

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2018

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 half year ended 30 June 2018 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/PD 032-13) issued by Bank Negara Malaysia on 2 February 2018.

Wang Qiang
Chief Executive Officer/Managing Director

Date: 30 July 2018

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 2018

	Note	30 Jun 2018 RM'000	31 Dec 2017 RM'000
ASSETS			
Cash and short-term funds	11	1,188,283	1,062,859
Deposits and placements with banks and other financial institutions	12	404,047	150,000
Financial investments	13	639,830	404,443
Loans, advances and financing	14	2,804,297	3,185,671
Derivative financial assets	15	11,280	15,939
Other assets	16	15,662	11,175
Statutory deposits with Bank Negara Malaysia		35,638	20,378
Plant and equipment		8,836	9,691
Deferred tax assets		6,164	6,048
TOTAL ASSETS		5,114,037	4,866,204
LIABILITIES			
Deposits from customers	17	3,113,634	2,839,525
Deposits and placements of banks and other financial institutions	18	832,366	906,980
Derivative financial liabilities	15	11,357	15,760
Other liabilities	19	64,851	65,132
Provision for credit commitments and contingencies	20	6,118	-
Provision for taxation		18,423	13,074
TOTAL LIABILITIES		4,046,749	3,840,471
EQUITY			
Share capital		832,609	832,609
Reserves		234,679	193,124
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		1,067,288	1,025,733
TOTAL LIABILITIES AND EQUITY		5,114,037	4,866,204
COMMITMENTS AND CONTINGENCIES	28	3,630,364	3,205,975

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 2017 and accompanying explanatory notes on pages 7 to 32 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 July 2018.

(Company No. 839839 M)

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UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	2nd quarter ended		Year-To-Date ended	
		30 Jun 2018 RM'000	30 Jun 2017 RM'000	30 Jun 2018 RM'000	30 Jun 2017 RM'000
Interest income	21	50,714	39,203	97,175	75,415
Interest expense	22	(21,031)	(10,179)	(38,534)	(21,368)
Net interest income		29,683	29,024	58,641	54,047
Net fee income	23	7,840	3,864	20,152	12,163
Net trading income	24	13,127	5,647	22,292	12,536
Other operating income	25	44	41	44	41
Net operating income		50,694	38,576	101,129	78,787
Other operating expenses	26	(21,585)	(18,554)	(39,977)	(36,213)
Operating profit		29,109	20,022	61,152	42,574
Allowance for credit loss	27	(3,437)	-	(4,639)	-
Allowance for impairment on loans, advances and financing	27	-	(3,521)	-	(8,900)
Profit before taxation		25,672	16,501	56,513	33,674
Tax expense		(6,576)	(4,732)	(14,519)	(9,207)
Profit for the period		19,096	11,769	41,994	24,467
Other comprehensive income for the period, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation reserve					
- Currency translation differences in respect of foreign operations		(167)	-	(253)	-
Fair value reserve					
- Changes in fair value		(1,020)	338	(482)	239
- Amount transferred to profit or loss		104	-	104	(11)
- Deferred tax adjustment		245	(80)	116	(54)
		(671)	258	(262)	174
Total other comprehensive income for the period		(838)	258	(515)	174
Total comprehensive income for the period		18,258	12,027	41,479	24,641
Basic earnings per ordinary share (sen):		2.29	2.52	5.04	2.94

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 2017 and accompanying explanatory notes on pages 7 to 32 attached to the unaudited condensed interim financial statements.

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	← Non-distributable			→ Distributable		Total Equity RM'000	
	Share Capital RM'000	Statutory Reserve RM'000	Foreign Currency Translation Reserve RM'000	Available-for-sale Reserve RM'000	Regulatory Reserve RM'000		Retained Earnings RM'000
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
Transfer to regulatory reserve	-	-	-	-	-	-	-
At 30 June 2017	832,609	57,213	-	(399)	17,644	67,206	974,273

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	← Non-distributable →				Distributable		Total Equity RM'000
	Share Capital RM'000	Statutory Reserve RM'000	Foreign Currency Translation Reserve RM'000	Fair value Reserve RM'000	Regulatory Reserve RM'000	Retained Earnings RM'000	
At 31 December 2017	832,609	-	253	(556)	17,644	175,783	1,025,733
Impact of adopting MFRS 9 as at 1 January 2018							
Adjustment related to measurement, net of tax	-	-	-	601	-	-	601
Adjustment related to impairment, net of tax	-	-	-	-	-	(525)	(525)
At 1 January 2018	832,609	-	253	45	17,644	175,258	1,025,809
Total comprehensive income for the period							
Other comprehensive income for the period, net of tax							
Items that are or may be reclassified subsequently to profit or loss							
Foreign currency translation reserve							
- Currency translation differences in respect of foreign operations	-	-	(253)	-	-	-	(253)
Fair value reserve (Financial investment measured at FVOCI)							
- Changes in fair value	-	-	-	(482)	-	-	(482)
- Amount transferred to profit or loss	-	-	-	104	-	-	104
- Deferred tax adjustment	-	-	-	116	-	-	116
	-	-	-	(262)	-	-	(262)
Total other comprehensive income for the period	-	-	(253)	(262)	-	-	(515)
Profit for the period	-	-	-	-	-	41,994	41,994
Total comprehensive income for the period	-	-	(253)	(262)	-	41,994	41,479
Transfer to regulatory reserve	-	-	-	-	-	-	-
At 30 June 2018	832,609	-	-	(217)	17,644	217,252	1,067,288

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 2017 and accompanying explanatory notes on pages 7 to 32 attached to the unaudited condensed interim financial statements.

