

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 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 3rd quarter and nine month ended 30 September 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: 27 October 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 SEPTEMBER 2016**

	Note	30 Sept 2016 RM'000	31 Dec 2015 RM'000
ASSETS			
Cash and short-term funds	11	887,892	1,297,823
Deposits and placements with banks and other financial institutions	12	250,000	2,314
Financial investments available-for-sale	13	75,429	202,568
Loans, advances and financing	14	2,457,631	2,528,388
Derivative financial assets	15	6,046	7,555
Other assets	16	4,097	4,684
Statutory deposits with Bank Negara Malaysia		28,500	22,460
Plant and equipment		4,383	3,875
Intangible asset		433	824
Deferred tax assets		3,434	4,058
TOTAL ASSETS		3,717,845	4,074,549
LIABILITIES			
Deposits from customers	17	2,840,920	3,310,848
Deposits and placements of banks and other financial institutions	18	374,541	298,755
Derivative financial liabilities	15	6,006	6,965
Other liabilities	19	48,608	41,616
Provision for taxation		5,224	2,824
TOTAL LIABILITIES		3,275,299	3,661,008
EQUITY			
Share capital		331,000	331,000
Reserves		111,546	82,541
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		442,546	413,541
TOTAL LIABILITIES AND EQUITY		3,717,845	4,074,549
COMMITMENTS AND CONTINGENCIES	27	2,789,834	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 27 October 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 SEPTEMBER 2016

	Note	3rd quarter ended		Year-To-Date ended	
		30 Sept 2016 RM'000	30 Sept 2015 RM'000	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Interest income	20	27,878	35,902	82,783	92,340
Interest expense	21	(11,550)	(15,235)	(31,669)	(41,093)
Net interest income		16,328	20,667	51,114	51,247
Net fee income	22	3,658	3,715	10,600	9,790
Net trading income	23	7,353	9,934	19,164	16,653
Other operating income	24	-	-	720	-
Net operating income		27,339	34,316	81,598	77,690
Other operating expenses	25	(14,468)	(17,792)	(46,722)	(39,859)
Operating profit		12,871	16,524	34,876	37,831
Allowance for impairment on loans, advances and financing	26	(107)	(4,994)	3,884	(5,571)
Profit before taxation		12,764	11,530	38,760	32,260
Tax expense		(3,594)	(4,388)	(11,732)	(9,595)
Profit for the period		9,170	7,142	27,028	22,665
Other comprehensive income/(expenses) for the period, net of tax					
Fair value reserve					
- Net changes in fair value		47	(654)	2,601	(869)
- Deferred tax adjustment		(11)	179	(624)	233
Total other comprehensive income for the period		36	(475)	1,977	(636)
Total comprehensive income for the period		9,206	6,667	29,005	22,029
Basic earnings per ordinary share (sen):		2.77	2.16	8.17	6.85

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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 SEPTEMBER 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
			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	-	-	-	-	22,665	22,665
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	(869)	-	-	(869)
- Deferred tax adjustment	-	-	233	-	-	233
Total other comprehensive expenses for the period	-	-	(636)	-	-	(636)
Total comprehensive income for the period	-	-	(636)	-	22,665	22,029
Transfer to regulatory reserve	-	-	-	3,257	(3,257)	-
At 30 September 2015	331,000	26,227	(914)	14,308	37,754	408,375
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	-	-	-	-	27,028	27,028
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	2,601	-	-	2,601
- Deferred tax adjustment	-	-	(624)	-	-	(624)
Total other comprehensive income for the period	-	-	1,977	-	-	1,977
Total comprehensive income for the period	-	-	1,977	-	27,028	29,005
Transfer to regulatory reserve	-	-	-	2,989	(2,989)	-
At 30 September 2016	331,000	40,392	564	16,151	54,439	442,546

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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 SEPTEMBER 2016

