2,636,233</u>
(vi) By geographical distribution	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Within Malaysia	2,330,038	2,089,875
Outside Malaysia	656,790	546,358
	<u>2,986,828</u>	<u>2,636,233</u>

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

13. Loans, advances and financing (continued)

(vii) By residual contractual maturity	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Maturity within one year	1,240,659	1,421,086
More than one year to three years	583,149	426,522
More than three years to five years	972,164	652,057
More than five years	190,856	136,568
	2,986,828	2,636,233
(viii) Impaired loans, advances and financing		
(a) Movement in impaired loans, advances and financing	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
At beginning of the financial period/year	2,080	2,080
Impaired during the financial period/year	-	5
Reclassified as performing 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%
(b) By sector	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Wholesale & retail trade and restaurants & hotels	2,029	2,029
Household	51	51
	2,080	2,080
(c) By purpose	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Working capital	2,029	2,029
Credit card	51	51
	2,080	2,080
(d) By geographical distribution	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
Within Malaysia	2,080	2,080
(ix) Movements in allowance for impairment on loans, advances and financing	31 Mar 2017	31 Dec 2016
	RM'000	RM'000
<u>Collective allowance for impairment</u>		
At beginning of the financial period/year	13,966	17,387
Allowance made during the financial period/year	5,933	3,631
Allowance written back during the financial period/year	(554)	(7,052)
At end of the financial period/year	19,345	13,966
<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	2,080	2,080

14. Derivatives financial assets/liabilities

	31 Mar 2017		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
	Foreign exchange contracts		
- Currency forwards and spots	254,478	2,785	661
- Currency swaps	124,337	688	130
Total recognised derivatives assets/liabilities (Note 26)	<u>378,815</u>	<u>3,473</u>	<u>791</u>

	31 Dec 2016		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
	Foreign exchange contracts		
- Currency forwards and spots	130,294	2,271	2,247
- Currency swaps	23,046	258	-
Total recognised derivatives assets/liabilities (Note 26)	<u>153,340</u>	<u>2,529</u>	<u>2,247</u>

15. Other assets

	31 Mar 2017 RM'000	31 Dec 2016 RM'000
Interest receivable	3,799	4,653
Deposits	1,918	1,890
Other receivables and prepayments	1,329	735
	<u>7,046</u>	<u>7,278</u>

16. Deposits from customers

(i) By type of deposit	31 Mar 2017 RM'000	31 Dec 2016 RM'000
Demand deposits	1,191,715	808,759
Fixed deposits	531,900	517,921
Savings deposits	134,442	129,959
Money market deposits	1,214,130	1,282,204
Other deposits	41,873	43,355
	<u>3,114,060</u>	<u>2,782,198</u>

(ii) By type of customer	31 Mar 2017 RM'000	31 Dec 2016 RM'000
Business enterprises	1,627,851	1,298,516
Individuals	262,737	272,448
Foreign entities	1,222,756	1,210,501
Others	716	733
	<u>3,114,060</u>	<u>2,782,198</u>

(iii) By maturity structure of term deposit	31 Mar 2017 RM'000	31 Dec 2016 RM'000
Due within six months	2,976,753	2,665,449
More than six months to one year	130,757	99,891
More than one year to three years	6,550	16,858
	<u>3,114,060</u>	<u>2,782,198</u>

