

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2013

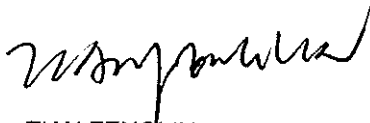
Industrial and Commercial Bank of China (Malaysia) Berhad

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MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed financial statements for the half year ended 30 June 2013 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 June 2013.



TIAN FENGLIN
Chief Executive Officer

Date: 29 July 2013

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Note	30 Jun 2013 RM'000	31 Dec 2012 RM'000
ASSETS			
Cash and short-term funds	10	3,103,436	1,335,609
Deposits and placements with banks and other financial institutions	11	905,198	1,372,551
Financial investments available-for-sale	12	148,578	51,065
Loans, advances and financing	13	970,386	367,459
Other assets	14	45,031	15,945
Tax recoverable		4,946	1,831
Plant and equipment		6,749	4,289
Intangible asset		2,124	2,384
Deferred tax assets		1,026	1,034
TOTAL ASSETS		5,187,474	3,152,167
LIABILITIES			
Deposits from customers	15	856,353	661,992
Deposits and placements of banks and other financial institutions	16	3,925,419	2,106,214
Other liabilities	17	43,853	24,483
TOTAL LIABILITIES		4,825,625	2,792,689
EQUITY			
Share capital		331,000	331,000
Reserves		30,849	28,478
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		361,849	359,478
TOTAL LIABILITIES AND EQUITY		5,187,474	3,152,167
COMMITMENTS AND CONTINGENCIES	24	7,653,621	1,445,488

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 2012 and accompanying explanatory notes on pages 5 to 17 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 29 July 2013

Industrial and Commercial Bank of China (Malaysia) Berhad

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(Incorporated in Malaysia)

UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

	Note	2nd quarter ended		Year-To-Date ended	
		30 Jun 2013 RM'000	30 Jun 2012 RM'000	30 Jun 2013 RM'000	30 Jun 2012 RM'000
Interest income	18	29,618	28,103	50,230	45,537
Interest expense	18	(21,886)	(16,203)	(36,428)	(25,319)
Net interest income	18	7,732	11,900	13,802	20,218
Net fee income	19	3,148	807	5,416	1,647
Net trading income	20	2,899	1,161	5,147	2,395
Other operating income		-	63	-	63
Net operating income		13,779	13,931	24,365	24,323
Other operating expenses	21	(9,653)	(7,533)	(18,570)	(13,006)
Operating profit		4,126	6,398	5,795	11,317
Allowance for impairment on loans, advances and financing	22	(1,815)	(2,724)	(2,051)	(3,505)
Profit before taxation		2,311	3,674	3,744	7,812
Tax expense		(704)	(932)	(996)	(1,688)
Profit for the period		1,607	2,742	2,748	6,124
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value		(449)	240	(369)	240
- Deferred tax adjustment		11	(60)	(8)	(60)
Total other comprehensive income for the period		(438)	180	(377)	180
Total comprehensive income for the period		1,169	2,922	2,371	6,304
Basic earnings per ordinary share (sen):		0.49	0.83	0.83	1.85

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 2012 and accompanying explanatory notes on pages 5 to 17 attached to the unaudited condensed interim financial statements.

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Industrial and Commercial Bank of China (Malaysia) Berhad

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UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

	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 2012	331,000	6,869	-	10,041	347,910
Total comprehensive income for the period					
Profit for the period	-	-	-	6,124	6,124
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value	-	-	240	-	240
- Deferred tax adjustment	-	-	(60)	-	(60)
Total other comprehensive income for the period	-	-	180	-	180
Total comprehensive income for the period	-	-	180	6,124	6,304
At 30 June 2012	331,000	6,869	180	16,165	354,214
At 1 January 2013	331,000	12,629	50	15,799	359,478
Total comprehensive income for the period					
Profit for the period	-	-	-	2,748	2,748
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value	-	-	(369)	-	(369)
- Deferred tax adjustment	-	-	(8)	-	(8)
Total other comprehensive income for the period	-	-	(377)	-	(377)
Total comprehensive income for the period	-	-	(377)	2,748	2,371
At 30 June 2013	331,000	12,629	(327)	18,547	361,849

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 2012 and accompanying explanatory notes on pages 5 to 17 attached to the unaudited condensed interim financial statements.

