

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)**STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010**

	Note	30.9.2010 RM'000 (Unaudited)
ASSETS		
Cash and short-term funds		5,105
Deposits and placements with banks and other financial institutions	5	870,126
Loans, advances and financing	6	27,680
Other assets	7	4,115
Plant and equipment		773
Intangible assets		149
TOTAL ASSETS		<u>907,948</u>
LIABILITIES AND SHAREHOLDERS' FUNDS		
Deposits from customers	8	4,377
Deposits and placements of banks and other financial institutions	9	567,884
Other liabilities	10	1,062
TOTAL LIABILITIES		<u>573,323</u>
Share capital		331,000
Retained profits		3,625
SHAREHOLDERS' FUNDS		<u>334,625</u>
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS		<u>907,948</u>
COMMITMENTS AND CONTINGENCIES	15	<u>385,324</u>

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)

**STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	Share capital RM'000	Distributable Retained profits RM'000	Total RM'000
At 28 January 2010 (date of incorporation)	331,000	-	331,000
Profit for the period	-	3,625	3,625
At 30 September 2010	331,000	3,625	334,625

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	Current Quarter 3 months ended 1.7.2010 to 30.9.2010 RM'000 (Unaudited)	Cumulative Period 9 months ended 28.1.2010 to 30.9.2010 RM'000 (Unaudited)
Interest income	11 4,412	6,568
Interest expense	12 (1,126)	(1,140)
Net interest income	3,286	5,428
Fee income	3	3
Other operating (loss)/income	13 (75)	735
Operating income before allowance	3,214	6,166
Allowance for losses on loans, advances and financing	(422)	(422)
Net operating income	2,792	5,744
Other operating expenses	14 (1,354)	(2,119)
Profit before taxation	1,438	3,625
Income tax expense	-	-
Profit for the financial period	1,438	3,625
Total comprehensive income for the period	1,438	3,625

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)

**STATEMENT OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010**

	28.1.2010
	to
	30.9.2010
	RM'000
	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES	
Profit before taxation	3,625
<u>Adjustments for:</u>	
Depreciation of plant and equipment	45
Amortization of intangible assets	4
Allowance for loans, advances and financing	422
Operating profit before working capital changes	<u>4,096</u>
INCREASE IN OPERATING ASSETS	
Deposits and placements with banks and other financial institutions	(870,126)
Loans, advances and financing	(28,102)
Other assets	(4,115)
INCREASE IN OPERATING LIABILITIES	
Deposits from customers	4,377
Deposits and placements with banks and other financial institutions	567,884
Other liabilities	1,062
Cash used in operations	<u>(324,924)</u>
Taxes paid	-
Net cash used in operating activities	<u>(324,924)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of plant and equipment	(818)
Purchase of intangible assets	(153)
Net cash used in investing activities	<u>(971)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Issuance of share capital, representing net cash generated from financing activity	<u>331,000</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,105
CASH AND CASH EQUIVALENTS AS AT BEGINNING OF FINANCIAL PI	-
CASH AND CASH EQUIVALENTS AS AT END OF FINANCIAL PERIOD	<u>5,105</u>

**INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010
EXPLANATORY NOTES**

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. Significant accounting policies

(a) Basis of preparation

The quarterly report has been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the MASB and the revised Guidelines on Financial Reporting for Banking Institutions ("BNM/GP8") issued by Bank Negara Malaysia ("BNM"). There is no previous audited financial statements of the Bank as it was incorporated on 28 January 2010. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Bank for the current quarter.

ICBC Malaysia has adopted accounting standards issued by Malaysian Accounting Standards Board ("MASB") that are effective for financial period beginning on or after 1 January 2010.

BNM also issued the guidelines on Classification and Impairment Provisions for Loans/Financing which are effective for financial years beginning on and after 1 January 2010. The guidelines set out the minimum requirements on classification of impaired loans/financing and provisioning for loans/financing impairment with the adoption of FRS 139. The guidelines superseded the existing guidelines on Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts (BNM/GP3) which was issued on 7 August 2008.

As a transitional provisions under the Amendments to FRS 139, the Financial Services sector is granted a transitional period for the purpose of complying with the collective assessment of impairment required under FRS 139. During the transitional period, the Bank is required to comply with the requirements on collective assessment of impairment of loans and financing under the guidelines on Classification and Impairment Provisions for Loans/Financing. The Bank is required to maintain collective impairment allowance of at least 1.5% of total outstanding loans/financing, net of individual impairment allowance.

**INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010
EXPLANATORY NOTES (CONTD.)**

2. Significant accounting policies (Contd.)

(b) Significant accounting judgements and estimates

In the process of applying the Bank's accounting policies, management has exercised judgements and estimates in determining the amounts recognised in the financial statements. The most significant uses of judgements and estimates are as follows:

(i) Impairment losses on loans, advances and financing

The Bank reviews its individually significant loans, advances and financing at each statement of financial position date to assess whether an impairment loss should be recorded in the income statement. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Bank makes judgement about the borrower's financial situation and the net realisable value of collateral. These estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

The Bank has no individual impairment during the period as there is no impaired loan identified.

(c) FRSs and IC Interpretations ("ICs") Issued But Not Yet Effective

The following new FRSs and IC Interpretations were issued but are not yet effective and have not been applied by the Group and the Bank:-

FRSs, Amendments to FRSs and IC Interpretations:	Effective for financial year beginning on or after
*FRS 132: Financial Instruments: Presentation	1 March 2010
FRS 1: First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3: Business Combinations (Revised 2010)	1 July 2010
FRS 127: Consolidated and Separate Financial Statements (Revised 2010)	1 July 2010
Amendments to FRS 2: Share-based Payment	1 July 2010
Amendments to FRS 5: Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138: Intangible Assets	1 July 2010
Amendments to IC Interpretation 9: Reassessment of Embedded Derivatives	1 July 2010
IC Interpretation 12: Service Concession Arrangements	1 July 2010
IC Interpretation 16: Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17: Distributions of Non-cash Assets to Owners	1 July 2010

**INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010
EXPLANATORY NOTES (CONTD.)**

2. Significant accounting policies (Contd.)

(c) FRSs and IC Interpretations ("ICs") Issued But Not Yet Effective (Contd.)

The following new FRSs and IC Interpretations were issued but are not yet effective and have not been applied by the Group and the Bank (Contd.):-

	Effective for financial year beginning on or after
FRSs, Amendments to FRSs and IC Interpretations:	
Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters (Amendment to FRS 1)	1 January 2011
Group Cash-settled Share-based Payment Transactions (Amendments to FRS 2)	1 January 2011
Improving Disclosures about Financial Instruments (Amendments to FRS 7)	1 January 2011
Amendments to FRS 1: Additional Exemptions for First-time Adopters	1 January 2011
IC Interpretation 4: Determining whether an Arrangement Contains a Lease	1 January 2011
IC Interpretation 18: Transfers of Assets from Customers	1 January 2011
TR i-4: Shariah Compliant Sale Contracts	1 January 2011
IC Interpretation 15: Agreements for the Construction of Real Estate	1 January 2012

- * The amendments in paragraphs 11, 16 and 97E of the Standard relating to Classification of Rights Issues shall apply to financial statements of annual periods beginning on or after 1 March 2010.

**INTERIM REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2010
EXPLANATORY NOTES (CONTD.)**

3. Review of performance

Overall Performance

ICBC Malaysia had recorded a pre-tax profit of RM3.6 million for the current financial period-to-date since it commenced business operation on 18 April 2010. The Bank's pre-tax profit was mainly attributable to operating income that was higher than operating costs for the period.

Total income was mainly contributed by interest income from money at call and deposit placements with banks and other financial institutions and non-interest income from foreign exchange gains generated from dealing in foreign currencies with customers.

Overheads were mainly from general and administration expenses, as the Bank was recently established and incurred expenditures on setting up its infrastructure and resources.

The Bank's total assets stood at RM907.9 million as at 30 Sep 2010, consisted mainly of cash and short term funds, deriving from its paid-up capital and deposits and placements with banks and other financial institutions.

As at 30 Sep 2010, the Bank's risk weighted capital ratio stood high at 106.30%.

ICBC Malaysia's main revenue stream are from treasury and trade finance businesses and is in the midst of establishing retail banking and corporate lending businesses.

Business Segments Performance

ICBC Malaysia's main revenue stream stemmed from treasury business and is in the midst of establishing retail banking and corporate lending businesses.

Geographical Segments Performance

In terms of geographical distribution of ICBC Malaysia's businesses, all business operations were carried out within Malaysia.

4. Current year's prospects

The Malaysian economy outlook for 2010 remains positive on the back of accommodative Bank Negara Malaysia's monetary policy and the government's proactive fiscal stimulus package. ICBC Malaysia will continue to grow its revenue stream and profitability, tapping on growing regional business opportunities and leveraging on its global network.

