

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 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 for the 3rd quarter and nine months ended 30 September 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 the Guidelines on Financial Reporting for Financial Institutions (BNM/RH/STD 032-5) issued by Bank Negara Malaysia in 2015.

WANG QIANG
Chief Executive Officer

Date: 26 October 2017

Industrial and Commercial Bank of China (Malaysia) Berhad

1

(Company No. 839839 M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2017**

| | Note | 30 Sept 2017 RM'000 | 31 Dec 2016 RM'000 |
|--|------|------------------------|-----------------------|
| ASSETS | | | |
| Cash and short-term funds | 10 | 2,018,499 | 954,456 |
| Deposits and placements with banks and other financial institutions | 11 | 160,000 | 288,047 |
| Financial investments available-for-sale | 12 | 403,573 | 169,946 |
| Loans, advances and financing | 13 | 2,902,842 | 2,620,187 |
| Derivative financial assets | 14 | 6,109 | 2,529 |
| Other assets | 15 | 8,791 | 7,278 |
| Statutory deposits with Bank Negara Malaysia | | 17,271 | 10,580 |
| Plant and equipment | | 5,417 | 4,523 |
| Intangible asset | | - | 304 |
| Deferred tax assets | | 5,709 | 5,835 |
| TOTAL ASSETS | | 5,528,211 | 4,063,685 |
| LIABILITIES | | | |
| Deposits from customers | 16 | 3,798,687 | 2,782,198 |
| Deposits and placements of banks and other financial institutions | 17 | 613,603 | 256,640 |
| Derivative financial liabilities | 14 | 24,664 | 2,247 |
| Other liabilities | 18 | 95,104 | 69,888 |
| Provision for taxation | | 6,833 | 3,080 |
| TOTAL LIABILITIES | | 4,538,891 | 3,114,053 |
| EQUITY | | | |
| Share capital | | 832,609 | 832,609 |
| Reserves | | 156,711 | 117,023 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK | | 989,320 | 949,632 |
| TOTAL LIABILITIES AND EQUITY | | 5,528,211 | 4,063,685 |
| COMMITMENTS AND CONTINGENCIES | 26 | 3,810,815 | 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 26 October 2017.

Industrial and Commercial Bank of China (Malaysia) Berhad

2

(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 2017

| | Note | 3rd quarter ended | | Year-To-Date ended | |
|--|------|------------------------|------------------------|------------------------|------------------------|
| | | 30 Sept 2017 RM'000 | 30 Sept 2016 RM'000 | 30 Sept 2017 RM'000 | 30 Sept 2016 RM'000 |
| Interest income | 19 | 43,185 | 27,878 | 118,600 | 82,783 |
| Interest expense | 20 | (11,354) | (11,550) | (32,722) | (31,669) |
| Net interest income | | 31,831 | 16,328 | 85,878 | 51,114 |
| Net fee income | 21 | 5,005 | 3,658 | 17,168 | 10,600 |
| Net trading income | 22 | 6,574 | 7,353 | 19,110 | 19,164 |
| Other operating income | 23 | 60 | - | 101 | 720 |
| Net operating income | | 43,470 | 27,339 | 122,257 | 81,598 |
| Other operating expenses | 24 | (21,476) | (14,468) | (57,689) | (46,722) |
| Operating profit | | 21,994 | 12,871 | 64,568 | 34,876 |
| (Allowance for)/Write back of impairment on loans, advances and financing | 25 | (2,592) | (107) | (11,492) | 3,884 |
| Profit before taxation | | 19,402 | 12,764 | 53,076 | 38,760 |
| Tax expense | | (5,039) | (3,594) | (14,246) | (11,732) |
| Profit for the period | | 14,363 | 9,170 | 38,830 | 27,028 |
| Other comprehensive income for the period, net of tax | | | | | |
| Fair value reserve | | | | | |
| - Net changes in fair value | | 756 | 47 | 995 | 2,601 |
| - Amount transferred to profit or loss | | - | - | (11) | - |
| - Deferred tax adjustment | | (72) | (11) | (126) | (624) |
| Total other comprehensive income for the period | | 684 | 36 | 858 | 1,977 |
| Total comprehensive income for the period | | 15,047 | 9,206 | 39,688 | 29,005 |
| Basic earnings per ordinary share (sen): | | 1.73 | 2.77 | 4.66 | 8.17 |

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 26 October 2017.