Industrial and Commercial Bank of China (Malaysia) Berhad

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018

	Note	30 Jun 2018 RM'000	30 Jun 2017 RM'000
Cash flows generated from operating activities			
Profit before taxation		56,513	33,674
Adjustments for:			
Depreciation of plant and equipment		1,833	1,019
Plant and equipment written off		43	-
Amortisation of intangible asset		-	260
Allowance for credit loss		4,639	-
Allowance for impairment on loans, advances and financing		-	8,900
Net unrealised gains arising from financial investment measured at FVOCI		(96)	-
Net unrealised losses arising from financial investment measured at amortised cost		217	-
Net unrealised losses arising from derivative trading		256	(1,010)
Transfer to foreign currency translation reserve		(253)	-
Gain on disposal of financial investments available-for-sale		-	-
Accretion of discounts net of amortisation of premiums on financial investments measured at FVOCI		168	-
Accretion of discounts net of amortisation of premiums on financial investments available-for-sale		-	92
Accretion of discounts net of amortisation of premiums on financial investments at amortised cost		(193)	-
Operating profit before working capital changes		<u>63,127</u>	<u>42,935</u>
Changes in operating assets			
Deposits and placements with banks and other financial institutions		(254,057)	96,579
Loans, advances and financing		383,120	(392,377)
Other assets		(4,487)	(556)
Statutory deposits with Bank Negara Malaysia		(15,260)	(3,126)
Changes in operating liabilities			
Deposits from customers		274,109	314,937
Deposits and placements of banks and other financial institutions		(74,614)	(78,180)
Other liabilities		(281)	21,796
Provision for credit commitments and contingencies		3	-
Cash generated from operations		<u>371,660</u>	<u>2,008</u>
Income taxes paid		(9,170)	(6,852)
Net cash generated from/(used in) operating activities		<u>362,490</u>	<u>(4,844)</u>
Cash flows used in investing activities			
Purchase of plant and equipment		(1,021)	(284)
Purchase of financial investments measured at FVOCI		(125,000)	-
Purchase of financial investments measured at amortised cost		(111,035)	-
Net proceeds from financial investments available-for-sale		-	(120,863)
Net cash used in investing activities		<u>(237,056)</u>	<u>(121,147)</u>

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UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2018 (continued)

	Note	30 Jun 2018 RM'000	30 Jun 2017 RM'000
Net increase/(decrease) in cash and cash equivalents		125,434	(125,991)
Cash and cash equivalents at beginning of the financial period		1,062,837	954,456
Impact of adopting MFRS 9 during the financial period		12	-
		1,062,849	954,456
Cash and cash equivalents at end of the financial period		1,188,283	828,465
Cash and cash equivalents comprise:			
Cash and short-term funds	11	1,188,283	828,465

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 2017 and accompanying explanatory notes on pages 7 to 32 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 July 2018.

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018**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 2018 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/PD 032-13) issued by Bank Negara Malaysia on 2 February 2018.

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 2017. 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 2017.

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 2017, except for the adoption of the following MFRSs during the financial period:

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*

2. Basis of Preparation (continued)

The initial applications of the accounting 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 adoption of MFRS 15 does not have any material impact on the financial statements of the Bank as revenue of the Bank are already recognised in accordance with the principles 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.

In implementing MFRS 9, the Bank has set up a MFRS 9 Project Team which is assisted by external consultants. The Bank had completed a gap assessment and developed MFRS 9 compliant ECL models for applicable credit exposures as well as incorporated the model in its information systems. Independent validation has been on-going to ensure the MFRS 9 models are fit for purpose and comply with the requirements of MFRS 9.

In respect of impairment of financial assets, MFRS 9 replaces the “incurred loss” model in MFRS 139 with an “expected credit loss” (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The three-stage approach which reflects the change in credit quality of a financial instrument since initial recognition is as follows:

i) Stage 1: 12-month ECL

For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

ii) Stage 2: Lifetime ECL - non-credit impaired

For exposures where there has been a significant increase in credit risk since initial recognition but that are non-credit impaired, a lifetime ECL will be recognised.

iii) Stage 3: Lifetime ECL - credit impaired

A financial asset is assessed as credit impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit impaired, a lifetime ECL will be recognised.

2. Basis of Preparation (continued)

MFRS 9, Financial Instruments (continued)

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should also take into account the time value of money.

