

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 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 half year ended 30 June 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 July 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 30 JUNE 2017**

	Note	30 Jun 2017 RM'000	31 Dec 2016 RM'000
ASSETS			
Cash and short-term funds	10	828,465	954,456
Deposits and placements with banks and other financial institutions	11	191,468	288,047
Financial investments available-for-sale	12	290,945	169,946
Loans, advances and financing	13	3,003,664	2,620,187
Derivative financial assets	14	2,091	2,529
Other assets	15	7,834	7,278
Statutory deposits with Bank Negara Malaysia		13,706	10,580
Plant and equipment		3,788	4,523
Intangible asset		44	304
Deferred tax assets		5,781	5,835
TOTAL ASSETS		4,347,786	4,063,685
LIABILITIES			
Deposits from customers	16	3,097,135	2,782,198
Deposits and placements of banks and other financial institutions	17	178,460	256,640
Derivative financial liabilities	14	799	2,247
Other liabilities	18	91,684	69,888
Provision for taxation		5,435	3,080
TOTAL LIABILITIES		3,373,513	3,114,053
EQUITY			
Share capital		832,609	832,609
Reserves		141,664	117,023
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		974,273	949,632
TOTAL LIABILITIES AND EQUITY		4,347,786	4,063,685
COMMITMENTS AND CONTINGENCIES	27	2,831,582	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 17 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 27 July 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 30 JUNE 2017

	Note	2nd quarter ended		Year-To-Date ended	
		30 Jun 2017 RM'000	30 Jun 2016 RM'000	30 Jun 2017 RM'000	30 Jun 2016 RM'000
Interest income	19	39,203	26,469	75,415	54,905
Interest expense	20	(10,179)	(9,796)	(21,368)	(20,119)
Net interest income		29,024	16,673	54,047	34,786
Net fee income	21	3,864	3,637	12,163	6,942
Net trading income	22	5,647	5,642	12,536	11,811
Other operating income	23	41	15	41	720
Net operating income		38,576	25,967	78,787	54,259
Other operating expenses	24	(18,554)	(15,499)	(36,213)	(32,254)
Operating profit		20,022	10,468	42,574	22,005
(Allowance for)/write back of impairment on loans, advances and financing	25	(3,521)	1,615	(8,900)	3,991
Profit before taxation		16,501	12,083	33,674	25,996
Tax expense		(4,732)	(3,751)	(9,207)	(8,138)
Profit for the period		11,769	8,332	24,467	17,858
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value		338	(28)	239	2,554
- Amount transferred to profit or loss		-	-	(11)	-
- Deferred tax adjustment		(80)	7	(54)	(613)
Total other comprehensive income/(expenses) for the period		258	(21)	174	1,941
Total comprehensive income for the period		12,027	8,311	24,641	19,799
Basic earnings per ordinary share (sen):		1.41	2.52	2.94	5.40

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Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Share Capital RM'000	Non-distributable Statutory Reserve RM'000	Available- for-sale Reserve RM'000	Regulatory Reserve RM'000	Distributable Retained Earnings RM'000	Total Equity RM'000
At 1 January 2016	331,000	40,392	(1,413)	13,162	30,400	413,541
Total comprehensive income for the period						
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	2,554	-	-	2,554
- Deferred tax adjustment	-	-	(613)	-	-	(613)
Total other comprehensive income for the period	-	-	1,941	-	-	1,941
Profit for the period	-	-	-	-	17,858	17,858
Total comprehensive income for the period	-	-	1,941	-	17,858	19,799
Transfer to regulatory reserve	-	-	-	3,246	(3,246)	-
At 30 June 2016	331,000	40,392	528	16,408	45,012	433,340
At 1 January 2017	832,609	57,213	(573)	17,644	42,739	949,632
Total comprehensive income for the period						
Other comprehensive income for the period, net of tax						
Fair value reserve						
- Net changes in fair value	-	-	239	-	-	239
- Amount transferred to profit or loss	-	-	(11)	-	-	(11)
- Deferred tax adjustment	-	-	(54)	-	-	(54)
Total other comprehensive income for the period	-	-	174	-	-	174
Profit for the period	-	-	-	-	24,467	24,467
Total comprehensive income for the period	-	-	174	-	24,467	24,641
At 30 June 2017	832,609	57,213	(399)	17,644	67,206	974,273

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Industrial and Commercial Bank of China (Malaysia) Berhad

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(Company No. 839839 M)