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 2017

| | Non-distributable | | | Distributable | | |
|---|-------------------|-------------------|----------------------------|--------------------|-------------------|----------------|
| | Share Capital | Statutory Reserve | Available-for-sale Reserve | Regulatory Reserve | Retained Earnings | Total Equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | 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 | - | - | - | - | 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 |
| 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 | - | - | - | - | 38,830 | 38,830 |
| Other comprehensive income for the period, net of tax | | | | | | |
| Fair value reserve | | | | | | |
| - Net changes in fair value | - | - | 995 | - | - | 995 |
| - Amount transferred to profit or loss | - | - | (11) | - | - | (11) |
| - Deferred tax adjustment | - | - | (126) | - | - | (126) |
| Total other comprehensive income for the period | - | - | 858 | - | - | 858 |
| Total comprehensive income for the period | - | - | 858 | - | 38,830 | 39,688 |
| Transfer to regulatory reserve | - | - | - | - | - | - |
| At 30 September 2017 | 832,609 | 57,213 | 285 | 17,644 | 81,569 | 989,320 |

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.

Industrial and Commercial Bank of China (Malaysia) Berhad

4

(Company No. 839839 M)

(Incorporated in Malaysia)

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

| | Note | 30 Sept 2017 RM'000 | 30 Sept 2016 RM'000 |
|---|------|------------------------|------------------------|
| Cash flows generated from operating activities | | | |
| Profit before taxation | | 53,076 | 38,760 |
| Adjustments for: | | | |
| Depreciation of plant and equipment | | 1,528 | 1,617 |
| Amortisation of intangible asset | | 304 | 391 |
| Allowance for/(Write back of) impairment on loans, advances and financing | | 11,492 | (3,884) |
| Net unrealised gains arising from derivative trading | | 18,837 | 550 |
| Gain on disposal of financial investments available-for-sale | | - | (658) |
| Accretion/(Amortisation) of discounts net of amortisation of premiums on financial investments available-for-sale | | 148 | (143) |
| Operating profit before working capital changes | | 85,385 | 36,633 |
| Changes in operating assets | | | |
| Deposits and placements with banks and other financial institutions | | 128,047 | (247,686) |
| Loans, advances and financing | | (294,147) | 74,641 |
| Other assets | | (1,513) | 730 |
| Statutory deposits with Bank Negara Malaysia | | (6,691) | (6,040) |
| Changes in operating liabilities | | | |
| Deposits from customers | | 1,016,489 | (469,928) |
| Deposits and placements of banks and other financial institutions | | 356,963 | 75,786 |
| Other liabilities | | 25,216 | 6,992 |
| Cash from/(used in) operations | | 1,309,749 | (528,872) |
| Income taxes paid | | (10,493) | (9,332) |
| Net cash from/ (used in) operating activities | | 1,299,256 | (538,204) |
| Cash flows (used in)/from investing activities | | | |
| Purchase of plant and equipment | | (2,422) | (2,125) |
| Net (purchase)/proceeds of financial investments available-for-sale | | (232,791) | 130,398 |
| Net cash (used in)/ from investing activities | | (235,213) | 128,273 |
| Net increase/(decrease) in cash and cash equivalents | | 1,064,043 | (409,931) |
| Cash and cash equivalents at beginning of the financial period | | 954,456 | 1,297,823 |
| Cash and cash equivalents at end of the financial period | | 2,018,499 | 887,892 |
| Cash and cash equivalents comprise: | | | |
| Cash and short-term funds | 10 | 2,018,499 | 887,892 |

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 26 October 2017.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED
30 SEPTEMBER 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 3rd quarter and nine months ended 30 September 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”) and the Guidelines on Financial Reporting for Financial Institutions (BNM/RH/STD 032-5) issued by Bank Negara Malaysia in 2015.

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 the 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 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 that is effective for annual periods beginning on or after 1 January 2019.

2. Basis of Preparation (continued)

The initial applications of the 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 3rd quarter and nine months ended 30 September 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 3rd quarter and nine months ended 30 September 2017.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the 3rd quarter and nine months ended 30 September 2017.

8. Dividend Paid

No dividend was paid during the 3rd quarter and nine months ended 30 September 2017.

