

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 SEPTEMBER 2012

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 2012 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 Revised Guidelines on Financial Reporting for Banking Institutions issued by Bank Negara Malaysia in February 2012.



TIAN FENGLIN
Chief Executive Officer

Date: 30 October 2012

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2012

| | Note | 30 Sept 2012 RM'000 | 31 Dec 2011 RM'000 |
|--|------|------------------------|-----------------------|
| ASSETS | | | |
| Cash and short-term funds | 10 | 939,149 | 846,191 |
| Deposits and placements with banks and other financial institutions | 11 | 198,151 | 499,729 |
| Investment securities available-for-sale | 12 | 51,100 | - |
| Loans, advances and financing | 13 | 764,983 | 355,933 |
| Other assets | 14 | 7,938 | 6,176 |
| Tax recoverable | | 1,030 | - |
| Deferred tax assets | | 2,224 | 2,235 |
| Plant and equipment | | 2,165 | 2,550 |
| TOTAL ASSETS | | 1,966,740 | 1,712,814 |
| LIABILITIES | | | |
| Deposits from customers | 15 | 286,334 | 386,572 |
| Deposits and placements of banks and other financial institutions | 16 | 1,315,008 | 962,658 |
| Other liabilities | 17 | 14,653 | 18,762 |
| Provision for taxation | | - | 86 |
| TOTAL LIABILITIES | | 1,615,995 | 1,368,078 |
| EQUITY | | | |
| Share capital | | 331,000 | 331,000 |
| Reserves | | 19,745 | 13,736 |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK | | 350,745 | 344,736 |
| TOTAL LIABILITIES AND EQUITY | | 1,966,740 | 1,712,814 |

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 2011 and accompanying explanatory notes on pages 5 to 16 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 October 2012.

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

| | Note | 3rd quarter ended | | Year-To-Date ended | |
|--|------|------------------------|------------------------|------------------------|------------------------|
| | | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 |
| Interest income | 18 | 22,931 | 13,961 | 68,468 | 29,060 |
| Interest expense | 18 | (14,157) | (6,963) | (39,476) | (12,994) |
| Net interest income | 18 | 8,774 | 6,998 | 28,992 | 16,066 |
| Net fee income | 19 | 623 | 1,848 | 2,270 | 1,956 |
| Net trading income | 20 | 1,477 | 4,678 | 3,872 | 6,317 |
| Other operating income | | 1 | - | 64 | - |
| Net operating income | | 10,875 | 13,524 | 35,198 | 24,339 |
| Other operating expenses | 21 | (7,924) | (4,610) | (20,930) | (11,863) |
| Operating profit | | 2,951 | 8,914 | 14,268 | 12,476 |
| Allowance for impairment on loans, advances and financing | 22 | (1,360) | (2,667) | (6,239) | (3,224) |
| Profit before taxation | | 1,591 | 6,247 | 8,029 | 9,252 |
| Tax expense | | (369) | (561) | (2,057) | (1,314) |
| Profit after taxation | | 1,222 | 5,686 | 5,972 | 7,938 |
| Other comprehensive income: | | | | | |
| Fair value reserve | | | | | |
| - Net changes in fair value | | (192) | - | 48 | - |
| - Income tax effects | | 49 | - | (11) | - |
| Other comprehensive income for the period, net of tax | | (143) | - | 37 | - |
| Total comprehensive income for the period | | 1,079 | 5,686 | 6,009 | 7,938 |
| Basic earnings per ordinary share (sen): | | 0.37 | 1.72 | 1.80 | 2.40 |

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 2011 and accompanying explanatory notes on pages 5 to 16 attached to the unaudited condensed interim financial statements.

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Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

| | Share Capital RM'000 | Non-distributable Statutory Reserve RM'000 | Available- for-sale Reserves RM'000 | Distributable Retained Earnings RM'000 | Total RM'000 |
|--|----------------------------|---|--|---|-----------------|
| At 1 January 2011 | 331,000 | 1,060 | - | 1,059 | 333,119 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 7,938 | 7,938 |
| At 30 September 2011 | 331,000 | 1,060 | - | 8,997 | 341,057 |
| At 1 January 2012 | 331,000 | 6,869 | - | 6,867 | 344,736 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | - | - | - | 5,972 | 5,972 |
| Other comprehensive income, net of tax | | | | | |
| Fair value reserve | | | | | |
| - Net changes in fair value | - | - | 48 | - | 48 |
| - Income tax effects | - | - | (11) | - | (11) |
| Total other comprehensive income for the period | - | - | 37 | - | 37 |
| Total comprehensive income for the period | - | - | 37 | 5,972 | 6,009 |
| At 30 September 2012 | 331,000 | 6,869 | 37 | 12,839 | 350,745 |

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 2011 and accompanying explanatory notes on pages 5 to 16 attached to the unaudited condensed interim financial statements.