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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 2013

	Note	30 Jun 2013 RM'000	30 Jun 2012 RM'000
Cash flows from operating activities			
Profit before taxation		3,744	7,812
Adjustments for:			
Depreciation of plant and equipment		1,003	526
Amortisation of intangible asset		260	-
Allowance for impairment on loans, advances and financing		2,051	3,505
Net unrealised (gains)/losses arising from derivative trading		(5,451)	1,391
Operating profit before working capital changes		<u>1,607</u>	<u>13,234</u>
Decrease/(Increase) in operating assets			
Deposits and placements with banks and other financial institutions		467,353	(1,807,212)
Loans, advances and financing		(604,978)	(325,788)
Other assets		(13,967)	(16,492)
Increase/(Decrease) in operating liabilities			
Deposits from customers		194,361	(90,801)
Deposits and placements of banks and other financial institutions		1,819,205	1,980,395
Other liabilities		9,847	71,790
Cash generated from/(used in) operations		<u>1,873,428</u>	<u>(174,874)</u>
Income taxes paid		(4,111)	(2,268)
Net cash generated from/(used in) operating activities		<u>1,869,317</u>	<u>(177,142)</u>
Cash flows used in investing activities			
Purchase of plant and equipment		(3,463)	(383)
Purchase of investment securities available-for-sale		(98,027)	(51,122)
Net cash used in investing activities		<u>(101,490)</u>	<u>(51,505)</u>
Net increase/(decrease) in cash and cash equivalents		1,767,827	(228,647)
Cash and cash equivalents at beginning of the financial period		<u>1,335,609</u>	<u>846,191</u>
Cash and cash equivalents at end of the financial period		<u>3,103,436</u>	<u>617,544</u>
Cash and cash equivalents comprise:			
Cash and short-term funds	10	<u>3,103,436</u>	<u>617,544</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 2012 and accompanying explanatory notes on pages 5 to 17 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 29 July 2013

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
30 JUNE 2013**

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 2013 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 2012. 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 2012.

All other significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2012, except for the adoption of the following MFRSs and amendments to MFRSs.

The following are accounting standards, amendments and interpretations of the MFRS framework that have been issued by MASB but have not been adopted by the Bank:

FRSs/Interpretations	Effective date
Amendments to MFRS 10, <i>Consolidated Financial Statements - Investment Entities</i>	1 January 2014
Amendments to MFRS 12, <i>Disclosure of Interests in Other Entities - Investment Entities</i>	1 January 2014
Amendments to MFRS 127, <i>Consolidated and Separate Financial Statements - Investment Entities</i>	1 January 2014
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

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

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

The adoption of MFRS9 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS9.

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.

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.

3. Auditors' Report on Preceding Annual Financial Statements

The audit report on the audited annual financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

4. Seasonality or Cyclical Factors

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

5. Unusual Items due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the half year ended 30 June

6. Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Bank for the half year ended 30 June 2013.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the half year ended 30 June 2013.

8. Dividend Paid

No dividend was paid during the half year ended 30 June 2013.

9. Significant Events

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

10. Cash and short-term funds

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Cash and balances with banks and other financial institutions	256,747	17,660
Money at call and deposit placements maturing within one month	2,846,689	1,317,949
	<u>3,103,436</u>	<u>1,335,609</u>

11. Deposits and placements with banks and other financial institutions

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Licensed Malaysian banks	-	30,361
Foreign banks	905,198	1,342,190
	<u>905,198</u>	<u>1,372,551</u>

12. Financial investments available-for-sale

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
At fair value		
Malaysian Government Securities	50,490	51,065
Private debt securities	98,088	-
	<u>148,578</u>	<u>51,065</u>

The maturity structure of investment securities available-for-sale are as follows:

Within one year	93,114	-
More than three years to five years	55,464	51,065
	<u>148,578</u>	<u>51,065</u>