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2017

	Note	30 Jun 2017 RM'000	30 Jun 2016 RM'000
Cash flows generated from operating activities			
Profit before taxation		33,674	25,996
Adjustments for:			
Depreciation of plant and equipment		1,019	1,114
Amortisation of intangible asset		260	260
Allowance for/(write back of) impairment on loans, advances and financing		8,900	(3,991)
Net unrealised gains arising from derivative trading		(1,010)	(1,109)
Gain on disposal of financial investments available-for-sale		-	(658)
Accretion of discounts net of amortisation of premiums on financial investments available-for-sale		92	(220)
Operating profit before working capital changes		<u>42,935</u>	21,392
Changes in operating assets			
Deposits and placements with banks and other financial institutions		96,579	2,314
Loans, advances and financing		(392,377)	62,054
Other assets		(556)	307
Statutory deposits with Bank Negara Malaysia		(3,126)	1,360
Changes in operating liabilities			
Deposits from customers		314,937	(640,673)
Deposits and placements of banks and other financial institutions		(78,180)	13,723
Other liabilities		21,796	370
Cash generated from/(used in) operations		<u>2,008</u>	(539,153)
Income taxes paid		<u>(6,852)</u>	(5,728)
Net cash used in operating activities		<u>(4,844)</u>	(544,881)
Cash flows (used in)/ from investing activities			
Purchase of plant and equipment		(284)	(1,742)
Net proceeds of financial investments available-for-sale		<u>(120,863)</u>	130,359
Net cash (used in)/from investing activities		<u>(121,147)</u>	128,617
Net decrease in cash and cash equivalents		(125,991)	(416,264)
Cash and cash equivalents at beginning of the financial period		<u>954,456</u>	<u>1,297,823</u>
Cash and cash equivalents at end of the financial period		<u><u>828,465</u></u>	<u><u>881,559</u></u>
Cash and cash equivalents comprise:			
Cash and short-term funds	10	<u><u>828,465</u></u>	<u><u>881,559</u></u>

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 17 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 27 July 2017.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 JUNE 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 half year ended 30 June 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 half year ended 30 June 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 half year ended 30 June 2017.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the half year ended 30 June 2017.

8. Dividend Paid

No dividend was paid during the half year ended 30 June 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

	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Cash and balances with banks and other financial institutions	43,817	58,102
Money at call and deposit placements maturing within one month	784,648	896,354
	828,465	954,456

11. Deposits and placements with banks and other financial institutions

	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Bank Negara Malaysia	-	60,000
Licensed Malaysian banks	191,468	200,000
Foreign banks	-	28,047
	191,468	288,047

12. Financial investments available-for-sale

	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
At fair value		
Malaysian Government Securities	89,932	90,071
Malaysian Government Investment Issues	161,004	79,875
Cagamas bonds	20,024	-
Private debt securities	19,985	-
	290,945	169,946

	30 Jun 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 one years to three years	24,961	-
More than three years to five years	135,526	119,901
More than five years	130,458	-
	290,945	169,946

13. Loans, advances and financing

	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
At amortised cost		
(i) By type		
Overdrafts	88,821	96,172
Term loans		
- Housing loans	54,665	54,683
- Syndicated term loans	309,502	181,512
- Other term loans	1,366,821	1,058,343
Bills receivable	11,323	14,480
Trust receipt	300	-
Revolving credit	1,085,895	1,137,905
Bankers' acceptances	103,931	87,844
Staff loans	2,804	2,808
Credit card loans	2,453	2,486
Gross loans, advances and financing	3,026,515	2,636,233
Less: Allowance for impairment		
- Collective allowance for impairment	(21,511)	(13,966)
- Individual allowance for impairment	(1,340)	(2,080)
Net loans, advances and financing	3,003,664	2,620,187