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Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

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UNAUDITED CONDENSED CASH FLOW STATEMENTS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

| | Note | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 |
|---|------|------------------------|------------------------|
| Cash flows from operating activities | | | |
| Profit before taxation | | 8,029 | 9,252 |
| Adjustments for: | | | |
| Depreciation of plant and equipment | | 805 | 625 |
| Allowance for impairment on loans, advances and financing | | 6,239 | 3,224 |
| Amortisation of premium less accretion of discounts | | 70 | - |
| Net unrealised losses arising from derivative trading | | 2,170 | 223 |
| Operating profit before working capital changes | | <u>17,313</u> | <u>13,324</u> |
| Increase/(decrease) in operating assets | | | |
| Deposits and placements with banks and other financial institutions | | 301,578 | (525,254) |
| Loans, advances and financing | | (415,289) | (214,939) |
| Other assets | | (3,932) | (4,407) |
| (Decrease)/increase in operating liabilities | | | |
| Deposits from customers | | (100,238) | 271,309 |
| Deposits and placements of banks and other financial institutions | | 352,350 | 997,912 |
| Other liabilities | | (4,109) | 7,238 |
| Cash generated from operations | | <u>147,673</u> | <u>545,183</u> |
| Income taxes paid | | (3,173) | (2,796) |
| Net cash generated from operating activities | | <u>144,500</u> | <u>542,387</u> |
| Cash flows from investing activities | | | |
| Purchase of plant and equipment | | (420) | (1,825) |
| Purchase of securities available-for-sale | | (51,122) | - |
| Net cash used in investing activities | | <u>(51,542)</u> | <u>(1,825)</u> |
| Net increase in cash and cash equivalents | | 92,958 | 540,562 |
| Cash and cash equivalents at beginning of the financial period | | 846,191 | 321,307 |
| Cash and cash equivalents at end of the financial period | | <u>939,149</u> | <u>861,869</u> |
| Cash and cash equivalents comprise: | | | |
| Cash and short-term funds | 10 | 939,149 | 861,869 |
| | | <u>939,149</u> | <u>861,869</u> |

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011 and accompanying explanatory notes on pages 5 to 16 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 30 October 2012.

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 SEPTEMBER 2012

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 2012 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB").

The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank as at and for the financial year ended 31 December 2011. 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 2011.

The audited financial statements of the Bank for the year ended 31 December 2011 were prepared under Financial Reporting Standards ("FRSs"). Since the previous annual audited financial statements as at 31 December 2011 were issued, the Bank has adopted the MFRS framework issued by MASB with effect from 1 January 2012. This MFRS Framework was introduced by the MASB in order to fully converge with Malaysia's existing FRS framework with International Financial Reporting Standards ("IFRS") framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework.

This is the Bank's nine months ended condensed interim financial statements covered by the MFRS framework and MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards has been applied. The MFRS did not result in any material financial impact to the Bank.

The Bank has not applied the following accounting standards, amendments and interpretations that have been issued by MASB but are not yet effective for the Bank:

| FRSs/Interpretations | Effective date |
|--|----------------|
| MFRS 10, <i>Consolidated Financial Statements</i> | 1 January 2013 |
| MFRS 11, <i>Joint Agreements</i> | 1 January 2013 |
| MFRS 12, <i>Disclosure of Interests in Other Entities</i> | 1 January 2013 |
| MFRS 13, <i>Fair Value Measurement</i> | 1 January 2013 |
| MFRS 119, <i>Employee Benefits (2011)</i> | 1 January 2013 |
| MFRS 127, <i>Separate Financial Statements (2011)</i> | 1 January 2013 |
| MFRS 128, <i>Investments in Associates and Joint Ventures (2011)</i> | 1 January 2013 |
| IC Interpretation 20, <i>Stripping Costs in the Production Phase of a Surface Mine</i> | 1 January 2013 |
| Amendments to MFRS 7, <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> | 1 January 2013 |
| Amendments to MFRS 1, <i>First-time Adoption of Financial Reporting Standards - Government Loans</i> | 1 January 2013 |
| Amendments to MFRS 132, <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> | 1 January 2014 |
| MFRS 9, <i>Financial Instruments (2009)</i> | 1 January 2015 |
| MFRS 9, <i>Financial Instruments (2010)</i> | 1 January 2015 |
| Amendments to MFRS 7, <i>Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures</i> | 1 January 2015 |