13. Loans, advances and financing

At amortised cost	30 Jun 2013	31 Dec 2012
(i) By type	RM'000	RM'000
Overdrafts	11,275	8,221
Term loans		
- housing loans	2,734	988
- other term loans	699,703	145,181
Bills receivable	87,280	130,303
Trust receipts	848	5,089
Revolving credit	132,964	52,014
Bankers' acceptances	40,084	28,602
Staff loans	973	863
Credit card loans	554	176
	<u>976,415</u>	<u>371,437</u>
Gross loans, advances and financing		
Less: Allowance for impairment		
- Collective allowance for impairment	(6,029)	(3,978)
Net loans, advances and financing	<u>970,386</u>	<u>367,459</u>
(ii) By type of customer	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Domestic non-bank financial institutions		
- Others	27,061	22,055
Domestic business enterprises		
- Small medium enterprises	11,947	8,447
- Others	263,650	116,336
Individuals	9,184	2,422
Foreign entities	664,573	222,177
	<u>976,415</u>	<u>371,437</u>
(iii) By interest rate sensitivity	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Fixed rate loans	38,796	36,146
Variable rate		
- Base Lending Rate plus	23,769	14,012
- Cost plus	382,407	268,228
- Other variable rates	531,443	53,051
	<u>976,415</u>	<u>371,437</u>
(iv) By sector	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Mining and quarrying	23,921	23,076
Manufacturing	35,273	21,913
Construction	117,962	4,700
Real estate	13,715	27,290
Wholesale & retail trade and restaurants & hotels	557,054	94,004
Transport, storage and communication	11,385	6,939
Finance, insurance and business services	207,207	190,548
Household	9,849	2,967
Others	49	-
	<u>976,415</u>	<u>371,437</u>

13. Loans, advances and financing (continued)

(v) By purpose	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Purchase of landed properties		
- Non residential	39,836	35,712
- Residential	3,357	1,699
Purchase of transport vehicles	136	152
Construction	12,431	8,010
Credit card	554	176
Personal use	799	-
Working capital	919,088	325,593
Other purpose	214	95
	976,415	371,437

(vi) By geographical distribution	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Within Malaysia	312,507	149,804
Outside Malaysia	663,908	221,633
	976,415	371,437

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

(vii) By residual contractual maturity	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Maturity within one year	640,288	311,751
More than one year to three years	245,850	41,366
More than three years to five years	75,736	8,158
More than five years	14,541	10,162
	976,415	371,437

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

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
At beginning of the financial period/year	3,978	1,189
Allowance made during the financial period/year	2,616	7,310
Allowance written back	(565)	(4,521)
At end of the financial period/year	6,029	3,978
As % of gross loans, advances and financing (net of individual allowance for impairment)	0.6%	1.1%

14. Other assets

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Derivative financial assets (Note 26)	21,157	6,183
Interest receivable	18,522	5,339
Deposits	1,210	1,183
Other receivables and prepayments	4,142	3,240
	45,031	15,945

15. Deposits from customers

(i) By type of deposit	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Demand deposits	113,796	315,066
Fixed deposits	506,410	140,424
Savings deposits	18,735	6,886
Money market deposits	213,221	198,540
Short-term deposits	3,175	-
Other deposits	1,016	1,076
	856,353	661,992

15. Deposits from customers (continued)

(ii) By type of customer	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Business enterprises	669,882	609,163
Individuals	80,600	37,761
Others	105,871	15,068
	<u>856,353</u>	<u>661,992</u>

(iii) By maturity structure of term deposits	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Due within six months	827,553	645,087
More than six months to one year	27,671	15,889
More than one year to three years	1,129	1,016
	<u>856,353</u>	<u>661,992</u>

16. Deposits and placements of banks and other financial institutions

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Licensed Malaysian banks	2,836,770	1,372,975
Licensed investment banks	35,026	20,025
Other financial institutions	206,352	186,148
Foreign banks	847,271	527,066
	<u>3,925,419</u>	<u>2,106,214</u>

17. Other liabilities

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Interest payable	19,910	10,581
Other payables and accruals	8,998	8,480
Derivative financial liabilities (Note 26)	14,945	5,422
	<u>43,853</u>	<u>24,483</u>

18. Interest income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:				
- Interest income other than from impaired loans	5,876	4,683	9,513	7,737
Money at call and deposit placements with financial institutions	22,895	23,270	39,418	37,649
Investment securities available-for-sale	847	142	1,298	142
Others	-	8	1	9
	<u>29,618</u>	<u>28,103</u>	<u>50,230</u>	<u>45,537</u>

Interest expense

Deposits and placements of banks and other financial institutions	(18,252)	(14,719)	(30,115)	(22,431)
Deposits from customers	(3,631)	(1,484)	(6,308)	(2,888)
Others	(3)	-	(5)	-
	<u>(21,886)</u>	<u>(16,203)</u>	<u>(36,428)</u>	<u>(25,319)</u>
Net interest income	<u>7,732</u>	<u>11,900</u>	<u>13,802</u>	<u>20,218</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	2nd quarter ended		Year-To-Date ended	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Commission	8	-	9	-
- Service charges and fees	292	89	454	243
- Loan processing fees	28	31	66	39
- Guarantee fees	393	208	612	295
- Commitment fees	138	23	163	39
- Other loans related fee income	1,014	457	1,101	1,032
- Credit card	23	-	35	-
- Other fees income	1,288	-	3,019	-
	<u>3,184</u>	<u>808</u>	<u>5,459</u>	<u>1,648</u>
Fee expenses:				
- Brokerage fees	(36)	(1)	(43)	(1)
Net fee income	<u>3,148</u>	<u>807</u>	<u>5,416</u>	<u>1,647</u>