13. Loans, advances and financing (continued)

(ii) By type of customer	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Domestic banking institutor	71,001	75,217
Domestic non-bank financial institutions		
- Others	100,180	100,188
Domestic business enterprises		
- Small medium enterprises	58,129	66,850
- Others	1,959,069	1,564,421
Individuals	46,504	47,378
Foreign entities	791,632	782,179
	<u>3,026,515</u>	<u>2,636,233</u>
(iii) By interest rate sensitivity	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Fixed rate loans	6,651	5,294
Variable rate		
- Base rate/base lending rate plus	103,151	112,295
- Cost plus	2,786,399	2,383,145
- Other variable rates	130,314	135,499
	<u>3,026,515</u>	<u>2,636,233</u>
(iv) By sector	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Primary agriculture	78,840	79,535
Manufacturing	795,157	654,048
Electricity, gas and water	68,855	179,819
Construction	169,215	149,366
Real estate	472,389	225,859
Wholesale & retail trade and restaurants & hotels	683,690	547,308
Transport, storage and communication	42,043	46,708
Finance, insurance and business services	467,702	505,574
Education, health and others	171,102	170,962
Household	77,522	77,054
	<u>3,026,515</u>	<u>2,636,233</u>
(v) By purpose	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Purchase of landed properties		
- Non residential	171,386	177,375
- Residential	56,958	56,939
Purchase of transport vehicles	39	62
Construction	42,207	25,847
Credit card	2,453	2,486
Personal use	946	987
Mergers and acquisitions	36,300	179,819
Working capital	2,455,624	2,171,481
Other purpose	260,602	21,237
	<u>3,026,515</u>	<u>2,636,233</u>
(vi) By geographical distribution	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Within Malaysia	2,318,650	2,089,875
Outside Malaysia	707,865	546,358
	<u>3,026,515</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	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Maturity within one year	1,342,916	1,421,086
More than one year to three years	554,176	426,522
More than three years to five years	935,372	652,057
More than five years	194,051	136,568
	<u>3,026,515</u>	<u>2,636,233</u>
(viii) Impaired loans, advances and financing		
(a) Movement in impaired loans, advances and financing	30 Jun 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	1,341	5
Reclassified as non-impaired during the financial period/year	(1)	(5)
Amount written-off during the financial period/year	(2,080)	-
At end of the financial period/year	1,340	2,080
Less: Individual allowance for impairment	(1,340)	(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 Jun 2017	31 Dec 2016
	RM'000	RM'000
Wholesale & retail trade and restaurants & hotels	1,335	2,029
Household	5	51
	<u>1,340</u>	<u>2,080</u>
(c) By purpose	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Working capital	1,335	2,029
Credit card	5	51
	<u>1,340</u>	<u>2,080</u>
(d) By geographical distribution	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Within Malaysia	5	2,080
Outside Malaysia	1,335	-
	<u>1,340</u>	<u>2,080</u>
(ix) Movements in allowance for impairment on loans, advances and financing	30 Jun 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	8,581	3,631
Allowance written back during the financial period/year	(1,036)	(7,052)
At end of the financial period/year	<u>21,511</u>	<u>13,966</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	1,356	5
Allowance write back during the financial period/year	(1)	(5)
Amount written-off during the financial period/year	(2,080)	-
Exchange differences	(15)	-
At end of the financial period/year	<u>1,340</u>	<u>2,080</u>

14. Derivatives financial assets/liabilities

	30 Jun 2017		
	Contract/ Nominal value RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange contracts			
- Currency forwards and spots	636,534	840	799
- Currency swaps	<u>72,727</u>	<u>1,251</u>	<u>-</u>
Total recognised derivatives assets/liabilities (Note 27)	<u><u>709,261</u></u>	<u><u>2,091</u></u>	<u><u>799</u></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	<u>23,046</u>	<u>258</u>	<u>-</u>
Total recognised derivatives assets/liabilities (Note 27)	<u><u>153,340</u></u>	<u><u>2,529</u></u>	<u><u>2,247</u></u>

15. Other assets

	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Interest receivable	4,745	4,653
Deposits	2,246	1,890
Other receivables and prepayments	843	735
	<u>7,834</u>	<u>7,278</u>

16. Deposits from customers

(i) By type of deposit	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Demand deposits	737,108	808,759
Fixed deposits	962,985	517,921
Savings deposits	142,565	129,959
Money market deposits	1,213,458	1,282,204
Other deposits	41,019	43,355
	<u>3,097,135</u>	<u>2,782,198</u>

(ii) By type of customer	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Business enterprises	1,544,534	1,298,516
Individuals	259,494	272,448
Foreign entities	1,292,364	1,210,501
Others	743	733
	<u>3,097,135</u>	<u>2,782,198</u>

(iii) By maturity structure of term deposit	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Due within six months	2,919,183	2,665,449
More than six months to one year	174,762	99,891
More than one year to three years	3,190	16,858
	<u>3,097,135</u>	<u>2,782,198</u>

17. Deposits and placements of banks and other financial institutions

	30 Jun 2017 RM'000	31 Dec 2016 RM'000
Licensed Malaysian banks	59,406	25,251
Licensed Investment banks	102	147
Licensed Islamic banks	11,184	1,499
Other financial institutions	47,463	216,181
Foreign banks	60,305	13,562
	<u>178,460</u>	<u>256,640</u>

18. Other liabilities	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Interest payable	6,547	8,139
Other payables and accruals	85,137	61,749
	91,684	69,888