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)
EXPLANATORY NOTES (CONTD.)**

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS	30.9.2010
	RM'000
	(Unaudited)
Licensed Malaysian banks	330,000
Foreign banks	540,126
	<u>870,126</u>
6. LOANS, ADVANCES AND FINANCING	30.9.2010
	RM'000
	(Unaudited)
At amortised cost	
Financing - Letter of credit	28,102
Collective impairment of loans, advances and financing	(422)
Net loans, advances and financing	<u>27,680</u>
(i) Loans, advances and financing according to type of customer is as follows:	
	30.9.2010
	RM'000
	(Unaudited)
Domestic business enterprises	<u>28,102</u>
(ii) The maturity structure of loans, advances and financing is as follows:	
	30.9.2010
	RM'000
	(Unaudited)
Maturity within one year	<u>28,102</u>
(iii) Loans, advances and financing according to interest/profit rate sensitivity is as follows:	
	30.9.2010
	RM'000
	(Unaudited)
Fixed rate - financing	<u>28,102</u>

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)
EXPLANATORY NOTES (CONTD.)**

(iv) Loans, advances and financing according to sector is as follows:

**30.9.2010
RM'000
(Unaudited)**

Agricultural	<u>28,102</u>
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(v) Loans, advances and financing according to purpose is as follows:

**30.9.2010
RM'000
(Unaudited)**

Working capital	<u>28,102</u>
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(vi) Movements in the impairment provisions are as follows:

**30.9.2010
RM'000
(Unaudited)**

Collective Impairment

Balance as at 1 January	-
Impairment during the period	422
Balance as at end of period	<u>422</u>

7. OTHER ASSETS

**30.9.2010
RM'000
(Unaudited)**

Interest receivable	2,645
Other receivables, deposits and prepayments	1,470
	<u>4,115</u>

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)
EXPLANATORY NOTES (CONTD.)**

8. DEPOSITS FROM CUSTOMERS

**30.9.2010
RM'000
(Unaudited)**

(i) By type of deposit	
Demand deposits	2,907
Savings deposits	346
Fixed deposits	1,124
	<u>4,377</u>

(ii) By type of customers

**30.9.2010
RM'000
(Unaudited)**

Business enterprises	2,907
Individuals	1,470
	<u>4,377</u>

(iii) By maturity structure

**30.9.2010
RM'000
(Unaudited)**

Due within six months	<u>4,377</u>
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9. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

**30.9.2010
RM'000
(Unaudited)**

Licensed Malaysian banks	31,063
Foreign banks	536,821
	<u>567,884</u>

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)
EXPLANATORY NOTES (CONTD.)**

10. OTHER LIABILITIES

	30.9.2010
	RM'000
	(Unaudited)
Interest payable	985
Other creditors and payables	77
	<u>1,062</u>

11. INTEREST INCOME

	Current Quarter	Cumulative Period
	3 months ended	9 months ended
	1.7.2010	28.1.2010
	to	to
	30.9.2010	30.9.2010
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Loans and advances, other than recoveries from impaired loans	2,091	2,117
Money at call and deposit placements with financial institutions	2,321	4,451
	<u>4,412</u>	<u>6,568</u>

12. INTEREST EXPENSE

	Current Quarter	Cumulative Period
	3 months ended	9 months ended
	1.7.2010	28.1.2010
	to	to
	30.9.2010	30.9.2010
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Deposits and placements of banks and other financial institutions	1,125	1,139
Deposits from customers	1	1
	<u>1,126</u>	<u>1,140</u>

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)
EXPLANATORY NOTES (CONTD.)

13. OTHER OPERATING (LOSS)/INCOME

	Current Quarter 3 months ended 1.7.2010 to 30.9.2010 RM'000 (Unaudited)	Cumulative Period 9 months ended 28.1.2010 to 30.9.2010 RM'000 (Unaudited)
Foreign exchange (loss)/gain Realised	(75)	735

14. OTHER OPERATING EXPENSES

	Current Quarter 3 months ended 1.7.2010 to 30.9.2010 RM'000 (Unaudited)	Cumulative Period 9 months ended 28.1.2010 to 30.9.2010 RM'000 (Unaudited)
(i) Personnel costs		
Salaries and allowances	423	432
(ii) Marketing Expenses		
Advertising and promotion	27	27
(iii) Administration and Establishment costs		
Rental of premises	277	498
Insurance	-	250
Depreciation of fixed assets	38	40
Utilities	6	9
Telecommunication	178	249
Legal and professional fees	140	169
Travelling expenses	136	138
Printing, stationery and postage	33	101
Licence fees	3	103
Others	93	103
	<u>904</u>	<u>1,660</u>

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)
EXPLANATORY NOTES (CONTD.)**

15. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions.