	Note	30 Sept 2016 RM'000	30 Sept 2015 RM'000
Cash flows generated from operating activities			
Profit before taxation		38,760	32,260
Adjustments for:			
Depreciation of plant and equipment		1,617	1,578
Amortisation of intangible asset		391	390
Allowance for impairment on loans, advances and financing		(3,884)	5,571
Net unrealised gains arising from derivative trading		550	3,214
Gain on disposal of financial investments available-for-sale		(658)	-
Accretion of discounts net of amortisation of premiums on financial investments available-for-sale		(143)	(2,568)
Operating profit before working capital changes		36,633	40,445
(Increase)/Decrease in operating assets			
Deposits and placements with banks and other financial institutions		(247,686)	(129,152)
Loans, advances and financing		74,641	(367,029)
Other assets		730	6,235
Statutory deposits with Bank Negara Malaysia		(6,040)	(7,176)
(Decrease)/Increase in operating liabilities			
Deposits from customers		(469,928)	933,001
Deposits and placements of banks and other financial institutions		75,786	125,789
Other liabilities		6,992	123,963
Cash (used in)/from operations		(528,872)	726,076
Income taxes paid		(9,332)	(6,638)
Net cash (used in)/from operating activities		(538,204)	719,438
Cash flows from/(used in) investing activities			
Purchase of plant and equipment		(2,125)	(391)
Net proceeds of financial investments available-for-sale		130,398	(156,138)
Net cash from/(used in) investing activities		128,273	(156,529)
Net (decrease)/increase in cash and cash equivalents		(409,931)	562,909
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		887,892	2,202,404
Cash and cash equivalents comprise:			
Cash and short-term funds	11	887,892	2,202,404

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 27 October 2016.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 SEPTEMBER 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 3rd quarter and nine months ended 30 September 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 2017

Amendments to MFRS 107, *Statement of Cash Flows – Disclosure Initiative*
Amendments to MFRS 112, *Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses*

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 for annual periods beginning on or after 1 January 2019

MFRS 16, *Leases*

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 2017 for those amendments that are effective for annual periods beginning on or after 1 January 2017.
- from the annual period beginning on 1 January 2018 for those standards that are effective for annual periods beginning on or after 1 January 2018.
- from the annual period beginning on 1 January 2019 for those standards that are 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 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.

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*.

Given the timing of release of the standard, the Bank have not yet assess the potential impact of 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 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 3rd quarter and nine months ended 30 September 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 3rd quarter and nine months ended 30 September 2016.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the 3rd quarter and nine months ended 30 September 2016.

8. Dividend Paid

No dividend was paid during the 3rd quarter and nine months ended 30 September 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. Authorised share capital

The shareholder had, on 5 September 2016, approved the increase in the authorised share capital of the Bank from RM380,000,000.00 to RM1,000,000,000.00 comprising 1,000,000,000 ordinary shares of RM1.00 each by the creation of an additional 620,000,000 ordinary shares of RM1.00 each

11. Cash and short-term funds

	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
Cash and balances with banks and other financial institutions	54,471	326,271
Money at call and deposit placements maturing within one month	833,421	971,552
	887,892	1,297,823

12. Deposits and placements with banks and other financial institutions

	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
Bank Negara Malaysia	250,000	-
Foreign banks	-	2,314
	250,000	2,314

13. Financial investments available-for-sale

	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
At fair value		
Malaysian Government Securities	70,434	70,553
Financial Institutions Securities	-	127,042
Private debt securities	4,995	4,973
	75,429	202,568

	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
The maturity structure of financial investments available-for-sale are as follows:		
Within one year	55,235	127,042
More than one years to three years	-	55,668
More than three years to five years	20,194	19,858
	75,429	202,568

14. Loans, advances and financing

	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	98,676	165,405
Term loans		
- Housing loans	53,088	47,605
- Syndicated term loans	167,047	178,456
- Other term loans	551,831	567,547
Bills receivable	9,153	33,810
Trust receipt	1,973	-
Revolving credit	1,489,566	1,459,748
Bankers' acceptances	97,204	91,605
Staff loans	2,547	2,118
Credit card loans	2,129	1,561
Gross loans, advances and financing	2,473,214	2,547,855
Less: Allowance for impairment		
- Collective allowance for impairment	(13,503)	(17,387)
- Individual allowance for impairment	(2,080)	(2,080)
Net loans, advances and financing	2,457,631	2,528,388