The recognition and measurement of impairment under MFRS 9 will be more forward-looking and will result in earlier recognition of credit losses as compared to MFRS 139.

Hence, the total ECL allowance computed under MFRS 9 is expected to be higher than the total allowance for impairment on loans, advances and financing under MFRS 139 as more forward looking approach is adopted as well as more financial assets (MFRS 9 includes loan commitments and financial guarantee contracts) will be assessed for impairment and allowance for impairment will be made at least based on 12 month ECL. Upon the initial adoption of MFRS 9, a negative adjustment will be made to opening retained earnings, which will decrease the equity and net assets of the Bank. As certain bases and assumptions are still being refined, the quantitative impact to the overall financial statements has not been finalised at this juncture. However, the impact to the capital ratios of the Bank is not expected to be significant on the basis that regulatory reserves would be allowed to mitigate the higher impairment allowance.

As permitted under MFRS 9, the Bank has not restated comparative information for financial instruments reported under MFRS 139 for financial year 2017. The accounting policies changes and the impact of adoption of the requirements of MFRS 9 is further disclosed in Note 3.

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 2019

MFRS 16, *Leases*

IC Interpretation 23, *Uncertainty over Income Tax Treatments*

Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 9, *Financial Instruments - Prepayment Features with Negative Compensation*

Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 119, *Employee Benefits - Plan Amendment, Curtailment or Settlement*

Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

Amendments to MFRS 128, *Investments in Associates and Joint Ventures - Long-term Interests in and Joint Ventures*

MFRSs effective for annual periods beginning on or after 1 January 2021

MFRS 17, *Insurance Contracts*

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*

2. Basis of Preparation (continued)

The Bank plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning on 1 January 2019 those standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2019, except for Amendments to MFRS 3, Amendments to MFRS 11 and Amendments to MFRS 128 as they are not applicable to the Bank.

The Bank does not plan to apply MFRS 17, *Insurance Contracts* that is effective for annual periods beginning on 1 January 2021 as it is not applicable to the Bank.

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 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*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to classify a lease as finance or operating lease.

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

3. Impact on MFRS 9 adoption

The MFRS classification and measurement requirements and the impairment requirements have been applied retrospectively through adjustments to the Bank's financial position on the date of the initial application (1 January 2018), with no restatement of comparative periods. The impacts of the MFRS 9 adoption were recognised through adjustments to retained earnings and total other comprehensive income on 1 January 2018.

The following table presents the classification and carrying amounts of the Bank's financial assets and financial liabilities, as previously established in accordance with MFRS 139 as at 31 December 2017, as well as the new classification and new carrying amounts established in accordance with MFRS 9 as at 1 January 2018, where applicable.

Financial assets	Classification under MFRS 139	Classification under MFRS 9	As at 31 December 2017 RM'000	As at 1 January 2018 RM'000
Cash and short-term funds	Loans and receivables	Amortised cost	1,062,859	1,062,837
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised cost	150,000	149,973
Financial investments	Available-for-sale	Fair value through comprehensive income ("FVOCI")	372,094	372,094
	Held-to maturity	Amortised cost	32,349	32,349
Loans, advances and financing	Loans and receivables	Amortised cost	3,185,671	3,193,706
Derivative financial assets	Fair value through profit or loss ("FVTPL")	FVTPL	15,939	15,939
Other assets	Loans and receivables	Amortised cost	11,175	11,175
Statutory deposits with Bank Negara Malaysia	Loans and receivables	Amortised cost	20,378	20,378
Total financial assets			4,850,465	4,858,451

3. Impact on MFRS 9 adoption (continued)

Financial liabilities	Classification under MFRS 139	Classification under MFRS 9	As at 31 December 2017 RM'000	As at 1 January 2018 RM'000
Deposits from customers	Amortised cost	Amortised cost	2,839,525	2,839,525
Deposits and placements of banks and other financial institutions	Amortised cost	Amortised cost	906,980	906,980
Derivative financial liabilities	FVTPL	FVTPL	15,760	15,760
Other liabilities	Amortised cost	Amortised cost	65,132	65,132
Provision for credit commitments and contingencies	-	Amortised cost	-	7,910
Total financial liabilities			<u>3,827,397</u>	<u>3,835,307</u>

4. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2017 was not subject to any qualification.

5. Seasonality or Cyclical Factors

The business operations of the Bank are not subject to material seasonal or cyclical fluctuations.

6. 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 2018.

7. 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 2018.

8. Issue of Shares and Debentures

There were no issuance of shares and debentures during the half year ended 30 June 2018.

9. Dividend Paid

No dividend was paid during the half year ended 30 June 2018.

10. 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.