9. Significant Events

There were no material events subsequent to the statement of financial position date that require disclosure in or adjustments to the unaudited condensed interim financial statements.

10. Cash and short-term funds

| | 30 Sept 2017 | 31 Dec 2016 |
|--|-------------------------|----------------|
| | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 37,537 | 58,102 |
| Money at call and deposit placements maturing within one month | <u>1,980,962</u> | <u>896,354</u> |
| | <u>2,018,499</u> | <u>954,456</u> |

11. Deposits and placements with banks and other financial institutions

| | 30 Sept 2017 | 31 Dec 2016 |
|--------------------------|-----------------------|----------------|
| | RM'000 | RM'000 |
| Bank Negara Malaysia | - | 60,000 |
| Licensed Malaysian banks | 160,000 | 200,000 |
| Foreign banks | - | 28,047 |
| | <u>160,000</u> | <u>288,047</u> |

12. Financial investments available-for-sale

| | 30 Sept 2017 | 31 Dec 2016 |
|--|-----------------------|----------------|
| | RM'000 | RM'000 |
| At fair value | | |
| Malaysian Government Securities | 100,334 | 90,071 |
| Malaysian Government Investment Issues | 171,324 | 79,875 |
| Cagamas bonds | 20,029 | - |
| Private debt securities | 111,886 | - |
| | <u>403,573</u> | <u>169,946</u> |

| | 30 Sept 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 | 66,720 | - |
| More than three years to five years | 215,761 | 119,901 |
| More than five years | <u>121,092</u> | <u>-</u> |
| | <u>403,573</u> | <u>169,946</u> |

13. Loans, advances and financing

| | 30 Sept 2017 | 31 Dec 2016 |
|---------------------------------------|-------------------------|------------------|
| | RM'000 | RM'000 |
| At amortised cost | | |
| (i) By type | | |
| Overdrafts | 89,516 | 96,172 |
| Term loans | | |
| - Housing loans | 55,393 | 54,683 |
| - Syndicated term loans | 311,529 | 181,512 |
| - Other term loans | 1,352,633 | 1,058,343 |
| Bills receivable | 3,904 | 14,480 |
| Trust receipts | 460 | - |
| Revolving credits | 1,012,646 | 1,137,905 |
| Bankers' acceptances | 96,055 | 87,844 |
| Staff loans | 2,895 | 2,808 |
| Credit card loans | <u>3,231</u> | <u>2,486</u> |
| Gross loans, advances and financing | 2,928,262 | 2,636,233 |
| Less: Allowance for impairment | | |
| - Collective allowance for impairment | (24,094) | (13,966) |
| - Individual allowance for impairment | <u>(1,326)</u> | <u>(2,080)</u> |
| Net loans, advances and financing | <u>2,902,842</u> | <u>2,620,187</u> |