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

- from the annual period beginning 1 January 2013 for those standards, amendments or interpretations that will be effective for the annual period beginning on or after 1 January 2013, except for MFRS 10, MFRS 11, MFRS 12, MFRS 127, MFRS 128 and IC Interpretation 20, as they are not applicable to the Bank.
- from the annual period beginning 1 January 2014 and 1 January 2015 respectively for those standards, amendments or interpretations that will be effective for the annual period beginning on or after 1 January 2014 and 1 January 2015 respectively.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively or which requires extended disclosures, is not expected to have any financial impacts to the current period financial statements upon their first adoption.

2. Basis of Preparation (continued)

The adoption of MFRS 9 will result in a change in accounting policy. IC Interpretation 20 is not expected to have any impact on the financial statements of the Bank as it is not relevant to the operations of the Bank.

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Bank.

Impairment of collectively assessed loans, advances and financing

Prior to the transition to MFRS 139, the Bank maintained its collective impairment provision at 1.5% of total outstanding loans, net of individual impairment provision, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework ceased to apply where requirements of MFRS 139 in the determination of collective impairment provision shall be performed on "collective basis" on the Bank's loan portfolio using statistical techniques with the necessary model risk adjustments to the credit grades and probability of defaults.

The Bank is in the midst of finalising its model and accordingly, had maintained its collective impairment provision at 1.5% of total outstanding loans, net of individual impairment provision. The collective impairment provision may be materially different when the internally developed model is applied.

Except for the potential effects arising from the Bank's finalisation of its collective impairment provision model, the MFRS did not result in any material financial impact to the Bank.

3. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2011 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 2012.

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 2012.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the nine months ended 30 September 2012.

8. Dividend Paid

No dividend was paid during the nine months ended 30 September 2012.

9. Significant Events

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

10. Cash and short-term funds

| | 30 Sept 2012 | 31 Dec 2011 |
|--|---------------------|-------------|
| | RM'000 | RM'000 |
| Cash and balances with banks and other financial institutions | 41,980 | 287,004 |
| Money at call and deposit placements maturing within one month | 897,169 | 559,187 |
| | 939,149 | 846,191 |

11. Deposits and placements with banks and other financial institutions

| | 30 Sept 2012 | 31 Dec 2011 |
|--------------------------|---------------------|-------------|
| | RM'000 | RM'000 |
| Licensed Malaysian banks | 30,125 | 29,402 |
| Foreign banks | 168,026 | 470,327 |
| | 198,151 | 499,729 |

12. Investment securities available-for-sale

| | 30 Sept 2012 RM'000 | 31 Dec 2011 RM'000 |
|---------------------------------|------------------------|-----------------------|
| At fair value | | |
| Malaysian Government securities | 51,100 | - |
| | <u>51,100</u> | <u>-</u> |

13. Loans, advances and financing

| | 30 Sept 2012 RM'000 | 31 Dec 2011 RM'000 |
|---|------------------------|-----------------------|
| At amortised cost | | |
| (i) By type | | |
| Overdrafts | 3,699 | 6,149 |
| Term loans | | |
| - housing loans | 538 | - |
| - other term loans | 600,409 | 285,228 |
| Bills receivable | 127,578 | 49,969 |
| Trust receipts | 1,219 | - |
| Revolving credit | 42,558 | 20,007 |
| Staff loans | 579 | - |
| Credit cards | 62 | - |
| Gross loans, advances and financing | <u>776,642</u> | <u>361,353</u> |
| Less: Allowance for impairment | | |
| - Collective allowance for impairment | (11,659) | (5,420) |
| Net loans, advances and financing | <u>764,983</u> | <u>355,933</u> |
| (ii) By type of customer | | |
| Domestic non-bank financial institutions | | |
| - Others | 10,018 | - |
| Domestic business enterprises | | |
| - Small medium enterprises | 7,324 | 4,018 |
| - Others | 118,098 | 105,085 |
| Individuals | 637 | - |
| Foreign entities | 640,565 | 252,250 |
| | <u>776,642</u> | <u>361,353</u> |
| (iii) By interest rate sensitivity | | |
| Fixed rate | 42,087 | 12,839 |
| Variable rate | | |
| - Base Lending Rate plus | 11,313 | 4,306 |
| - Cost plus | 688,771 | 331,714 |
| - Other variable rates | 34,471 | 12,494 |
| | <u>776,642</u> | <u>361,353</u> |
| (iv) By sector | | |
| Mining and quarrying | 23,040 | - |
| Manufacturing | 16,247 | 39,592 |
| Construction | 35,400 | 59,354 |
| Real estate | 53,386 | 556 |
| Wholesale & retail trade and restaurants & hotels | 332,553 | 175,584 |
| Transport, storage and communication | 52,565 | - |
| Finance, insurance and business services | 262,273 | 86,267 |
| Household | 1,178 | - |
| | <u>776,642</u> | <u>361,353</u> |
| (v) By purpose | | |
| Purchase of landed property | | |
| - Residential | 957 | - |
| - Non residential | 31,053 | 10,652 |
| Purchase of transport vehicles | 159 | - |
| Credit card | 62 | - |
| Construction | 1,807 | - |
| Working capital | 742,496 | 323,370 |
| Other purpose | 108 | 27,331 |
| | <u>776,642</u> | <u>361,353</u> |