11. Cash and short-term funds

	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Cash and balances with banks and other financial institutions	65,604	56,695
Money at call and deposit placements maturing within one month	<u>1,122,689</u>	<u>1,006,164</u>
	1,188,293	1,062,859
Less: Allowance for credit loss	<u>(10)</u>	<u>-</u>
	<u>1,188,283</u>	<u>1,062,859</u>

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount				
As at 1 January 2018	1,062,859	-	-	1,062,859
New assets originated or purchased	542,960	-	-	542,960
Assets derecognised or repaid	(417,526)	-	-	(417,526)
As at 30 June 2018	<u>1,188,293</u>	<u>-</u>	<u>-</u>	<u>1,188,293</u>
ECL allowance				
As at 1 January 2018	22	-	-	22
New assets originated or purchased	6	-	-	6
Assets derecognised or repaid	(18)	-	-	(18)
As at 30 June 2018	<u>10</u>	<u>-</u>	<u>-</u>	<u>10</u>

12. Deposits and placements with banks and other financial institutions

	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Foreign banks	8,075	-
Licensed Malaysian banks	<u>395,986</u>	<u>150,000</u>
	404,061	150,000
Less: Allowance for credit loss	<u>(14)</u>	<u>-</u>
	<u>404,047</u>	<u>150,000</u>

12. Deposits and placements with banks and other financial institutions (continued)

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
As at 1 January 2018	150,000	-	-	150,000
New assets originated or purchased	404,061	-	-	404,061
Assets derecognised or repaid	(150,000)	-	-	(150,000)
Foreign exchange adjustments	-	-	-	-
As at 30 June 2018	<u>404,061</u>	<u>-</u>	<u>-</u>	<u>404,061</u>
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance				
As at 1 January 2018	27	-	-	27
New assets originated or purchased	1	-	-	1
Assets derecognised or repaid	(18)	-	-	(18)
Foreign exchange adjustments	4	-	-	4
As at 30 June 2018	<u>14</u>	<u>-</u>	<u>-</u>	<u>14</u>

13. Financial investments

	30 Jun 2018 RM'000	31 Dec 2017 RM'000
Financial investments measured at FVOCI	496,540	-
Financial investments available-for-sale	-	372,094
Financial investments at amortised cost	143,290	-
Financial investments held-to-maturity	-	32,349
	<u>639,830</u>	<u>404,443</u>

Financial investments measured at FVOCI

	30 Jun 2018 RM'000
(i) <i>By type</i>	
Malaysian Government Securities	204,831
Malaysian Government Investment Issues	131,448
Malaysian Government Sukuk	29,622
Financial Institutions securities	30,485
Private debt securities	80,233
Other debt securities	
- Cagamas bonds	19,921
	<u>496,540</u>
(ii) <i>By maturity structure</i>	30 Jun 2018 RM'000
More than one year to three years	110,721
More than three years to five years	139,968
More than five years	245,851
	<u>496,540</u>

13. Financial investments (continued)*(iii) Movement of allowance for credit loss to comprehensive income*

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
As at 1 January 2018	372,094	-	-	372,094
New assets originated or purchased	126,271	-	-	126,271
Assets derecognised or repaid	(1,825)	-	-	(1,825)
As at 30 June 2018	<u>496,540</u>	-	-	<u>496,540</u>
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance				
As at 1 January 2018	601	-	-	601
New assets originated or purchased	219	-	-	219
Assets derecognised or repaid	(115)	-	-	(115)
As at 30 June 2018	<u>705</u>	-	-	<u>705</u>

*Financial investments available-for-sale**(i) By type*

	31 Dec 2017 RM'000
Malaysian Government Securities	100,280
Malaysian Government Investment Issues	111,352
Malaysian Government Sukuk	29,661
Financial Institutions securities	30,526
Private debt securities	80,290
Other debt securities	
- Cagamas bonds	19,985
	<u>372,094</u>

(ii) By maturity structure

	31 Dec 2017 RM'000
More than one year to three years	80,633
More than three years to five years	170,573
More than five years	120,888
	<u>372,094</u>

13. Financial investments (continued)*Financial investments at amortised cost*

(i) <i>By type</i>	30 Jun 2018 RM'000
Malaysian Government Investment Issues	32,316
Financial Institutions securities	60,955
Private debt securities	30,089
Other debt securities	
- Cagamas bonds	<u>20,000</u>
	143,360
Less: Allowance for credit loss	<u>(70)</u>
	<u>143,290</u>
	30 Jun 2018 RM'000
(ii) <i>By maturity structure</i>	
Maturity within one year	60,955
More than one year to three years	20,000
More than three years to five years	<u>62,405</u>
	<u>143,360</u>

(iii) Movement of allowance for credit loss to profit or loss

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
As at 1 January 2018	32,349	-	-	32,349
New assets originated or purchased	111,124	-	-	111,124
Assets derecognised or repaid	(113)	-	-	(113)
As at 30 June 2018	<u>143,360</u>	-	-	<u>143,360</u>
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance				
As at 1 January 2018	-	-	-	-
New assets originated or purchased	70	-	-	70
As at 30 June 2018	<u>70</u>	-	-	<u>70</u>