Risk Weighted Exposures of the Bank as at 30 September 2010 are as follows:

	Principal amount RM'000	Credit equivalent amount RM'000	Risk- weighted amount RM'000
Transaction-related contingent items	380,154	190,077	98,837
Foreign exchange related contracts	5,170	81	16
Total	<u>385,324</u>	<u>190,158</u>	<u>98,853</u>

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)
EXPLANATORY NOTES (CONTD.)**

16. SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

Related party of the Bank is Industrial and Commercial Bank of China Limited, the holding bank.

(i) Related Party Balances		30.9.2010
		RM'000
		(Unaudited)
Due from holding bank within 1 to 3 months		540,126
Nostro accounts from holding bank		1,506
Interest receivable from holding bank		2,117
(ii) Related Party Transactions		
	Current Quarter	Cumulative Period
	3 months ended	9 months ended
	1.7.2010	28.1.2010
	to	to
	30.9.2010	30.9.2010
	RM'000	RM'000
	(Unaudited)	(Unaudited)
Interest income earned from holding bank	2,091	2,117
Issuance of share capital to holding bank	331,000	331,000
	<u>333,091</u>	<u>333,117</u>

**INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)
EXPLANATORY NOTES (CONTD.)**

17. CAPITAL ADEQUACY

(i) Capital adequacy ratios of the Bank are computed in accordance with BNM's revised Risk Weighted Capital Adequacy Framework (RWCAF): Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

(ii) The capital adequacy ratios of the Bank as at the balance sheet date, are as follows:

30.9.2010

Core capital ratio	106.16%
Risk-weighted capital ratio	<u>106.30%</u>

(iii) The components of Tier-1 and Tier-2 capital (excluding deferred tax assets) of the Bank are as follows:

30.9.2010

RM'000

Tier-1 capital

Paid-up share capital	<u>331,000</u>
Total Tier-1 capital	<u>331,000</u>

Tier-2 Capital

Collective assessment allowance	<u>422</u>
Total Tier-2 capital	<u>422</u>

Capital base	<u>331,422</u>
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* Computed based on balance sheet position as at 30 June 2010

INDUSTRIAL AND COMMERCIAL BANK OF CHINA (MALAYSIA) BERHAD (839839-M)
EXPLANATORY NOTES (CONTD.)

17. CAPITAL ADEQUACY (Contd.)

(iv) Breakdown of Risk-Weighted Assets under the Standardised Approach

Exposure Class	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	Capital Requirements RM'000
30 September 2010				
<u>Credit Risk</u>				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	1,100	1,100	-	-
Banks, Development Financial Institutions & MDBs	885,019	885,019	177,004	14,160
Corporates	20,232	20,232	4,046	-
Other fixed assets	2,513	2,513	2,391	191
Total for On-Balance Sheet Exposures	<u>908,864</u>	<u>908,864</u>	<u>183,441</u>	<u>14,351</u>
Off-Balance Sheet Exposures				
Banks, Development Financial Institutions & MDBs	81	81	16	-
Corporates	189,582	189,582	94,791	7,908
Total for Off-Balance Sheet Exposures	<u>189,663</u>	<u>189,663</u>	<u>94,807</u>	<u>7,908</u>
Total for On and Off-Balance Sheet Exposures	<u>1,098,527</u>	<u>1,098,527</u>	<u>278,248</u>	<u>22,259</u>
b. Market Risk			-	-
c. Operational Risk*			33,532	2,683
Total RWA and Capital Requirements			<u>311,780</u>	<u>24,942</u>

* calculation of risk-weighted assets is based on Basic Indicator Approach

(v) Credit Risk: Breakdown by Risk Weights under the Standardised Approach

Risk Weights	Sovereigns & Central Banks RM'000	Banks, DFIs and MDBs RM'000	Corporates RM'000	Other fixed assets RM'000	Total Exposures RM'000	Total Risk Weighted Assets RM'000
0%	1,100	-	-	-	1,100	-
20%	-	885,100	20,232	-	905,332	181,066
50%	-	-	189,582	-	189,582	94,791
100%	-	-	-	2,391	2,513	2,391
	<u>1,100</u>	<u>885,100</u>	<u>209,814</u>	<u>2,391</u>	<u>1,098,527</u>	<u>278,248</u>