20. Net trading income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Net (losses)/gains from dealing in foreign exchange	(6,402)	1,502	(4,458)	3,783
Net gains arising from derivative trading	3,821	5	4,325	370
Unrealised revaluation losses in foreign exchange	(174)	(247)	(171)	(367)
Net unrealised gains/(losses) arising from derivative trading	5,654	(99)	5,451	(1,391)
	<u>2,899</u>	<u>1,161</u>	<u>5,147</u>	<u>2,395</u>

21. Other operating expenses	2nd quarter ended		Year-To-Date ended	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries, allowance and bonuses	4,790	3,890	9,496	6,622
- Pension fund contributions	582	438	1,337	743
- Other staff costs	838	572	1,422	890
Promotion and marketing related expenses:				
- Advertising and promotion	96	105	213	120
- Others	161	320	319	483
Establishment costs:				
- Depreciation of plant and equipment	577	268	1,003	526
- Amortisation of intangible asset	130	-	260	-
- Rental	860	567	1,669	1,078
- Others	249	189	450	343
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	35	30	70	60
• audit related services	24	25	24	60
- Professional fees	77	172	161	243
- Licence fee	35	35	70	63
- Membership fee	17	31	24	34
- Others	1,182	891	2,052	1,741
	<u>9,653</u>	<u>7,533</u>	<u>18,570</u>	<u>13,006</u>

22. Allowance for impairment on loans, advances and financing

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- made during the financial period	2,129	2,724	2,616	3,620
- written back during the financial period	(314)	-	(565)	(115)
	<u>1,815</u>	<u>2,724</u>	<u>2,051</u>	<u>3,505</u>

23. 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 2013	31 Dec 2012
	RM'000	RM'000
Aggregate value of outstanding credit exposures to connected parties	68,154	26,367
As a percentage of total credit exposures	1.29%	0.78%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	0%	0%

24. Commitments and contingencies

The commitments and contingencies constitute the following:

	30 Jun 2013			
	Principal	Positive	Credit	Risk-
	amount	value of	equivalent	weighted
	RM'000	derivative	amount *	assets *
	RM'000	contracts ^	RM'000	RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	415,176	-	207,588	128,386
Short term self-liquidating trade-related contingencies	17,914	-	3,583	1,856
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	460,258	-	230,129	201,398
- not exceeding one year	340,250	-	68,050	51,135
Unutilised credit card lines	17,958	-	3,592	2,694
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	6,402,065	21,157	52,654	12,545
Total	7,653,621	21,157	565,596	398,014

Note 14, 26

^ 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 guidelines of the Revised Capital Adequacy Framework on Standardised Approach.

24. Commitments and contingencies (continued)

	31 Dec 2012			
	Principal	Positive	Credit	Risk-
	amount	value of	equivalent	weighted
	RM'000	derivative	amount *	assets *
	RM'000	contracts ^	RM'000	RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	372,395	-	186,197	108,597
Short term self-liquidating trade-related contingencies	3,584	-	717	717
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	113,057	-	56,528	53,427
- not exceeding one year	351,861	-	70,372	68,141
Unutilised credit card lines	8,290	-	1,658	1,244
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	596,301	6,183	14,443	7,225
Total	1,445,488	6,183	329,915	239,351

Note 14, 26

^ 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".

25. Capital adequacy

With effect from 1 January 2013, the capital adequacy ratios have been computed in accordance with BNM's Capital Adequacy Framework (Capital Components).

Comparative figures have been computed in accordance with BNM's Risk-Weighted Capital Adequacy Framework, "RWCAF": Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel 2) and have not been restated.