Financial investments held-to-maturity

(i) <i>By type</i>	31 Dec 2017 RM'000
At amortised cost	
Malaysian Government Investment Issues	<u>32,349</u>
(ii) <i>By maturity structure</i>	31 Dec 2017 RM'000
More than three years to five years	<u>32,349</u>

14. Loans, advances and financing

At amortised cost	30 Jun 2018	31 Dec 2017
(i) By type	RM'000	RM'000
Overdrafts	73,410	83,744
Term loans		
- Housing loans	71,193	63,829
- Syndicated term loans	756,091	485,755
- Other term loans	552,912	1,391,814
Bills receivable	3,395	10,613
Revolving credits	1,238,068	1,084,770
Bankers' acceptances	132,056	88,286
Staff loans	2,062	2,517
Credit card loans	1,850	2,869
Gross loans, advances and financing	<u>2,831,037</u>	<u>3,214,197</u>
Less: Allowance for impairment		
- Collective allowance for impairment	-	(27,399)
- Individual allowance for impairment	-	(1,127)
	-	(28,526)
Less: Allowance for credit loss	<u>(26,740)</u>	<u>-</u>
Net loans, advances and financing	<u><u>2,804,297</u></u>	<u><u>3,185,671</u></u>
(ii) By type of customer	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Domestic banking institutions	58,414	64,021
Domestic non-bank financial institutions		
- Others	120,267	100,210
Domestic business enterprises		
- Small medium enterprises	104,662	62,313
- Others	1,461,467	1,963,067
Individuals	45,965	47,247
Foreign entities	1,040,262	977,339
	<u>2,831,037</u>	<u>3,214,197</u>
(iii) By interest rate sensitivity	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Fixed rate loans	3,911	5,386
Variable rate		
- Base rate/base lending rate plus	91,298	96,651
- Cost plus	2,603,619	2,976,494
- Other variable rates	132,209	135,666
	<u>2,831,037</u>	<u>3,214,197</u>

14. Loans, advances and financing (continued)

(iv) By sector	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Primary agriculture	84,697	82,272
Manufacturing	190,886	829,100
Electricity, gas and water	65,859	67,827
Construction	104,052	162,592
Real estate	692,761	597,516
Wholesale & retail trade and restaurants & hotels	709,795	755,280
Transport, storage and communication	135,750	11,285
Finance, insurance and business services	461,678	433,198
Education, health and others	292,525	189,180
Household	93,034	85,947
	<u>2,831,037</u>	<u>3,214,197</u>
(v) By purpose	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Purchase of properties		
- Non residential	166,646	156,703
- Residential	72,818	65,864
Purchase of fixed assets (excluding properties)	138,101	-
Purchase of transport vehicles	10	23
Construction	61,220	55,567
Credit card	1,850	2,869
Personal use	828	929
Mergers and acquisitions	23,572	27,734
Working capital	1,877,915	2,523,298
Other purpose	488,077	381,210
	<u>2,831,037</u>	<u>3,214,197</u>
(vi) By geographical distribution	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Within Malaysia	2,029,949	2,391,609
Outside Malaysia	801,088	822,588
	<u>2,831,037</u>	<u>3,214,197</u>
Concentration by location for loans, advances and financing is based on the geographical location where the credit risk resides.		
(vii) By residual contractual maturity	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Maturity within one year	1,638,063	1,625,183
More than one year to three years	322,240	326,344
More than three years to five years	523,898	930,777
More than five years	346,836	331,893
	<u>2,831,037</u>	<u>3,214,197</u>

14. Loans, advances and financing (continued)**(viii) Movement of allowance for credit loss**

An analysis of changes in the gross carrying amount and the corresponding ECL allowances is as

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount				
As at 1 January 2018	3,212,407	663	1,127	3,214,197
New assets originated or purchased	476,119	120,000	14	596,133
Assets derecognised or repaid	(959,574)	(19,714)	(2)	(979,290)
Transfer to Stage 2	(332,471)	332,471	-	-
Foreign exchange adjustments	-	-	(3)	(3)
As at 30 June 2018	<u>2,396,481</u>	<u>433,420</u>	<u>1,136</u>	<u>2,831,037</u>

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
ECL allowance				
As at 1 January 2018	19,336	28	1,127	20,491
New assets originated or purchased	4,319	322	14	4,655
Assets derecognised or repaid	(1,190)	(252)	(2)	(1,444)
Transfer to Stage 2	(3,986)	3,986	-	-
Changes due to change in credit risk	(1,481)	4,559	-	3,078
Foreign exchange adjustments	(37)	-	(3)	(40)
As at 30 June 2018	<u>16,961</u>	<u>8,643</u>	<u>1,136</u>	<u>26,740</u>

An analysis of the allowance for impairment losses under MFRS 139 for loans, advances and financing for the year to 31 December 2017 is as follows:

	31 Dec 2017 RM'000
<u>Collective allowance for impairment</u>	
At beginning of the financial year	13,966
Allowance made during the financial year	16,353
Allowance written back during the financial year	(3,091)
Exchange differences	171
At end of the financial year	<u>27,399</u>
<u>Individual allowance for impairment</u>	
At beginning of the financial year	2,080
Allowance made during the financial year	1,384
Allowance written back during the financial year	(171)
Amount written-off during the financial year	(2,080)
Exchange differences	(86)
At end of the financial year	<u>1,127</u>

17. Deposits from customers (continued)

(iii) By maturity structure of term deposit	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Due within six months	2,912,609	2,757,025
More than six months to one year	190,335	82,500
More than one year to three years	10,690	-
	<u>3,113,634</u>	<u>2,839,525</u>

18. Deposits and placements of banks and other financial institutions

	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Licensed Malaysian banks	30,604	238,526
Licensed investment banks	50,301	325
Licensed Islamic banks	1,132	1,709
Other financial institutions	154,623	139,600
Foreign banks	595,706	526,820
	<u>832,366</u>	<u>906,980</u>

19. Other liabilities

	30 Jun 2018	31 Dec 2017
	RM'000	RM'000
Interest payable	16,598	10,361
Other payables and accruals	48,253	54,771
	<u>64,851</u>	<u>65,132</u>

20. Provision for credit commitments and contingencies

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
Gross carrying amount				
As at 1 January 2018	7,896	14	-	7,910
New assets originated or purchased	1,292	2,609	-	3,901
Assets derecognised or repaid	(5,620)	(76)	-	(5,696)
Foreign exchange adjustments	3	-	-	3
As at 30 June 2018	<u>3,571</u>	<u>2,547</u>	-	<u>6,118</u>

21. Interest income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2018 RM'000	30 Jun 2017 RM'000	30 Jun 2018 RM'000	30 Jun 2017 RM'000
Loans, advances and financing:	33,108	31,029	64,469	58,756
Money at call and deposit placements with financial institutions	12,177	6,631	23,123	13,795
Financial investments	5,429	1,536	9,582	2,854
Others	-	7	1	10
	50,714	39,203	97,175	75,415

22. Interest expense

Deposits and placements of banks and other financial institutions	(6,034)	(668)	(11,751)	(2,205)
Deposits from customers	(14,994)	(9,510)	(26,779)	(19,161)
Others	(3)	(1)	(4)	(2)
	(21,031)	(10,179)	(38,534)	(21,368)
Net interest income	29,683	29,024	58,641	54,047

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

23. Fee income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2018 RM'000	30 Jun 2017 RM'000	30 Jun 2018 RM'000	30 Jun 2017 RM'000
Fee income:				
- Commissions	12	5	16	9
- Service charges and fees	616	543	1,211	1,211
- Loan processing fees	354	838	6,608	1,346
- Syndication fees	2,760	-	3,558	3,277
- Guarantee fees	755	1,074	2,025	2,013
- Commitment fees	239	698	530	916
- Other loans related fees income	160	29	3,441	33
- Other fees income	3,006	771	3,127	3,554
	7,902	3,958	20,516	12,359
Fee expense:				
- Brokerage fees	(33)	(6)	(51)	(16)
- Other fees expense	(29)	(88)	(313)	(180)
	(62)	(94)	(364)	(196)
Net fee income	7,840	3,864	20,152	12,163

24. Net trading income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Net gains from dealing in foreign exchange	1,125	8,678	25,832	14,589
Net gains/(losses) arising from derivative trading	12,421	(1,248)	(3,305)	(2,734)
Net unrealised revaluation (losses)/gain in financial investments measured at FVOCI	(171)	-	96	-
Net unrealised revaluation losses in financial investments measured at amortised cost	(217)	-	(217)	-
Net unrealised revaluation gains/(losses) in foreign exchange	133	(393)	142	(329)
Net unrealised (losses)/gains arising from derivative trading	(164)	(1,390)	(256)	1,010
	13,127	5,647	22,292	12,536

25. Other operating income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Other income	44	41	44	41
	44	41	44	41

26. Other operating expenses

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2018	30 Jun 2017	30 Jun 2018	30 Jun 2017
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries, allowances and bonuses	13,485	11,448	24,328	22,802
- Pension fund contributions	775	730	1,515	1,452
- Other staff costs	1,840	1,939	3,019	3,068
Promotion and marketing related expenses:				
- Advertising and promotion	62	76	199	283
- Others	184	112	288	225
Establishment costs:				
- Depreciation of plant and equipment	911	511	1,833	1,019
- Amortisation of intangible asset	-	130	-	260
- Rental	1,229	1,352	3,220	2,751
- Others	511	486	985	903
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	71	79	142	147
• audit related services	24	24	161	48
- Professional fees	164	167	222	291
- Licence fee	79	77	156	154
- Membership fee	28	33	88	63
- Plant and equipment written off	-	-	43	-
- Others	2,222	1,390	3,778	2,747
	21,585	18,554	39,977	36,213

27. Allowance for credit loss

The table below shows the ECL impairment on financial instruments for the period:

	2nd quarter ended			Total
	30 Jun 2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL made during the period				
- Deposits and placements with banks and financial institutions	(213)	-	-	(213)
- Financial investments measured at FVOCI	219	-	-	219
- Financial investments at amortised cost	70	-	-	70
- Loans, advances and financing	1,408	8,657	16	10,081
- Provision for credit commitments and contingencies	899	2,582	-	3,481
	2,383	11,239	16	13,638
ECL written back during the period				
- Cash and short-term funds	(18)	-	-	(18)
- Deposits and placements with banks and financial institutions	(18)	-	-	(18)
- Financial investments measured at FVOCI	(115)	-	-	(115)
- Financial investments at amortised cost	-	-	-	-
- Loans, advances and financing	(6,228)	(64)	(1)	(6,293)
- Provision for credit commitments and contingencies	(3,718)	(39)	-	(3,757)
	(10,097)	(103)	(1)	(10,201)
Total ECL impairment loss	(7,714)	11,136	15	3,437

27. Allowance for credit loss (continued)

	Year-To-Date ended			Total
	30 Jun 2018			
	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
ECL made during the period				
- Cash and short-term funds	6	-	-	6
- Deposits and placements with banks and financial institutions	1	-	-	1
- Financial investments measured at FVOCI	219	-	-	219
- Financial investments at amortised cost	70	-	-	70
- Loans, advances and financing	4,171	8,725	20	12,916
- Provision for credit commitments and contingencies	1,292	2,609	-	3,901
	5,759	11,334	20	17,113
ECL written back during the period				
- Cash and short-term funds	(18)	-	-	(18)
- Deposits and placements with banks and financial institutions	(18)	-	-	(18)
- Financial investments measured at FVOCI	(115)	-	-	(115)
- Loans, advances and financing	(6,509)	(110)	(8)	(6,627)
- Provision for credit commitments and contingencies	(5,620)	(76)	-	(5,696)
	(12,280)	(186)	(8)	(12,474)
Total ECL impairment loss	(6,521)	11,148	12	4,639

The table below shows the impairment charges under MFRS 139 as 30 June 2017:

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

28. 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 2018	31 Dec 2017 RM'000
Aggregate value of outstanding credit exposures to connected parties	158,720	135,696
As a percentage of total credit exposures	2.66%	2.44%
Percentage of outstanding credit exposures to connected parties which is non-performing or in	0%	0%

29. Commitments and contingencies

The commitments and contingencies comprise the following:

	30 Jun 2018			
	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	72,674	-	72,674	14,535
Transaction-related contingent items	808,004	-	404,002	279,883
Short term self-liquidating trade-related contingencies	100,483	-	20,097	12,774
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	398,114	-	199,057	175,296
- Not exceeding one year	882,435	-	176,487	153,498
Unutilised credit card lines	40,719	-	8,144	6,108
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,327,935	11,280	18,132	8,613
Total	3,630,364	11,280	898,593	650,707

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 and interest rates) of the underlying instruments. The underlying principal amounts of these derivative financial instruments and their corresponding gross positive fair values (derivative financial assets) as at respective reporting dates are as shown above.

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

29. Commitments and contingencies (continued)

	31 Dec 2017			Risk-Weighted Assets *
	Principal Amount RM'000	Positive Value of Derivative Contracts ^ RM'000	Credit Equivalent Amount * RM'000	
<u>Credit-related exposures</u>				
Direct credit substitutes	72,854	-	72,854	14,571
Transaction-related contingent items	801,460	-	400,730	264,760
Short term self-liquidating trade-related contingencies	42,068	-	8,414	8,349
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- Exceeding one year	131,732	-	65,866	61,631
- Not exceeding one year	942,345	-	188,469	159,126
Unutilised credit card lines	38,145	-	7,629	5,722
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- Less than one year	1,177,371	15,939	32,272	16,145
Total	3,205,975	15,939	776,234	530,304

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 and interest rates) of the underlying instruments. The underlying principal amounts of these derivative financial instruments and their corresponding gross positive fair values (derivative financial assets) as at respective reporting dates are as shown above.

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

30. 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 2018	31 Dec 2017
	RM'000	RM'000
Common Equity Tier 1 (“CET1”) Capital		
Paid-up share capital	832,609	832,609
Retained earnings	175,258	175,783
Regulatory reserve	17,644	17,644
Foreign currency translation reserve	-	253
Unrealised losses on financial investments measured at FVOCI	(922)	-
Unrealised losses on financial investments available-for-sale	-	(556)
	1,024,589	1,025,733
Less: Regulatory adjustments applied in calculation of CET1 Capital		
- Deferred tax assets	(6,164)	(6,048)
- Regulatory reserve attributable to loans, advances and financing	(17,644)	(17,644)
	(23,808)	(23,692)
Total CET1 Capital	1,000,781	1,002,041
Tier 2 capital		
Allowance for credit loss/Collective allowance for impairment	27,330	27,399
Regulatory reserve	17,644	17,644
Total Tier 2 Capital	44,974	45,043
Total Capital	1,045,755	1,047,084
CET1 capital ratio	25.588%	28.501%
Tier 1 capital ratio	25.588%	28.501%
Total capital ratio	26.738%	29.782%