13. Loans, advances and financing (continued)

| (vi) By geographical distribution | 30 Sept 2012 | 31 Dec 2011 |
|--|-----------------------|-----------------------|
| | RM'000 | RM'000 |
| Within Malaysia | 136,615 | 109,103 |
| Outside Malaysia | 640,027 | 252,250 |
| | <u>776,642</u> | <u>361,353</u> |

Concentration by location for loans, advances and financing is based on the location of the borrower.

| (vii) By residual contractual maturity | 30 Sept 2012 | 31 Dec 2011 |
|---|-----------------------|-----------------------|
| | RM'000 | RM'000 |
| Maturity within one year | 689,288 | 239,199 |
| More than one year to three years | 69,243 | 115,476 |
| More than three years to five years | 8,341 | 2,805 |
| More than five years | 9,770 | 3,873 |
| | <u>776,642</u> | <u>361,353</u> |

(viii) Movements in collective allowance for impairment on loans, advances and financing

| | 30 Sept 2012 | 31 Dec 2011 |
|---|----------------------|---------------------|
| | RM'000 | RM'000 |
| At beginning of the financial period/year | 5,420 | 1,809 |
| Allowance made during the financial period/year | 6,867 | 5,047 |
| Allowance written back | (628) | (1,436) |
| At end of the financial period/year | <u>11,659</u> | <u>5,420</u> |
| As % of gross loans, advances and financing * (net of individual allowance for impairment) | <u>1.5%</u> | <u>1.5%</u> |

* Prior to the transition to MFRS 139, the Bank maintained its collective impairment provision at 1.5% of total outstanding loans, net of individual impairment provision, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework ceased to apply where requirements of MFRS 139 in the determination of collective impairment provision shall be performed on "collective basis" on the Bank's loan portfolio using statistical techniques with the necessary model risk adjustments to the credit grades and probability of defaults.

The Bank is in the midst of finalising its model and accordingly, had maintained its collective impairment provision at 1.5% of total outstanding loans, net of individual impairment provision. The collective impairment provision may be materially different when the internally developed model is applied.

Except for the potential effects arising from the Bank's finalisation of its collective impairment provision model, the MFRS did not result in any material financial impact to the Bank.

14. Other assets

| | 30 Sept 2012 | 31 Dec 2011 |
|---------------------------------------|---------------------|---------------------|
| | RM'000 | RM'000 |
| Derivative financial assets (Note 25) | - | 824 |
| Interest receivable | 4,710 | 4,164 |
| Deposits | 1,154 | 793 |
| Other receivables and prepayments | 2,074 | 395 |
| | <u>7,938</u> | <u>6,176</u> |

15. Deposits from customers

| (i) By type of deposit | 30 Sept 2012 | 31 Dec 2011 |
|-------------------------------|-----------------------|-----------------------|
| | RM'000 | RM'000 |
| Demand deposits | 31,168 | 36,378 |
| Savings deposits | 4,221 | 2,951 |
| Fixed deposits | 229,403 | 347,243 |
| Money market deposits | 20,524 | - |
| Other deposits | 1,018 | - |
| | <u>286,334</u> | <u>386,572</u> |