17. Deposits and placements of banks and other financial institutions	31 Mar 2017		31 Dec 2016	
	RM'000		RM'000	
Licensed Malaysian banks	23,385		25,251	
Licensed investment banks	104		147	
Licensed Islamic banks	1,454		1,499	
Other financial institutions	77,400		216,181	
Foreign banks	80,766		13,562	
	<u>183,109</u>		<u>256,640</u>	
18. Other liabilities	31 Mar 2017		31 Dec 2016	
	RM'000		RM'000	
Interest payable	5,529		8,139	
Other payables and accruals	94,031		61,749	
	<u>99,560</u>		<u>69,888</u>	
19. Interest income	1st quarter ended		Year-To-Date ended	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:	27,727	23,314	27,727	23,314
Money at call and deposit placements with financial institutions	7,164	4,183	7,164	4,183
Investment securities available-for-sale	1,318	917	1,318	917
Others	3	22	3	22
	<u>36,212</u>	<u>28,436</u>	<u>36,212</u>	<u>28,436</u>
20. Interest expense				
Deposits and placements of banks and other financial institutions	(1,537)	(1,217)	(1,537)	(1,217)
Deposits from customers	(9,651)	(9,102)	(9,651)	(9,102)
Others	(1)	(4)	(1)	(4)
	<u>(11,189)</u>	<u>(10,323)</u>	<u>(11,189)</u>	<u>(10,323)</u>
Net interest income	<u>25,023</u>	<u>18,113</u>	<u>25,023</u>	<u>18,113</u>
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 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Commission	4	13	4	13
- Service charges and fees	668	654	668	654
- Loan processing fees	508	573	508	573
- Syndication fees	3,277	-	3,277	-
- Guarantee fees	939	996	939	996
- Commitment fees	218	154	218	154
- Other loans related fees income	4	3	4	3
- Other fees income	2,783	923	2,783	923
	<u>8,401</u>	<u>3,316</u>	<u>8,401</u>	<u>3,316</u>
Fee expense:				
- Brokerage fees	(10)	(6)	(10)	(6)
- Other fees expense	(92)	(5)	(92)	(5)
	<u>(102)</u>	<u>(11)</u>	<u>(102)</u>	<u>(11)</u>
Net fee income	<u>8,299</u>	<u>3,305</u>	<u>8,299</u>	<u>3,305</u>

22. Net trading income

	1st quarter ended		Year-To-Date ended	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	RM'000	RM'000	RM'000	RM'000
Net gains from dealing in foreign exchange	5,911	17,430	5,911	17,430
Net losses arising from derivative trading	(1,486)	(13,945)	(1,486)	(13,945)
Net unrealised revaluation gain/(losses) in foreign exchange	64	(77)	64	(77)
Net unrealised gains arising from derivative trading	2,400	2,761	2,400	2,761
	6,889	6,169	6,889	6,169

23. Other operating income

	1st quarter ended		Year-To-Date ended	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	RM'000	RM'000	RM'000	RM'000
Gain on disposal:				
- Financial investments available-for-sale	-	658	-	658
Others	-	47	-	47
	-	705	-	705

24. Other operating expenses

	1st quarter ended		Year-To-Date ended	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries, allowances and bonuses	11,354	9,703	11,354	9,703
- Pension fund contributions	722	700	722	700
- Other staff costs	1,129	1,089	1,129	1,089
Promotion and marketing related expenses:				
- Advertising and promotion	207	861	207	861
- Others	113	188	113	188
Establishment costs:				
- Depreciation of plant and equipment	508	564	508	564
- Amortisation of intangible asset	130	131	130	131
- Rental	1,399	1,412	1,399	1,412
- Others	417	454	417	454
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	68	36	68	36
• audit related services	24	22	24	22
- Professional fees	124	130	124	130
- License fee	77	77	77	77
- Membership fee	30	31	30	31
- Others	1,357	1,357	1,357	1,357
	17,659	16,755	17,659	16,755

25. (Write back of)/Allowance for impairment on loans, advances and financing

	1st quarter ended		Year-To-Date ended	
	31 Mar 2017	31 Mar 2016	31 Mar 2017	31 Mar 2016
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- made during the financial period	5,933	362	5,933	362
- written back during the financial period	(554)	(2,738)	(554)	(2,738)
	5,379	(2,376)	5,379	(2,376)

26. Commitments and contingencies

The commitments and contingencies constitute the following:

	31 Mar 2017			
	Principal Amount RM'000	Positive Value of Derivative Contracts ^ RM'000	Credit Equivalent Amount * RM'000	Risk- Weighted Assets * RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	79,614	-	79,614	15,923
Transaction-related contingent items	990,151	-	495,076	335,009
Short term self-liquidating trade-related contingencies	44,220	-	8,844	8,715
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	148,264	-	74,132	60,658
- Not exceeding one year	691,041	-	138,208	109,790
Unutilised credit card lines	34,530	-	6,906	5,180
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	378,816	3,473	6,602	2,871
Total	2,366,636	3,473	809,382	538,146