19. Interest income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:	31,029	22,528	58,756	45,842
Money at call and deposit placements with financial institutions	6,631	3,262	13,795	7,445
Investment securities available-for-sale	1,536	659	2,854	1,576
Others	7	20	10	42
	39,203	26,469	75,415	54,905

20. Interest expense				
Deposits and placements of banks and other financial institutions	(668)	(1,442)	(2,205)	(2,659)
Deposits from customers	(9,510)	(8,351)	(19,161)	(17,453)
Others	(1)	(3)	(2)	(7)
	(10,179)	(9,796)	(21,368)	(20,119)
Net interest income	29,024	16,673	54,047	34,786

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

21. Fee income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Commission	5	8	9	21
- Service charges and fees	543	608	1,211	1,262
- Loan processing fees	838	127	1,346	700
- Syndication fees	-	983	3,277	983
- Guarantee fees	1,074	915	2,013	1,911
- Commitment fees	698	142	916	296
- Other loans related fees income	29	4	33	7
- Other fees income	771	881	3,554	1,804
	3,958	3,668	12,359	6,984
Fee expense:				
- Brokerage fees	(6)	(7)	(16)	(13)
- Other fees expense	(88)	(24)	(180)	(29)
	(94)	(31)	(196)	(42)
Net fee income	3,864	3,637	12,163	6,942

22. Net trading income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Net gains from dealing in foreign exchange	8,678	853	14,589	18,283
Net (losses)/gain arising from derivative trading	(1,248)	6,537	(2,734)	(7,408)
Net unrealised revaluation losses in foreign exchange	(393)	(96)	(329)	(173)
Net unrealised (losses)/gains arising from derivative trading	(1,390)	(1,652)	1,010	1,109
	5,647	5,642	12,536	11,811

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
23. Other operating income				
Gain on disposal:				
- Financial investments available-for-sale	-	-	-	658
Others	41	15	41	62
	<u>41</u>	<u>15</u>	<u>41</u>	<u>720</u>

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
24. Other operating expenses				
Personnel costs:				
- Salaries, allowances and bonuses	11,448	8,245	22,802	17,948
- Pension fund contributions	730	782	1,452	1,482
- Other staff costs	1,939	1,473	3,068	2,562
Promotion and marketing related expenses:				
- Advertising and promotion	76	446	283	1,307
- Others	112	173	225	361
Establishment costs:				
- Depreciation of plant and equipment	511	550	1,019	1,114
- Amortisation of intangible asset	130	129	260	260
- Rental	1,352	1,448	2,751	2,860
- Others	486	484	903	938
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	79	37	147	73
• audit related services	24	32	48	54
- Professional fees	167	317	291	447
- License fee	77	77	154	154
- Membership fee	33	66	63	97
- Others	1,390	1,240	2,747	2,597
	<u>18,554</u>	<u>15,499</u>	<u>36,213</u>	<u>32,254</u>

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

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2017	30 Jun 2016	30 Jun 2017	30 Jun 2016
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- made during the financial period	2,648	1,101	8,581	1,463
- written back during the financial period	(482)	(2,716)	(1,036)	(5,454)
Individual allowance for impairment				
- made during the financial period	1,356	5	1,356	-
- written back during the financial period	(1)	(5)	(1)	-
	<u>3,521</u>	<u>(1,615)</u>	<u>8,900</u>	<u>(3,991)</u>

26. Credit exposure to connected parties

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

	30 Jun 2017	31 Dec 2016
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>119,061</u>	<u>185,166</u>
As a percentage of total credit exposures	<u>2.34%</u>	<u>3.85%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>0%</u>	<u>0%</u>

27. Commitments and contingencies

The commitments and contingencies constitute the following:

	30 Jun 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	77,283	-	77,283	15,457
Transaction-related contingent items	879,051	-	439,525	300,555
Short term self-liquidating trade-related contingencies	38,099	-	7,620	7,349
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	121,096	-	60,548	49,390
- Not exceeding one year	969,859	-	193,972	163,532
Unutilised credit card lines	36,933	-	7,387	5,540
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	709,261	2,091	11,800	5,775
Total	2,831,582	2,091	798,135	547,598

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 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) of the underlying instruments. The tables above show the Bank's derivative financial instruments as at the respective reporting dates. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at respective reporting dates are as shown above.

* The credit equivalent and risk-weighted amounts are computed using credit conversion factors and risk-weighting rules as per Bank Negara Malaysia ("BNM") guidelines. The credit conversion factors and risk-weighting rules were based on guidelines of the revised Capital Adequacy Framework on the Standardised Approach.