13. Loans, advances and financing (continued)

| (ii) By type of customer | 30 Sept 2017 | 31 Dec 2016 |
|---|-------------------------|------------------|
| | RM'000 | RM'000 |
| Domestic banking institutions | 66,815 | 75,217 |
| Domestic non-bank financial institutions | | |
| - Others | 100,178 | 100,188 |
| Domestic business enterprises | | |
| - Small medium enterprises | 57,189 | 66,850 |
| - Others | 1,956,821 | 1,564,421 |
| Individuals | 46,858 | 47,378 |
| Foreign entities | 700,401 | 782,179 |
| | <u>2,928,262</u> | <u>2,636,233</u> |
| | | |
| (iii) By interest rate sensitivity | 30 Sept 2017 | 31 Dec 2016 |
| | RM'000 | RM'000 |
| Fixed rate loans | 6,126 | 5,294 |
| Variable rate | | |
| - Base rate/base lending rate plus | 103,080 | 112,295 |
| - Cost plus | 2,689,400 | 2,383,145 |
| - Other variable rates | 129,656 | 135,499 |
| | <u>2,928,262</u> | <u>2,636,233</u> |
| | | |
| (iv) By sector | 30 Sept 2017 | 31 Dec 2016 |
| | RM'000 | RM'000 |
| Primary agriculture | 84,003 | 79,535 |
| Manufacturing | 786,750 | 654,048 |
| Electricity, gas and water | 74,802 | 179,819 |
| Construction | 160,406 | 149,366 |
| Real estate | 472,749 | 225,859 |
| Wholesale & retail trade and restaurants & hotels | 672,510 | 547,308 |
| Transport, storage and communication | 38,801 | 46,708 |
| Finance, insurance and business services | 390,322 | 505,574 |
| Education, health and others | 169,301 | 170,962 |
| Household | 78,618 | 77,054 |
| | <u>2,928,262</u> | <u>2,636,233</u> |
| | | |
| (v) By purpose | 30 Sept 2017 | 31 Dec 2016 |
| | RM'000 | RM'000 |
| Purchase of properties | | |
| - Non residential | 164,160 | 177,375 |
| - Residential | 57,787 | 56,939 |
| Purchase of transport vehicles | 31 | 62 |
| Construction | 51,416 | 25,847 |
| Credit cards | 3,231 | 2,486 |
| Personal use | 922 | 987 |
| Mergers and acquisitions | 36,494 | 179,819 |
| Working capital | 2,329,960 | 2,171,481 |
| Other purposes | 284,261 | 21,237 |
| | <u>2,928,262</u> | <u>2,636,233</u> |
| | | |
| (vi) By geographical distribution | 30 Sept 2017 | 31 Dec 2016 |
| | RM'000 | RM'000 |
| Within Malaysia | 2,314,933 | 2,089,875 |
| Outside Malaysia | 613,329 | 546,358 |
| | <u>2,928,262</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 Sept 2017 | 31 Dec 2016 |
|---|---------------------|--------------------|
| | RM'000 | RM'000 |
| Maturity within one year | 1,353,620 | 1,421,086 |
| More than one year to three years | 424,003 | 426,522 |
| More than three years to five years | 939,268 | 652,057 |
| More than five years | 211,371 | 136,568 |
| | <u>2,928,262</u> | <u>2,636,233</u> |
| | | |
| (viii) Impaired loans, advances and financing | | |
| (a) Movement in impaired loans, advances and financing | 30 Sept 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 | 1,329 | 5 |
| Reclassified as non-impaired during the financial period/year | (3) | (5) |
| Amount written-off during the financial period/year | (2,080) | - |
| At end of the financial period/year | 1,326 | 2,080 |
| Less: Individual allowance for impairment | (1,326) | (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 2017 | 31 Dec 2016 |
| | RM'000 | RM'000 |
| Wholesale & retail trade and restaurants & hotels | 1,313 | 2,029 |
| Household | 13 | 51 |
| | <u>1,326</u> | <u>2,080</u> |
| | | |
| (c) By purpose | 30 Sept 2017 | 31 Dec 2016 |
| | RM'000 | RM'000 |
| Working capital | 1,313 | 2,029 |
| Credit cards | 13 | 51 |
| | <u>1,326</u> | <u>2,080</u> |
| | | |
| (d) By geographical distribution | 30 Sept 2017 | 31 Dec 2016 |
| | RM'000 | RM'000 |
| Within Malaysia | <u>1,326</u> | <u>2,080</u> |
| | | |
| (ix) Movements in allowance for impairment on loans, advances and financing | 30 Sept 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 | 12,408 | 3,631 |
| Allowance written back during the financial period/year | (2,280) | (7,052) |
| At end of the financial period/year | <u>24,094</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 | 1,367 | 5 |
| Allowance write back during the financial period/year | (3) | (5) |
| Amount written-off during the financial period/year | (2,080) | - |
| Exchange differences | (38) | - |
| At end of the financial period/year | <u>1,326</u> | <u>2,080</u> |

14. Derivatives financial assets/liabilities

| | 30 Sept 2017 | | |
|---|---|--------------------------|-------------------------------|
| | Contract/ Nominal value RM'000 | Assets RM'000 | Liabilities RM'000 |
| Foreign exchange contracts | | | |
| - Currency forwards and spots | 740,412 | 5,878 | 5,846 |
| - Currency swaps | 1,004,152 | 231 | 18,818 |
| Total recognised derivatives assets/liabilities (Note 26) | <u>1,744,564</u> | <u>6,109</u> | <u>24,664</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

| | 30 Sept 2017 RM'000 | 31 Dec 2016 RM'000 |
|-----------------------------------|--------------------------------|-------------------------------|
| Interest receivable | 5,978 | 4,653 |
| Deposits | 2,230 | 1,890 |
| Other receivables and prepayments | 583 | 735 |
| | <u>8,791</u> | <u>7,278</u> |