15. Deposits from customers (continued)

| (ii) By type of customer | 30 Sept 2012 | 31 Dec 2011 |
|--|-------------------------|-----------------------|
| | RM'000 | RM'000 |
| Business enterprises | 163,712 | 96,919 |
| Individuals | 31,994 | 26,755 |
| Others | 90,628 | 262,898 |
| | <u>286,334</u> | <u>386,572</u> |
| | | |
| (iii) By maturity structure of term deposits | 30 Sept 2012 | 31 Dec 2011 |
| | RM'000 | RM'000 |
| Due within six months | 273,048 | 371,492 |
| Six months to one year | 13,286 | 15,080 |
| | <u>286,334</u> | <u>386,572</u> |
| | | |
| 16. Deposits and placements of banks and other financial institutions | 30 Sept 2012 | 31 Dec 2011 |
| | RM'000 | RM'000 |
| Licensed Malaysian banks | 684,408 | 803,237 |
| Licensed investment banks | 24 | 25 |
| Other financial institutions | 106,176 | - |
| Foreign banks | 524,400 | 159,396 |
| | <u>1,315,008</u> | <u>962,658</u> |
| | | |
| 17. Other liabilities | 30 Sept 2012 | 31 Dec 2011 |
| | RM'000 | RM'000 |
| Interest payable | 7,408 | 5,630 |
| Other payables and accruals | 5,897 | 13,130 |
| Derivative financial liabilities (Note 25) | 1,348 | 2 |
| | <u>14,653</u> | <u>18,762</u> |

18. Interest income

| | 3rd quarter ended | | Year-To-Date ended | |
|---|--------------------------|-----------------------|---------------------------|------------------------|
| | 30 Sept 2012 | 30 Sept 2011 | 30 Sept 2012 | 30 Sept 2011 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Loans, advances and financing: | | | | |
| - Interest income other than from impaired loans | 5,421 | 1,638 | 14,389 | 3,471 |
| Money at call and deposit placements with financial institutions | 17,083 | 12,323 | 53,502 | 25,589 |
| Investment securities available-for-sale | 427 | - | 569 | - |
| Others | - | - | 8 | - |
| | <u>22,931</u> | <u>13,961</u> | <u>68,468</u> | <u>29,060</u> |
| | | | | |
| Interest expense | | | | |
| Deposits and placements of banks and other financial institutions | (12,585) | (6,138) | (35,016) | (11,478) |
| Deposits from customers | (1,571) | (825) | (4,459) | (1,516) |
| Others | (1) | - | (1) | - |
| | <u>(14,157)</u> | <u>(6,963)</u> | <u>(39,476)</u> | <u>(12,994)</u> |
| | | | | |
| Net interest income | <u>8,774</u> | <u>6,998</u> | <u>28,992</u> | <u>16,066</u> |

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

| 19. Fee income | 3rd quarter ended | | Year-To-Date ended | |
|----------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 |
| Fee income: | | | | |
| - Service charges and fees | 93 | 135 | 336 | 174 |
| - Loan processing fees | 16 | 16 | 55 | 26 |
| - Guarantee fees | 123 | 139 | 418 | 187 |
| - Commitment fees | 25 | 9 | 64 | 20 |
| - Other loans related fee income | 367 | 1,549 | 1,399 | 1,549 |
| | <u>624</u> | <u>1,848</u> | <u>2,272</u> | <u>1,956</u> |
| Fee expenses: | | | | |
| - Brokerage | (1) | - | (2) | - |
| | <u>(1)</u> | <u>-</u> | <u>(2)</u> | <u>-</u> |
| Net fee income | <u>623</u> | <u>1,848</u> | <u>2,270</u> | <u>1,956</u> |

| 20. Net trading income | 3rd quarter ended | | Year-To-Date ended | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 |
| Net gains from dealing in foreign exchange and derivative trading | 3,145 | 255 | 6,109 | 2,179 |
| Unrealised revaluation (losses)/gains in foreign exchange | (67) | 4,569 | (67) | 4,361 |
| Net unrealised losses arising from derivative trading | (1,601) | (146) | (2,170) | (223) |
| | <u>1,477</u> | <u>4,678</u> | <u>3,872</u> | <u>6,317</u> |