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 and interest rates) of the underlying instruments. The underlying principal amounts of these derivative financial instruments and their corresponding gross positive fair values (derivative financial assets) 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 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 2016			
	Principal Amount RM'000	Positive Value of Derivative Contracts ^ RM'000	Credit Equivalent Amount * RM'000	Risk- Weighted Assets * RM'000
<u>Credit-related exposures</u>				
Direct credit substitutes	80,746	-	80,746	16,149
Transaction-related contingent items	1,032,166	-	516,083	347,834
Short term self-liquidating trade-related contingencies	24,428	-	4,886	4,877
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	115,112	-	57,556	45,241
- Not exceeding one year	748,759	-	149,752	119,112
Unutilised credit card lines	32,708	-	6,542	4,906
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	153,340	2,529	4,020	1,834
Total	2,187,259	2,529	819,585	539,953

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 and interest rates) of the underlying instruments. The underlying principal amounts of these derivative financial instruments and their corresponding gross positive fair values (derivative financial assets) 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 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 2017	31 Dec 2016
	RM'000	RM'000
Common Equity Tier 1 (“CET1”) Capital		
Paid-up share capital	832,609	832,609
Retained earnings	42,739	42,739
Statutory reserve	57,213	57,213
Regulatory reserve	17,644	17,644
Unrealised losses on financial investments available-for-sale	(657)	(573)
	949,548	949,632
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(174)	(304)
- Deferred tax assets	(5,862)	(5,835)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(23,680)	(23,783)
Total CET1 Capital	925,868	925,849
Tier 2 capital		
Collective impairment allowance	19,345	13,966
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	36,989	31,610
Total Capital	962,857	957,459
CET1 capital ratio	30.493%	37.828%
Tier 1 capital ratio	30.493%	37.828%
Total capital ratio	31.712%	39.120%

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

	31 Mar 2017		31 Dec 2016	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	5,182,840	2,830,119	4,888,871	2,253,430
Total RWA for market risk	-	8,446	-	4,797
Total RWA for operational risk	-	197,728	-	189,282
	5,182,840	3,036,293	4,888,871	2,447,509

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 2017			
	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	394,697	394,697	-	-
Banks, Development Financial Institutions and MDBs	1,046,936	1,046,936	231,005	18,480
Corporates	2,789,716	2,789,716	1,976,904	158,152
Regulatory Retail	64,986	64,986	51,383	4,111
Residential Mortgages	57,640	57,640	21,333	1,707
Other Assets	19,483	19,483	11,348	908
Total On-Balance Sheet Exposures	4,373,458	4,373,458	2,291,973	183,358
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	802,780	802,780	535,275	42,822
OTC derivatives	6,602	6,602	2,871	230
Total Off-Balance Sheet Exposures	809,382	809,382	538,146	43,052
Total On and Off-Balance Sheet Exposures	5,182,840	5,182,840	2,830,119	226,410
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long position</u>	<u>Short position</u>		
Foreign currency risk	8,446	44	8,446	676
<i>Operational Risk</i>	-	-	-	
Total RWA and Capital Requirements			3,036,293	242,904

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

27. Capital adequacy (continued)

Risk Type	31 Dec 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	535,538	535,538	-	-
Banks, Development Financial Institutions and MDBs	956,305	956,305	215,169	17,214
Corporates	2,431,858	2,431,858	1,408,703	112,696
Regulatory Retail	69,649	69,649	56,238	4,499
Residential Mortgages	57,429	57,429	21,263	1,701
Other Assets	18,506	18,506	12,104	968
Total On-Balance Sheet Exposures	4,069,285	4,069,285	1,713,477	137,078
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	815,565	815,565	538,119	43,050
OTC derivatives	4,020	4,020	1,834	147
Total Off-Balance Sheet Exposures	819,585	819,585	539,953	43,197
Total On and Off-Balance Sheet Exposures	4,888,870	4,888,870	2,253,430	180,275
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long position</u>	<u>Short position</u>		
Foreign currency risk	4,797	1	4,797	384
<i>Operational Risk</i>				
	-	-	-	
Total RWA and Capital Requirements			2,447,509	195,802