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

	30 Jun 2018		31 Dec 2017	
	Principal	Risk-Weighted	Principal	Risk-Weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	6,020,885	3,597,896	5,647,850	3,240,863
Total RWA for market risk	-	18,620	-	16,463
Total RWA for operational risk	-	294,626	-	258,530
	6,020,885	3,911,142	5,647,850	3,515,856

30. 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 2018			
	Gross	Net	Risk-	Capital
	Exposures	Exposures	Weighted	Requirements
	RM'000	RM'000	Assets	RM'000
			RM'000	
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	735,439	735,439	-	-
Banks, Development Financial Institutions and MDBs	1,433,629	1,433,629	334,104	26,729
Corporates	2,768,741	2,768,741	2,490,803	199,264
Regulatory Retail	79,745	79,745	70,828	5,666
Residential Mortgages	73,245	73,245	26,954	2,156
Other Assets	31,493	31,493	24,499	1,960
Total On-Balance Sheet Exposures	5,122,292	5,122,292	2,947,188	235,775
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	880,461	880,461	642,095	51,368
OTC derivatives	18,132	18,132	8,613	689
Total Off-Balance Sheet Exposures	898,593	898,593	650,708	52,057
Total On and Off-Balance Sheet Exposures	6,020,885	6,020,885	3,597,896	287,832
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	18,620	87	18,620	1,490
<i>Operational Risk</i>	-	-	294,626	23,570
Total RWA and Capital Requirements			3,911,142	312,892

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

*The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's RWCAF.

30. Capital adequacy (continued)

Risk Type	31 Dec 2017			
	Gross	Net	Risk-	Capital
	Exposures	Exposures	Weighted	Requirements
	RM'000	RM'000	Assets	RM'000
			RM'000	
<i>Credit Risk</i>				
<u>On-Balance Sheet Exposures</u>				
Sovereigns/Central Banks	363,855	363,855	-	-
Banks, Development Financial Institutions and MDBs	1,231,890	1,231,890	274,742	21,979
Corporates	3,119,905	3,119,905	2,340,413	187,233
Regulatory Retail	63,096	63,096	50,139	4,011
Residential Mortgages	66,322	66,322	24,399	1,952
Other Assets	26,548	26,548	20,866	1,669
Total On-Balance Sheet Exposures	4,871,616	4,871,616	2,710,559	216,844
<u>Off-Balance Sheet Exposures</u>				
Credit-related off-balance sheet exposures	743,962	743,962	514,159	41,133
OTC derivatives	32,272	32,272	16,145	1,292
Total Off-Balance Sheet Exposures	776,234	776,234	530,304	42,425
Total On and Off-Balance Sheet Exposures	5,647,850	5,647,850	3,240,863	259,269
Large exposure risk requirement*	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	16,463	199	16,463	1,317
<i>Operational Risk</i>	-	-	-	20,682
Total RWA and Capital Requirements			3,515,856	281,268

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

*The Bank does not need to fulfill the capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's RWCAF.

31. Performance review

The Bank recorded a profit before tax of RM56.5 million for the half year ended 30 June 2018, a 67.8% growth compared against the corresponding period in 2017. Net interest income which contributed 58.0% to the Bank's total operating income rose 8.5% or RM4.6 million to RM58.6 million as at June 2018 as a result of higher lending rate and expanded average daily interest-bearing assets. Net fee income contributed 19.9% of the Bank's total operating income. It rose 65.7% or RM8.0 million to RM20.2 million as at June 2018, underpinned by higher fees received related to loans. Net trading income has increased by 77.8% or RM9.8 million to RM22.3 million during the reporting period mainly due to higher volume of foreign exchange transactions.

Allowance for credit loss reduced by RM4.3 million compared to 30 June 2017 mainly resulted by decline in loan base. The Bank's other operating expenses increased by 10.4% or RM3.8 million to RM40.0 million during the period largely attributable to higher personnel cost and establishment cost.

The Bank's total assets as at 30 June 2018 stood at RM5.1 billion, an increase of RM0.2 billion or 4.9% since 31 December 2017 as a result of greater investment in financial securities. Although gross loan, advances and financing reduced by 11.9% to RM2.8 billion, deposits from customers continued to increase by 9.7% to RM3.1 billion during the first half of 2018.

32. Business prospects

The performance of the global economy is expected to face greater challenges following the increased concerns over the trade war between the major economies which could negatively impact the global supply chain that involves developed nations and emerging markets alike. In Malaysia, it is expected that the growth momentum would continue to be driven by domestic demand with support from net exports. The impending policies and new directives from the new government would be the key contributing factor for the momentum of economy growth going forward. While the external factors, such as pace of recovery in the major export markets, the sustainability 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 as well.

The Bank will remain prudent and continue to focus on its long term strategic objectives, with the view of 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.