| 21. Other operating expenses | 3rd quarter ended | | Year-To-Date ended | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 |
| Personnel costs: | | | | |
| - Salaries, allowance and bonuses | 4,330 | 2,124 | 10,952 | 5,273 |
| - Pension fund contributions | 519 | 211 | 1,262 | 447 |
| - Other staff costs | 500 | 157 | 1,390 | 359 |
| | <u>5,349</u> | <u>2,492</u> | <u>13,604</u> | <u>6,079</u> |
| Establishment costs: | | | | |
| - Depreciation of plant and equipment | 279 | 210 | 805 | 625 |
| - Rental | 769 | 658 | 1,847 | 1,740 |
| - Others | 147 | 117 | 490 | 434 |
| | <u>1,195</u> | <u>985</u> | <u>3,142</u> | <u>2,799</u> |
| Promotion and marketing related expenses: | | | | |
| - Advertising and promotion | 116 | 69 | 236 | 295 |
| - Others | 158 | 150 | 641 | 418 |
| | <u>274</u> | <u>219</u> | <u>877</u> | <u>713</u> |
| Administrative expenses: | | | | |
| - Audit fees | 30 | - | 90 | - |
| - Non-audit fees | 24 | - | 84 | - |
| - Professional fees | 211 | 237 | 454 | 415 |
| - Licence fee | 38 | 28 | 101 | 83 |
| - Membership fee | 33 | 11 | 67 | 24 |
| - Others | 770 | 638 | 2,511 | 1,750 |
| | <u>1,106</u> | <u>914</u> | <u>3,307</u> | <u>2,272</u> |
| Total other operating expenses | <u>7,924</u> | <u>4,610</u> | <u>20,930</u> | <u>11,863</u> |

| 22. Allowance for impairment on loans, advances and financing | 3rd quarter ended | | Year-To-Date ended | |
|---|------------------------|------------------------|------------------------|------------------------|
| | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 | 30 Sept 2012 RM'000 | 30 Sept 2011 RM'000 |
| Collective allowance for impairment | | | | |
| - made during the financial period | 1,360 | 2,667 | 6,867 | 3,872 |
| - written back during the financial period | - | - | (628) | (648) |
| | <u>1,360</u> | <u>2,667</u> | <u>6,239</u> | <u>3,224</u> |

23. Commitments and contingencies

The commitments and contingencies constitute the following:

| | 30 Sept 2012 | | | |
|--|-------------------------------|---|--|--|
| | Principal amount RM'000 | Positive value of derivative contracts ^ RM'000 | Credit equivalent amount * RM'000 | Risk weighted assets * RM'000 |
| <u>Credit-related exposures</u> | | | | |
| Transaction-related contingent items | 369,797 | - | 184,899 | 107,585 |
| Short term self-liquidating trade-related contingencies | 8,546 | - | 1,709 | 1,709 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| - exceeding one year | 35,926 | - | 17,963 | 15,391 |
| - not exceeding one year | 348,306 | - | 69,660 | 67,309 |
| Unutilised credit card lines | 6,988 | - | 1,398 | 1,048 |
| <u>Derivative financial contracts</u> | | | | |
| Foreign exchange related contracts: | | | | |
| - less than one year | 641,796 | - | 12,680 | 6,427 |
| Total | 1,411,359 | - | 288,309 | 199,469 |

(note 25)

| | 31 Dec 2011 | | | |
|--|-------------------------------|---|--|--|
| | Principal amount RM'000 | Positive value of derivative contracts ^ RM'000 | Credit equivalent amount * RM'000 | Risk weighted assets * RM'000 |
| <u>Credit-related exposures</u> | | | | |
| Transaction-related contingent items | 235,255 | - | 117,628 | 68,851 |
| Short term self-liquidating trade-related contingencies | 1,894 | - | 379 | 379 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of: | | | | |
| - exceeding one year | 9,341 | - | 4,670 | 4,670 |
| - not exceeding one year | 117,430 | - | 23,486 | 18,969 |
| <u>Derivative financial contracts</u> | | | | |
| Foreign exchange related contracts: | | | | |
| - less than one year | 222,573 | 824 | 2,429 | 962 |
| Total | 586,493 | 824 | 148,592 | 93,831 |

(note 25)

^ The foreign exchange related contracts are off-balance sheet derivative financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates) of the underlying instruments. The tables above show the Bank's derivative financial instruments as at the respective reporting dates. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at the 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 Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

24. Capital adequacy

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

| | 30 Sept 2012 | 31 Dec 2011 |
|--|---------------------|-------------|
| | RM'000 | RM'000 |
| Tier 1 capital | | |
| Paid-up share capital | 331,000 | 331,000 |
| Retained earnings | 6,867 | 6,867 |
| Statutory reserves | 6,869 | 6,869 |
| | 344,736 | 344,736 |
| Less: Deferred tax assets | (2,235) | (2,235) |
| Total Tier 1 capital | 342,501 | 342,501 |
| Tier 2 capital | | |
| Collective impairment allowance, representing total Tier 2 capital | 11,659 | 5,420 |
| Capital base | 354,160 | 347,921 |
| Core capital ratio | 35.88% | 53.57% |
| Risk-weighted capital ratio | 37.10% | 54.42% |

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

| | 30 Sept 2012 | | 31 Dec 2011 | |
|--------------------------------|---------------------|----------------------|-------------|---------------|
| | Principal | Risk-weighted | Principal | Risk-weighted |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Total RWA for credit risk | 2,263,453 | 892,717 | 1,863,766 | 586,363 |
| Total RWA for market risk | - | 6,427 | - | 2,733 |
| Total RWA for operational risk | - | 55,456 | - | 50,245 |
| | 2,263,453 | 954,600 | 1,863,766 | 639,341 |

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 2).