16. Deposits from customers**(i) By type of deposit**

| | 30 Sept 2017 RM'000 | 31 Dec 2016 RM'000 |
|-----------------------|--------------------------------|-------------------------------|
| Demand deposits | 2,223,812 | 808,759 |
| Fixed deposits | 847,612 | 517,921 |
| Savings deposits | 138,659 | 129,959 |
| Money market deposits | 549,140 | 1,282,204 |
| Other deposits | 39,464 | 43,355 |
| | <u>3,798,687</u> | <u>2,782,198</u> |

(ii) By type of customer

| | 30 Sept 2017 RM'000 | 31 Dec 2016 RM'000 |
|----------------------|--------------------------------|-------------------------------|
| Business enterprises | 2,733,186 | 1,298,516 |
| Individuals | 263,545 | 272,448 |
| Foreign entities | 801,237 | 1,210,501 |
| Others | 719 | 733 |
| | <u>3,798,687</u> | <u>2,782,198</u> |

(iii) By maturity structure of term deposit

| | 30 Sept 2017 RM'000 | 31 Dec 2016 RM'000 |
|-----------------------------------|--------------------------------|-------------------------------|
| Due within six months | 3,643,540 | 2,665,449 |
| More than six months to one year | 155,147 | 99,891 |
| More than one year to three years | - | 16,858 |
| | <u>3,798,687</u> | <u>2,782,198</u> |

| 17. Deposits and placements of banks and other financial institutions | 30 Sept 2017 | 31 Dec 2016 |
|--|---------------------|----------------|
| | RM'000 | RM'000 |
| Licensed Malaysian banks | 43,121 | 25,251 |
| Licensed Investment banks | 154 | 147 |
| Licensed Islamic banks | 3,270 | 1,499 |
| Other financial institutions | 47,541 | 216,181 |
| Foreign banks | 519,517 | 13,562 |
| | <u>613,603</u> | <u>256,640</u> |

| 18. Other liabilities | 30 Sept 2017 | 31 Dec 2016 |
|------------------------------|---------------------|---------------|
| | RM'000 | RM'000 |
| Interest payable | 5,374 | 8,139 |
| Other payables and accruals | 89,730 | 61,749 |
| | <u>95,104</u> | <u>69,888</u> |

| 19. Interest income | 3rd quarter ended | | Year-To-Date ended | |
|--|--------------------------|---------------|---------------------------|---------------|
| | 30 Sept 2017 | 30 Sept 2016 | 30 Sept 2017 | 30 Sept 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans, advances and financing: | 31,783 | 22,952 | 90,539 | 68,794 |
| Money at call and deposit placements with financial institutions | 7,545 | 4,263 | 21,340 | 11,708 |
| Investment securities available-for-sale | 3,846 | 663 | 6,700 | 2,239 |
| Others | 11 | - | 21 | 42 |
| | <u>43,185</u> | <u>27,878</u> | <u>118,600</u> | <u>82,783</u> |

| 20. Interest expense | | | | |
|---|-----------------|-----------------|-----------------|-----------------|
| Deposits and placements of banks and other financial institutions | (870) | (2,845) | (3,075) | (5,504) |
| Deposits from customers | (10,484) | (8,701) | (29,645) | (26,154) |
| Others | - | (4) | (2) | (11) |
| | <u>(11,354)</u> | <u>(11,550)</u> | <u>(32,722)</u> | <u>(31,669)</u> |
| Net interest income | <u>31,831</u> | <u>16,328</u> | <u>85,878</u> | <u>51,114</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 | 3rd quarter ended | | Year-To-Date ended | |
|-----------------------------------|--------------------------|--------------|---------------------------|---------------|
| | 30 Sept 2017 | 30 Sept 2016 | 30 Sept 2017 | 30 Sept 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Fee income: | | | | |
| - Commission | 5 | 7 | 14 | 28 |
| - Service charges and fees | 693 | 562 | 1,904 | 1,824 |
| - Loan processing fees | 908 | 195 | 2,254 | 895 |
| - Syndication fees | 818 | - | 4,095 | 983 |
| - Guarantee fees | 2,062 | 1,876 | 4,075 | 3,787 |
| - Commitment fees | 275 | 161 | 1,191 | 457 |
| - Other loans related fees income | 86 | 16 | 119 | 23 |
| - Other fees income | 240 | 851 | 3,794 | 2,655 |
| | <u>5,087</u> | <u>3,668</u> | <u>17,446</u> | <u>10,652</u> |
| Fee expense: | | | | |
| - Brokerage fees | (6) | (2) | (22) | (15) |
| - Other fees expense | (76) | (8) | (256) | (37) |
| | <u>(82)</u> | <u>(10)</u> | <u>(278)</u> | <u>(52)</u> |
| Net fee income | <u>5,005</u> | <u>3,658</u> | <u>17,168</u> | <u>10,600</u> |