14. Loans, advances and financing (continued)

(ii) By type of customer	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
Domestic banking institutions	78,009	-
Domestic non-bank financial institutions		
- Others	100,160	20,042
Domestic business enterprises		
- Small medium enterprises	63,504	70,827
- Others	1,399,985	1,468,940
Individuals	47,310	43,628
Foreign entities	784,246	944,418
	<u>2,473,214</u>	<u>2,547,855</u>
(iii) By interest rate sensitivity	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
Fixed rate loans	4,676	18,944
Variable rate		
- Base rate/base lending rate plus	115,481	116,754
- Cost plus	2,213,155	1,070,516
- Other variable rates	139,902	1,341,641
	<u>2,473,214</u>	<u>2,547,855</u>
(iv) By sector	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
Primary agriculture	72,264	49,297
Manufacturing	123,620	136,688
Electricity, gas and water	165,751	-
Construction	120,558	122,614
Real estate	232,695	363,146
Wholesale & retail trade and restaurants & hotels	555,138	760,497
Transport, storage and communication	495,199	533,691
Finance, insurance and business services	462,023	397,736
Education, health and others	171,164	114,728
Household	74,802	69,458
	<u>2,473,214</u>	<u>2,547,855</u>
(v) By purpose	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
Purchase of landed properties		
- Non residential	185,095	125,610
- Residential	55,067	49,107
Purchase of transport vehicles	74	113
Construction	20,053	9,099
Credit card	2,129	1,561
Personal use	712	863
Mergers and acquisitions	167,819	2,147
Working capital	2,020,467	2,335,892
Other purpose	21,798	23,463
	<u>2,473,214</u>	<u>2,547,855</u>
(vi) By geographical distribution	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
Within Malaysia	1,900,979	1,634,748
Outside Malaysia	572,235	913,107
	<u>2,473,214</u>	<u>2,547,855</u>

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

14. Loans, advances and financing (continued)

(vii) By residual contractual maturity	30 Sept 2016 RM'000	31 Dec 2015 RM'000
Maturity within one year	1,828,990	1,770,401
More than one year to three years	419,918	452,935
More than three years to five years	106,277	211,844
More than five years	118,029	112,675
	<u>2,473,214</u>	<u>2,547,855</u>
 (viii) Impaired loans, advances and financing		
(a) Movement in impaired loans, advances and financing	30 Sept 2016 RM'000	31 Dec 2015 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	<u>-</u>	<u>-</u>
As % of gross loans, advances and financing (net of individual allowance for impairment)	<u>0%</u>	<u>0%</u>
 (b) By sector		
	30 Sept 2016 RM'000	31 Dec 2015 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 Sept 2016 RM'000	31 Dec 2015 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 Sept 2016 RM'000	31 Dec 2015 RM'000
Within Malaysia	<u>2,080</u>	<u>2,080</u>
 (ix) Movements in allowance for impairment on loans, advances and financing		
	30 Sept 2016 RM'000	31 Dec 2015 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	2,546	9,199
Allowance written back during the financial period/year	(6,430)	(3,001)
At end of the financial period/year	<u>13,503</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>

15. Derivatives financial assets/liabilities

	30 Sept 2016		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	451,452	5,785	5,712
- Currency swaps	221,187	261	294
Total recognised derivatives assets/liabilities (Note 27)	<u>672,639</u>	<u>6,046</u>	<u>6,006</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>

16. Other assets

	30 Sept 2016 RM'000	31 Dec 2015 RM'000
Interest receivable	1,163	1,536
Deposits	1,869	1,924
Other receivables and prepayments	1,065	1,224
	<u>4,097</u>	<u>4,684</u>

17. Deposits from customers

(i) By type of deposit	30 Sept 2016 RM'000	31 Dec 2015 RM'000
Demand deposits	1,003,645	1,166,923
Fixed deposits	581,434	638,283
Savings deposits	118,995	101,741
Money market deposits	1,098,431	1,356,784
Short-term deposits	-	19,424
Other deposits	38,415	27,693
	<u>2,840,920</u>	<u>3,310,848</u>

(ii) By type of customer	30 Sept 2016 RM'000	31 Dec 2015 RM'000
Business enterprises	1,632,954	2,203,566
Individuals	280,754	193,067
Foreign entities	926,419	913,380
Others	793	835
	<u>2,840,920</u>	<u>3,310,848</u>

(iii) By maturity structure of term deposit	30 Sept 2016 RM'000	31 Dec 2015 RM'000
Due within six months	2,744,931	2,550,783
More than six months to one year	85,469	757,345
More than one year to three years	10,520	2,720
	<u>2,840,920</u>	<u>3,310,848</u>