24. Capital adequacy (continued)

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

| | 30 Sept 2012 | | | |
|---|---------------------|------------------|-----------------|---------------------|
| | Gross | Net | Risk | Capital |
| | Exposures | Exposures | Weighted | Requirements |
| | RM'000 | RM'000 | Assets | RM'000 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <i>Credit Risk</i> | | | | |
| On-Balance Sheet Exposures | | | | |
| Sovereigns/Central Bank | 770,965 | 770,965 | - | - |
| Banks, Development Financial Institutions and MDBs | 523,399 | 523,399 | 192,495 | 15,400 |
| Corporates | 667,590 | 667,590 | 489,965 | 39,197 |
| Regulatory retail | 221 | 221 | 206 | 16 |
| Residential mortgages | 957 | 957 | 478 | 38 |
| Other assets | 12,012 | 12,012 | 10,104 | 808 |
| Total On-Balance Sheet Exposures | 1,975,144 | 1,975,144 | 693,248 | 55,459 |
| Off-Balance Sheet Exposures | | | | |
| Credit-related off-balance sheet exposures | 275,629 | 275,629 | 193,042 | 15,443 |
| OTC derivatives | 12,680 | 12,680 | 6,427 | 514 |
| Total Off-Balance Sheet Exposures | 288,309 | 288,309 | 199,469 | 15,957 |
| Total On and Off-Balance Sheet Exposures | 2,263,453 | 2,263,453 | 892,717 | 71,416 |
| Large exposure risk requirement | - | - | - | - |
| <i>Market Risk</i> | | | | |
| | Long | Short | | |
| | position | position | | |
| Foreign currency risk | 6,427 | 1,621 | 6,427 | 514 |
| <i>Operational Risk</i> | - | - | 55,456 | 4,436 |
| Total RWA and Capital Requirements | | | 954,600 | 76,366 |

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

24. Capital adequacy (continued)

| | 31 Dec 2011 | | | Capital Requirements RM'000 |
|---|------------------------------|----------------------------|--------------------------------------|-----------------------------------|
| | Gross Exposures RM'000 | Net Exposures RM'000 | Risk Weighted Assets RM'000 | |
| <i>Credit Risk</i> | | | | |
| On-Balance Sheet Exposures | | | | |
| Sovereigns/Central Bank | 359,066 | 359,066 | - | - |
| Banks, Development Financial Institutions and MDBs | 984,786 | 984,786 | 253,221 | 20,257 |
| Corporates | 361,353 | 361,353 | 231,409 | 18,513 |
| Other assets | 9,969 | 9,969 | 7,902 | 632 |
| Total On-Balance Sheet Exposures | 1,715,174 | 1,715,174 | 492,532 | 39,402 |
| Off-Balance Sheet Exposures | | | | |
| Credit-related off-balance sheet exposures | 146,163 | 146,163 | 92,869 | 7,430 |
| OTC derivatives | 2,429 | 2,429 | 962 | 77 |
| Total Off-Balance Sheet Exposures | 148,592 | 148,592 | 93,831 | 7,507 |
| Total On and Off-Balance Sheet Exposures | 1,863,766 | 1,863,766 | 586,363 | 46,909 |
| Large exposure risk requirement | - | - | - | - |
| <i>Market Risk</i> | | | | |
| | <u>Long position</u> | <u>Short position</u> | | |
| Foreign currency risk | 1,939 | 2,733 | 2,733 | 219 |
| <i>Operational Risk</i> | - | - | 50,245 | 4,020 |
| Total RWA and Capital Requirements | | | 639,341 | 51,148 |

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

(Company No. 839839 M)