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 2017 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%	394,697	521	599,413	3,218	270	8,135	1,006,254	-
20%	-	1,053,621	173,978	-	-	2,848	1,230,447	246,089
35%	-	-	-	-	58,690	-	58,690	20,542
50%	-	95,629	515,304	21,096	8,543	2,906	643,478	321,739
75%	-	-	-	8,888	-	-	8,888	6,666
100%	-	-	2,173,723	48,826	338	12,196	2,235,083	2,235,083
Total Exposures	394,697	1,149,771	3,462,418	82,028	67,841	26,085	5,182,840	2,830,119
Risk-Weighted Assets by Exposures	-	258,539	2,466,170	66,040	25,151	14,219	2,830,119	
Average Risk Weight	0.0%	22.5%	71.2%	80.5%	37.1%	54.5%	54.6%	
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 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%	535,538	783	655,424	2,931	270	6,401	1,201,347	-
20%	-	956,052	363,673	-	-	636	1,320,361	264,071
35%	-	-	-	-	60,335	-	60,335	21,117
50%	-	103,768	536,976	21,358	7,197	3,354	672,653	336,327
75%	-	-	-	9,038	-	-	9,038	6,779
100%	-	-	1,542,815	69,847	340	12,134	1,625,136	1,625,136
Total Exposures	535,538	1,060,603	3,098,888	103,174	68,142	22,525	4,888,870	2,253,430
Risk-Weighted Assets by Exposures	-	243,094	1,884,038	87,305	25,056	13,937	2,253,430	
Average Risk Weight	0.0%	22.9%	60.8%	84.6%	36.8%	61.9%	46.1%	
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 RM17.2 million for the three months ended 31 March 2017, an increase of RM3.3 million compared against previous corresponding period in 2016. The interest income from loan achieved at RM 27.73 million and increased by RM 4.4 million or 19% compared to previous corresponding period. Total loan interest income accounted for 54% of total revenue of the bank, which declined by 6% compared to the previous corresponding period. Interest income from inter-bank business registered at RM 7.2 million and increased by RM 3.0 million or 71.3% compared to previous corresponding period, and accounted for 14% of total revenue against 11% in previous corresponding period. Interest income from securities investment was RM 1.3 million and increased by RM 0.4 million or 43.7%, which slightly increased its share in total revenue. There was a 4% increase in the contribution to total income from Non-Credit-Assets. Non-Interest Income achieved at RM15.29 million, increased by RM 5.1 million or 50.7% compared to previous corresponding period.

Other operating expenses increased by RM0.9 million as compared to previous corresponding period mainly attributed to increase in personnel cost by RM1.7 million. However, it was partially offset with lower promotion and marketing related expenses as well as establishment cost by RM0.8 million.

As at 31 March 2017, the Bank's total assets grew by 7.4% to RM4.4 billion since last financial period ending 31 December 2016, mainly due to loan portfolio growth by 13.2% or RM0.3 billion during the financial period. Deposits from customers also grew from RM2.8 billion to RM3.1 billion, mainly attributed by increase in demand deposits.

29. Business prospects

The World Bank and International Monetary Fund forecasted the global economy to grow at 2.7% and 3.4%, respectively, in 2017. Among the factors to weigh on global growth include subdued outlook for advanced economies due to the uncertain monetary and trade policies direction of United States, and sharper-than-expected slowdown in major emerging and developing 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 revitalisation of the growth momentum.

As a trade-oriented nation, Malaysia has fairly diversified its economy with service sector accounted for 55% and manufacturing sector contributed 23% of the nation's GDP in 2016. Considering the fundamentals are to remain intact, Malaysia's economy is expected to grow within the range of 4.0% to 4.5% in 2017, as compared to 4.2% growth registered in 2016. 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.

The Bank will remain prudent and focus on its long term strategic objectives, aim 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 network 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.