28. Capital adequacy

The total risk-weighted assets of the Bank are computed based on the following approaches:

- (i) Standardised Approach for Credit risk;
- (ii) Standardised Approach for Market risk;
- (iii) Basic Indicator Approach for Operational risk.

The capital adequacy ratios of the Bank are analysed as follows:

	30 Jun 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	(399)	(573)
	949,806	949,632
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Intangible asset	(44)	(304)
- Deferred tax assets	(5,781)	(5,835)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(23,469)	(23,783)
Total CET1 Capital	926,337	925,849
Tier 2 capital		
Collective impairment allowance	21,511	13,966
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	39,155	31,610
Total Capital	965,492	957,459
CET1 capital ratio	29.472%	37.828%
Tier 1 capital ratio	29.472%	37.828%
Total capital ratio	30.718%	39.120%

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

	30 Jun 2017		31 Dec 2016	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	5,159,559	2,924,403	4,888,870	2,253,430
Total RWA for market risk	-	7,660	-	4,797
Total RWA for operational risk	-	211,030	-	189,282
	5,159,559	3,143,093	4,888,870	2,447,509

28. Capital adequacy (continued)

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

Risk Type	30 Jun 2017			
	Gross Exposures	Net Exposures	Risk-Weighted Assets	Capital Requirements
	RM'000	RM'000	RM'000	RM'000
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	355,748	355,748	-	-
Banks, Development Financial Institutions and MDBs	992,723	992,723	219,234	17,539
Corporates	2,868,617	2,868,617	2,069,983	165,599
Regulatory Retail	68,135	68,135	54,674	4,374
Residential Mortgages	57,430	57,430	21,249	1,700
Other Assets	18,771	18,771	11,665	933
Total On-Balance Sheet Exposures	4,361,424	4,361,424	2,376,805	190,145
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	786,335	786,335	541,823	43,346
OTC derivatives	11,800	11,800	5,775	462
Total Off-Balance Sheet Exposures	798,135	798,135	547,598	43,808
Total On and Off-Balance Sheet Exposures	5,159,559	5,159,559	2,924,403	233,953
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	7,660	460	7,660	613
<i>Operational Risk</i>				
	-	-	-	
Total RWA and Capital Requirements			3,143,093	251,448

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

28. 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>				
	Long position	Short position		
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

29. Performance review

The Bank recorded a profit before taxation of RM33.7 million for the half year ended 30 June 2017, an increase of RM7.7 million or 29.5% compared against previous corresponding period in 2016. Net operating income increased by RM24.5 million or 45.2% mainly due to increase in net interest income by RM19.2 million (from RM34.8 million to RM54.0 million) and higher net fee income by RM5.2 million (from RM6.9 million to RM12.2 million), as a result of positive loan growth and contribution from loan related fee income.

Other operating expenses increased by RM4.0 million or 12.3% mainly due to higher personnel cost from RM22 million to RM27.3 million. However, it was partially offset by lower promotion and marketing related expenses which reduced by RM1.2 million. Allowances for losses on loans and financing increased to RM8.9 million, as a result of higher collective impairment which is in line with loans growth of 21.8 % from the previous corresponding period in 2016.

Total assets as at 30 June 2017 were RM4.3 billion, RM0.3 billion or 7.0% up against 31 December 2016. Of which, gross loans, advances and financing stood at RM 3.0 billion, which is RM0.4 billion higher than RM2.6 billion recorded at the start of 2017. The growth was correspondingly funded by the increase in deposits from customers by RM0.3 billion.

30. Business prospects

The World Bank and International Monetary Fund forecasted the global economy to grow at 2.7% and 3.4%, respectively, in 2017. Growth is projected to gain strength in both advanced economies and emerging market and developing economies (EMDEs). Global trade growth has firmed and is expected to outpace GDP growth after two years of marked weakness. The pickup in global trade partly reflects a bottoming out of global investment, which is relatively import-intensive. Global financing conditions remain benign. The projected recovery in EMDEs is largely driven by expectations of diminishing obstacles to activity in commodity exporters. Nevertheless, among the factors to weigh on global growth include the volatility in global financial markets, capital flows, currencies and commodity prices. The spill-over effects of geo-political tensions and significant international events such as BREXIT could also 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 23% of the nation's GDP in 2016. Considering the fundamentals are to remain intact and better-than-expected GDP growth of 5.6% in the first quarter of 2017, Malaysia's economy is expected to grow within the range of 4.5% to 5.0% 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. 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.