24. Capital adequacy (continued)

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

| 30 Sept 2012 Risk Weights | Exposures after Netting and Credit Risk Mitigation | | | | | | Total Exposures after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |
|--------------------------------------|--|----------------------------|------------|----------------------|--------------------------|-----------------|---|----------------------------------|
| | Sovereigns & Central Bank | Banks, MDBs and DFIs | Corporates | Regulatory Retail | Residential Mortgages | Other Assets | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 0% | 770,965 | - | 15,174 | - | - | 1,910 | 788,049 | - |
| 20% | - | 315,437 | - | - | - | 1,228 | 316,665 | 63,333 |
| 35% | - | - | - | 100 | 3,762 | - | 3,862 | 1,352 |
| 50% | - | 157,108 | 484,136 | - | 1,177 | 10,539 | 652,960 | 326,480 |
| 75% | - | - | - | 1,459 | - | - | 1,459 | 1,094 |
| 100% | - | 50,854 | 438,429 | 159 | - | 11,016 | 500,458 | 500,458 |
| Total Exposures | 770,965 | 523,399 | 937,739 | 1,718 | 4,939 | 24,693 | 2,263,453 | 892,717 |
| Risk-Weighted Assets by Exposures | - | 192,495 | 680,497 | 1,289 | 1,905 | 16,531 | 892,717 | |
| Weight | 0.0% | 36.8% | 72.6% | 75.0% | 38.6% | 66.9% | 39.4% | |
| Deduction from Capital Base | - | - | - | - | - | - | - | |

| 31 Dec 2011 Risk Weights | Exposures after Netting and Credit Risk Mitigation | | | | | | Total Exposures after Netting & Credit Risk Mitigation | Total Risk Weighted Assets |
|--------------------------------------|--|----------------------------|------------|----------------------|--------------------------|-----------------|---|----------------------------------|
| | Sovereigns & Central Bank | Banks, MDBs and DFIs | Corporates | Regulatory Retail | Residential Mortgages | Other Assets | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| 0% | 359,066 | - | 16,164 | - | - | 2,068 | 377,298 | - |
| 20% | - | 797,238 | - | - | - | 1,803 | 799,041 | 159,808 |
| 50% | - | 187,548 | 334,148 | - | - | 48 | 521,744 | 260,872 |
| 100% | - | - | 157,204 | - | - | 8,479 | 165,683 | 165,683 |
| Total Exposures | 359,066 | 984,786 | 507,516 | - | - | 12,398 | 1,863,766 | 586,363 |
| Risk-Weighted Assets by Exposures | - | 253,221 | 324,278 | - | - | 8,864 | 586,363 | |
| Weight | 0.0% | 25.7% | 63.9% | 0.0% | 0.0% | 71.5% | 31.5% | |
| Deduction from Capital Base | - | - | - | - | - | - | - | |

The above are disclosures on credit risk by risk weight of the Bank as at respective reporting dates as required with the adoption of the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

25. Derivative financial instruments

| | 30 Sept 2012 | | 31 Dec 2011 | |
|--|------------------|-----------------------|------------------|-----------------------|
| | Assets RM'000 | Liabilities RM'000 | Assets RM'000 | Liabilities RM'000 |
| Foreign exchange derivatives | - | 384 | 821 | 2 |
| Currency swaps | - | 964 | 3 | - |
| Total recognised derivative assets/liabilities (Note 14, 17, 23) | - | 1,348 | 824 | 2 |

26. Performance review

The Bank registered a profit before taxation of RM8.0 million for the nine months ended 30 September 2012, 13% or RM1.2 million lower as compared against the corresponding period in 2011. The lower profit was mainly due to increase of RM3.0 million in allowance for impairment on loans, advances and financing. Operating profit increased by RM1.8 million or 14%, attributable to the growth of net interest income by RM12.9 million compared to the previous period in September 2011, driven by strong loan growth and higher deposit placements with financial institutions. This was partially offset by increased overheads of RM9.1 million comprising mainly of personnel costs.

Total assets grew by 15% to RM2.0 billion compared to 31 December 2011. The loans portfolio registered a strong growth by 131% year-on-year to RM765.0 million as at 30 September 2012, compared to RM330.5 million in the previous period, mainly funded by the increase in deposit and placements of banks and other financial institutions.

27. Business prospects

On the domestic front, the economy continues to be supported by private consumption, aided by a slew of government initiatives. Driven by the Economic Transformation Programme and accommodative interest rates, private investment is expected to expand further. The outlook of the Malaysian economy continues to be stable and remain resilient against the global turmoil.

For the fourth quarter of the financial year, the Bank will focus in sustaining the growth momentum in both lending business and deposits base. In addition, the Bank will continue to materialise the initiatives in the pipeline, including set up new branches and introduce wealth management products. The Bank remains optimistic to achieve satisfactory performance.