22. Net trading income

| | 3rd quarter ended | | Year-To-Date ended | |
|---|--------------------------|--------------|---------------------------|--------------|
| | 30 Sept 2017 | 30 Sept 2016 | 30 Sept 2017 | 30 Sept 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net gains from dealing in foreign exchange | 11,404 | 1,915 | 25,993 | 20,198 |
| Net gains/(losses) arising from derivative trading | 17,482 | 6,656 | 14,748 | (752) |
| Net unrealised revaluation (loss)/ gain in foreign exchange | (2,465) | 441 | (2,794) | 268 |
| Net unrealised losses arising from derivative trading | (19,847) | (1,659) | (18,837) | (550) |
| | 6,574 | 7,353 | 19,110 | 19,164 |

23. Other operating income

| | 3rd quarter ended | | Year-To-Date ended | |
|--|--------------------------|--------------|---------------------------|--------------|
| | 30 Sept 2017 | 30 Sept 2016 | 30 Sept 2017 | 30 Sept 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Gain on disposal: | | | | |
| - Financial investments available-for-sale | - | - | - | 658 |
| Others | 60 | - | 101 | 62 |
| | 60 | - | 101 | 720 |

24. Other operating expenses

| | 3rd quarter ended | | Year-To-Date ended | |
|---|--------------------------|--------------|---------------------------|--------------|
| | 30 Sept 2017 | 30 Sept 2016 | 30 Sept 2017 | 30 Sept 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Personnel costs: | | | | |
| - Salaries, allowances and bonuses | 14,870 | 7,559 | 37,672 | 25,507 |
| - Pension fund contributions | 801 | 772 | 2,253 | 2,254 |
| - Other staff costs | 1,214 | 1,181 | 4,282 | 3,743 |
| Promotion and marketing related expenses: | | | | |
| - Advertising and promotion | 83 | 191 | 366 | 1,498 |
| - Others | 119 | 210 | 344 | 571 |
| Establishment costs: | | | | |
| - Depreciation of plant and equipment | 509 | 503 | 1,528 | 1,617 |
| - Amortisation of intangible asset | 44 | 131 | 304 | 391 |
| - Rental | 1,279 | 1,549 | 4,030 | 4,409 |
| - Others | 427 | 548 | 1,330 | 1,486 |
| Administrative expenses: | | | | |
| - Auditors' remuneration | | | | |
| • statutory audit fees | 106 | 46 | 253 | 119 |
| • audit related services | 36 | 52 | 84 | 106 |
| - Professional fees | 425 | 111 | 716 | 558 |
| - License fee | 77 | 77 | 231 | 231 |
| - Membership fee | 67 | 75 | 130 | 172 |
| - Others | 1,419 | 1,463 | 4,166 | 4,060 |
| | 21,476 | 14,468 | 57,689 | 46,722 |

25. Allowance for impairment on loans, advances and financing

| | 3rd quarter ended | | Year-To-Date ended | |
|--|--------------------------|--------------|---------------------------|--------------|
| | 30 Sept 2017 | 30 Sept 2016 | 30 Sept 2017 | 30 Sept 2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Collective allowance for impairment | | | | |
| - made during the financial period | 3,827 | 1,083 | 12,408 | 2,546 |
| - written back during the financial period | (1,244) | (976) | (2,280) | (6,430) |
| Individual allowance for impairment | | | | |
| - made during the financial period | 11 | 5 | 1,367 | 5 |
| - written back during the financial period | (2) | (5) | (3) | (5) |
| | 2,592 | 107 | 11,492 | (3,884) |