18. Deposits and placements of banks and other financial institutions	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
Licensed Malaysian banks	16,967	179,730
Licensed Investment banks	86	43
Licensed Islamic banks	318	157
Other financial institutions	284,445	105,174
Foreign banks	72,725	13,651
	374,541	298,755

19. Other liabilities	30 Sept 2016	31 Dec 2015
	RM'000	RM'000
Interest payable	8,466	7,068
Other payables and accruals	40,142	34,548
	48,608	41,616

20. Interest income	3rd quarter ended		Year-To-Date ended	
	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:	22,952	23,401	68,794	61,099
Money at call and deposit placements with financial institutions	4,263	9,943	11,708	27,023
Investment securities available-for-sale	663	2,550	2,239	4,201
Others	-	8	42	17
	27,878	35,902	82,783	92,340

21. Interest expense				
Deposits and placements of banks and other financial institutions	(2,845)	(6,945)	(5,504)	(15,384)
Deposits from customers	(8,701)	(8,281)	(26,154)	(25,689)
Others	(4)	(9)	(11)	(20)
	(11,550)	(15,235)	(31,669)	(41,093)
Net interest income	16,328	20,667	51,114	51,247

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

22. Fee income	3rd quarter ended		Year-To-Date ended	
	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Commission	7	3	28	36
- Service charges and fees	450	490	1,525	1,295
- Loan processing fees	195	508	895	604
- Syndication fees	-	432	983	1,184
- Guarantee fees	1,876	827	3,787	2,613
- Commitment fees	161	133	457	543
- Other loans related fees income	16	109	23	190
- Credit card	112	91	299	228
- Other fees income	851	1,245	2,655	3,247
	3,668	3,838	10,652	9,940
Fee expense:				
- Brokerage fees	(2)	(6)	(15)	(14)
- Other fees expense	(8)	(117)	(37)	(136)
	(10)	(123)	(52)	(150)
Net fee income	3,658	3,715	10,600	9,790

23. Net trading income

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015
	RM'000	RM'000	RM'000	RM'000
Net gains/(losses) from dealing in foreign exchange	1,915	(11,292)	20,198	(10,759)
Net gains/(losses) arising from derivative trading	6,656	20,997	(752)	27,332
Net unrealised revaluation gain in foreign exchange	441	3,495	268	3,294
Net unrealised losses arising from derivative trading	(1,659)	(3,266)	(550)	(3,214)
	7,353	9,934	19,164	16,653

24. Other operating income

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015
	RM'000	RM'000	RM'000	RM'000
Gain on disposal:				
- Financial investments available-for-sale	-	-	658	-
Others	-	-	62	-
	-	-	720	-

25. Other operating expenses

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries, allowances and bonuses	7,559	11,482	25,507	22,248
- Pension fund contributions	772	636	2,254	1,862
- Other staff costs	1,181	1,018	3,743	2,979
Promotion and marketing related expenses:				
- Advertising and promotion	191	490	1,498	1,409
- Others	210	263	571	872
Establishment costs:				
- Depreciation of plant and equipment	503	523	1,617	1,578
- Amortisation of intangible asset	131	130	391	390
- Rental	1,549	1,387	4,409	3,543
- Others	548	388	1,486	946
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	46	21	119	94
• audit related services	52	49	106	94
- Professional fees	111	253	558	612
- License fee	77	48	231	143
- Membership fee	75	64	172	93
- Others	1,463	1,040	4,060	2,996
	14,468	17,792	46,722	39,859

26. Allowance for impairment on loans, advances and financing

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2016	30 Sept 2015	30 Sept 2016	30 Sept 2015
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- made during the financial period	1,083	5,138	2,546	7,342
- written back during the financial period	(976)	(144)	(6,430)	(1,771)
Individual allowance for impairment				
- made during the financial period	5	-	5	-
- written back during the financial period	(5)	-	(5)	-
	107	4,994	(3,884)	5,571

27. Commitments and contingencies

The commitments and contingencies constitute the following:

	30 Sept 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>				
Transaction-related contingent items	934,806	-	467,403	313,805
Short term self-liquidating trade-related contingencies	6,295	-	1,259	903
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	113,436	-	56,718	48,659
- Not exceeding one year	1,030,242	-	206,048	170,871
Unutilised credit card lines	32,650	-	6,530	4,898
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	672,405	6,046	13,565	4,755
Total	2,789,834	6,046	751,523	543,891

Note 15

^ 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 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>				
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 15

^ 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 Sept 2016	31 Dec 2015
	RM'000	RM'000
Common Equity Tier 1 (“CET1”) Capital		
Paid-up share capital	331,000	331,000
Retained earnings	27,411	30,400
Statutory reserve	40,392	40,392
Regulatory reserve	16,151	13,162
Unrealised gains/(losses) on financial investments available-for-sale	564	(1,413)
	415,518	413,541
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(433)	(824)
- Deferred tax assets	(3,434)	(4,058)
- 55% cumulative gains of financial investments available-for-sale	(310)	-
- Regulatory reserve attributable to loans, advances and financing	(16,151)	(13,162)
	(20,328)	(18,044)
Total CET1 Capital	395,190	395,497
Tier 2 capital		
Collective impairment allowance	13,503	17,387
Regulatory reserve	16,151	13,162
Total Tier 2 Capital	29,654	30,549
Total Capital	424,844	426,046
CET1 capital ratio	16.935%	15.675%
Tier 1 capital ratio	16.935%	15.675%
Total capital ratio	18.206%	16.886%

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

	30 Sept 2016		31 Dec 2015	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	4,473,391	2,146,524	4,869,479	2,363,908
Total RWA for market risk	-	2,438	-	894
Total RWA for operational risk	-	184,549	-	158,249
	4,473,391	2,333,511	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 Sept 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	635,782	635,782	-	-
Banks, Development Financial Institutions and MDBs	672,860	672,860	157,384	12,591
Corporates	2,257,311	2,257,311	1,343,554	107,484
Regulatory Retail	85,248	85,248	72,195	5,776
Residential Mortgages	55,561	55,561	20,587	1,647
Other Assets	15,106	15,106	8,913	713
Total On-Balance Sheet Exposures	3,721,868	3,721,868	1,602,633	128,211
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	737,958	737,958	539,136	43,131
OTC derivatives	13,565	13,565	4,755	380
Total Off-Balance Sheet Exposures	751,523	751,523	543,891	43,511
Total On and Off-Balance Sheet Exposures	4,473,391	4,473,391	2,146,524	171,722
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long position</u>	<u>Short position</u>		
Foreign currency risk	1,064	2,438	2,438	195
<i>Operational Risk</i>				
	-	-	-	
Total RWA and Capital Requirements			2,333,511	186,681

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

27. Capital adequacy (continued)

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

30 Sept 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%	635,782	2,953	529,899	3,314	270	6,192	1,178,410	-
20%	-	591,899	368,885	-	-	7,256	968,040	193,608
35%	-	-	-	-	59,170	-	59,170	20,710
50%	-	78,008	552,551	21,612	8,607	6,011	666,789	333,395
75%	-	-	-	8,681	-	-	8,681	6,511
100%	-	-	1,491,411	91,336	342	9,212	1,592,301	1,592,300
Total Exposures	635,782	672,860	2,942,746	124,943	68,389	28,671	4,473,391	2,146,524
Risk-Weighted Assets by Exposures	-	157,384	1,841,463	108,653	25,355	13,669	2,146,524	
Average Risk Weight	0.0%	23.4%	62.6%	87.0%	37.1%	47.7%	48.0%	
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

29. Performance review

The Bank registered a profit before taxation of RM38.8 million for the nine months ended 30 September 2016. The increase of RM6.5 million or 20.2% 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 RM3.9 million or 5.0% million, mainly due to increase in net fee income and net trading income by RM3.3 million or 23.4% comparing previous corresponding period. Lower allowance for impairment on loan advances and financing by RM9.5 million during the financial period mainly resulted by maturity of low grade corporate loans. Other operating expenses increased by RM6.9 million as compared to previous correspondence period mainly attributed to higher personnel cost.

As at 30 September 2016, the Bank's total assets stood at RM3.7 billion; which decreased by RM0.4 billion or 8.8% 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 as well as banks and other financial institutions of RM0.4 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 55% and manufacturing sector contributed 24% 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 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.