26. Commitments and contingencies

The commitments and contingencies comprise the following:

| | 30 Sept 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 | 75,985 | - | 75,985 | 15,197 |
| Transaction-related contingent items | 867,741 | - | 433,871 | 300,134 |
| Short term self-liquidating trade-related contingencies | 43,844 | - | 8,769 | 8,604 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| - Exceeding one year | 77,875 | - | 38,937 | 27,600 |
| - Not exceeding one year | 962,571 | - | 192,514 | 162,540 |
| Unutilised credit card lines | 38,235 | - | 7,647 | 5,735 |
| <u>Derivative financial contracts</u> | | | | |
| Foreign exchange related contracts: | | | | |
| - Less than one year | 1,744,564 | 6,109 | 23,907 | 10,208 |
| Total | 3,810,815 | 6,109 | 781,630 | 530,018 |

Note 14

| | 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 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 Bank Negara Malaysia ("BNM") guidelines. The credit conversion factors and risk-weighting rules are 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:

| | 30 Sept 2017 RM'000 | 31 Dec 2016 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 gains/(losses) on financial investments available-for-sale | 285 | (573) |
| | <u>950,490</u> | <u>949,632</u> |
| Less: Regulatory adjustments applied in calculation of CET1 Capital | | |
| - Intangible asset | - | (304) |
| - Deferred tax assets | (5,709) | (5,835) |
| - 55% cumulative gains of financial investments available-for-sale | (157) | - |
| - Regulatory reserve attributable to loans, advances and financing | (17,644) | (17,644) |
| | <u>(23,510)</u> | <u>(23,783)</u> |
| Total CET1 Capital | <u>926,980</u> | <u>925,849</u> |
| Tier 2 capital | | |
| Collective impairment allowance | 24,094 | 13,966 |
| Regulatory reserve | 17,644 | 17,644 |
| Total Tier 2 Capital | <u>41,738</u> | <u>31,610</u> |
| Total Capital | <u>968,718</u> | <u>957,459</u> |
| CET1 capital ratio | 28.078% | 37.828% |
| Tier 1 capital ratio | 28.078% | 37.828% |
| Total capital ratio | 29.342% | 39.120% |

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

| | 30 Sept 2017 | | 31 Dec 2016 | |
|--------------------------------|---------------------|-----------------------------|---------------------|-----------------------------|
| | Principal RM'000 | Risk- Weighted RM'000 | Principal RM'000 | Risk- Weighted RM'000 |
| Total RWA for credit risk | 6,322,116 | 3,067,237 | 4,888,871 | 2,253,430 |
| Total RWA for market risk | - | 8,774 | - | 4,797 |
| Total RWA for operational risk | - | 225,428 | - | 189,282 |
| | <u>6,322,116</u> | <u>3,301,439</u> | <u>4,888,871</u> | <u>2,447,509</u> |

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 | 30 Sept 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 | 577,255 | 577,255 | - | - |
| Banks, Development Financial Institutions and MDBs | 1,981,239 | 1,981,239 | 425,789 | 34,063 |
| Corporates | 2,838,934 | 2,838,934 | 2,025,194 | 162,016 |
| Regulatory Retail | 63,190 | 63,190 | 50,466 | 4,037 |
| Residential Mortgages | 58,256 | 58,256 | 21,562 | 1,725 |
| Other Assets | 21,612 | 21,612 | 14,208 | 1,137 |
| Total On-Balance Sheet Exposures | 5,540,486 | 5,540,486 | 2,537,219 | 202,978 |
| <u>Off-Balance Sheet Exposures</u> | | | | |
| Credit-related off-balance sheet exposures | 757,723 | 757,723 | 519,810 | 41,585 |
| OTC derivatives | 23,907 | 23,907 | 10,208 | 817 |
| Total Off-Balance Sheet Exposures | 781,630 | 781,630 | 530,018 | 42,402 |
| Total On and Off-Balance Sheet Exposures | 6,322,116 | 6,322,116 | 3,067,237 | 245,380 |
| Large exposure risk requirement | - | - | - | - |
| <i>Market Risk</i> | | | | |
| | <u>Long position</u> | <u>Short position</u> | | |
| Foreign currency risk | 8,774 | 963 | 8,774 | 702 |
| <i>Operational Risk</i> | - | - | - | |
| Total RWA and Capital Requirements | | | 3,301,439 | 264,116 |

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:

| 30 Sept 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 | Banks, MDBs and DFIs | Corporates | Regulatory Retail | Residential Mortgages | Other Assets | | |
| | RM'000 | RM'000 | RM'000 | | RM'000 | RM'000 | | |
| 0% | 577,255 | - | 572,618 | 7,945 | 270 | 7,404 | 1,165,492 | - |
| 20% | - | 1,958,753 | 235,890 | - | - | 9,189 | 2,203,832 | 440,766 |
| 35% | - | - | - | - | 59,139 | - | 59,139 | 20,699 |
| 50% | - | 120,632 | 409,458 | 19,039 | 8,489 | 12,695 | 570,313 | 285,157 |
| 75% | - | - | - | 10,896 | - | - | 10,896 | 8,172 |
| 100% | - | - | 2,248,696 | 47,044 | 473 | 16,231 | 2,312,444 | 2,312,443 |
| Total Exposures | 577,255 | 2,079,385 | 3,466,662 | 84,924 | 68,371 | 45,519 | 6,322,116 | 3,067,237 |
| Risk-Weighted Assets by Exposures | - | 452,067 | 2,500,602 | 64,736 | 25,416 | 24,416 | 3,067,237 | |
| Average Risk Weight | 0.0% | 21.7% | 72.1% | 76.2% | 37.2% | 53.6% | 48.5% | |
| Deduction from Capital Base | - | - | - | - | - | - | - | |

| 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 | Banks, MDBs and DFIs | Corporates | Regulatory Retail | Residential Mortgages | Other Assets | | |
| | RM'000 | RM'000 | RM'000 | | RM'000 | 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 | 1,884,037 | 87,305 | 25,056 | 13,938 | 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 weights of the Bank at the end of the respective reporting periods as required by the guidelines in the Revised Capital Adequacy Framework on Standardised Approach.

*Note:**MDBs - Multilateral Development Banks**DFIs - Development Financial Institutions*

28. Performance review

The Bank recorded a profit before taxation of RM53.1 million for the nine months ended 30 September 2017, an increase of RM14.3 million or 36.9% from the corresponding period in 2016. Net operating income increased by RM40.7 million or 49.8% mainly due to increase in net interest income by RM34.8 million from RM51.1 million and higher net fee income by RM6.6 million from RM10.6 million, as a result of positive loan growth, higher net interest income margin and contribution from loan related fee income.

Other operating expenses increased by RM11.0 million or 23.5% mainly due to higher personnel cost from RM31.5 million to RM44.2 million. However, it was partially offset by a reduction of RM1.4 million in promotion and marketing related expenses. Allowances for losses on loans and financing increased to RM11.5 million, as a result of higher collective impairment in line with loans growth of 18.4 % from the corresponding period in 2016 and downgrading of the credit rating of certain borrowers during the period.

As at 30 September 2017, the Bank's total assets stood at RM5.5 billion, an increase of RM1.5 billion or 36% as compared against 31 December 2016. Of these, cash and short term funds stood at RM 2.0 billion, which is RM1.1 billion higher than the RM1.0 billion recorded at the start of 2017. The growth was correspondingly funded by an increase of RM1 billion in deposits from customers.

29. Business prospects

The World Bank and International Monetary Fund has forecasted the global economy to grow at 2.7% and 3.5%, respectively, in 2017. Growth is projected to gain strength in both advanced economies and emerging markets 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 could also disrupt the revitalization of the growth momentum.

As a trade-oriented nation, Malaysia has a fairly diversified economy with service sector accounted for 55% and manufacturing sector contributed 23% of the nation's GDP in 2016. With its fundamentals remaining intact and a better-than-expected GDP growth of 5.8% in the second quarter of 2017, it is expected that Malaysia's economy may expand by more than 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 under a challenging environment 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 are prioritizing the implementation of the strategic initiatives under the Government's Economic Transformation Programme 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 investments.

On another note, the banking system in Malaysia remains 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 focus on its long term strategic objectives, with the aim to playing greater role in providing banking service solutions to cater to 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 is committed to grow its profitability and manage its balance sheet in a sustainable manner.