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

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Tier 1 Capital		
Paid-up share capital	-	331,000
Retained earnings	-	15,799
Statutory reserves	-	12,629
	-	359,428
Less: Deferred tax assets	-	(1,050)
Total Tier 1 capital	-	358,378
Common Equity Tier 1 ("CET1") Capital		
Paid-up share capital	331,000	-
Statutory reserves	12,629	-
Unrealised losses on investment securities available-for-sale	(327)	-
Retained earnings	15,799	-
	359,101	-
Less: Deferred tax assets	(1,050)	-
Total CET1 Capital	358,051	-
Tier 2 Capital		
Collective impairment allowance, representing total Tier 2 Capital	6,029	3,978
Capital base	364,080	362,356
CET1 Capital Ratio	19.382%	-
Tier 1 Capital Ratio/Core Capital Ratio	19.382%	32.916%
Total Capital Ratio	19.709%	33.282%

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

	30 Jun 2013		31 Dec 2012	
	Principal RM'000	Risk- weighted RM'000	Principal RM'000	Risk- weighted RM'000
Total RWA for credit risk	5,731,969	1,752,928	3,477,013	1,019,938
Total RWA for market risk	-	15,636	-	3,372
Total RWA for operational risk	-	78,757	-	65,449
	5,731,969	1,847,321	3,477,013	1,088,759

25. 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 Jun 2013				
	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
<i>Credit Risk</i>				
On-Balance Sheet Exposures				
Sovereigns/Central Bank	1,669,219	1,669,219	-	-
Banks, Development Financial Institutions and MDBs	2,442,676	2,442,676	557,275	44,582
Corporates	1,008,853	1,008,853	760,483	60,839
Regulatory Retail	6,277	6,277	2,913	233
Residential Mortgages	3,571	3,571	1,496	120
Other assets	35,777	35,777	32,747	2,620
Total On-Balance Sheet Exposures	5,166,373	5,166,373	1,354,914	108,394
Off-Balance Sheet Exposures				
Credit-related off-balance sheet exposures	512,942	512,942	385,469	30,838
OTC derivatives	52,654	52,654	12,545	1,004
Total Off-Balance Sheet Exposures	565,596	565,596	398,014	31,842
Total On and Off-Balance Sheet Exposures	5,731,969	5,731,969	1,752,928	140,236
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	2,189	15,636	15,636	1,251
<i>Operational Risk</i>	-	-	78,757	6,301
Total RWA and Capital Requirements			1,847,321	147,788

25. Capital adequacy (continued)

31 Dec 2012				
	Gross Exposures RM'000	Net Exposures RM'000	Risk- Weighted Assets RM'000	Capital Requirements RM'000
<i>Credit Risk</i>				
On-Balance Sheet Exposures				
Sovereigns/Central Bank Banks, Development Financial Institutions and MDBs	1,162,105	1,162,105	-	-
Corporates	1,708,978	1,708,978	522,487	41,799
Regulatory Retail	251,777	251,777	240,277	19,222
Residential Mortgages	1,268	1,268	613	49
Other assets	1,699	1,699	775	62
	21,271	21,271	16,435	1,315
Total On-Balance Sheet Exposures	3,147,098	3,147,098	780,587	62,447
Off-Balance Sheet Exposures				
Credit-related off-balance sheet exposures	315,472	315,472	232,126	18,570
OTC derivatives	14,443	14,443	7,225	578
Total Off-Balance Sheet Exposures	329,915	329,915	239,351	19,148
Total On and Off-Balance Sheet Exposures	3,477,013	3,477,013	1,019,938	81,595
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long position</u>	<u>Short position</u>		
Foreign currency risk	554	3,372	3,372	270
<i>Operational Risk</i>	-	-	65,449	5,236
Total RWA and Capital Requirements			1,088,759	87,101

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

(Company No. 839839 M)

25. Capital adequacy (continued)

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

30 Jun 2013 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Bank	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	1,669,219	-	112,846	-	10	3,030	1,785,105	-
20%	-	2,213,543	19,323	-	-	46,632	2,279,498	455,900
35%	-	-	-	4,581	9,989	-	14,570	5,100
50%	-	229,133	480,055	600	3,456	5,606	718,850	359,425
75%	-	-	-	5,770	-	-	5,770	4,327
100%	-	-	894,744	269	-	33,163	928,176	928,176
Total Exposures	1,669,219	2,442,676	1,506,968	11,220	13,455	88,431	5,731,969	1,752,928
Risk-Weighted Assets by Exposures	-	557,275	1,138,636	6,500	5,224	45,292	1,752,928	
Average Risk Weight	0.0%	22.8%	75.6%	57.9%	38.8%	51.2%	30.6%	
Deduction from Capital Base	-	-	-	-	-	-	-	

The above are disclosures on credit risk by risk weight of the Bank at the end of the reporting period as required with the adoption of guidelines of the Revised Capital Adequacy Framework on Standardised Approach.

31 Dec 2012 Risk Weights	Exposures after Netting and Credit Risk Mitigation						Total Exposures after Netting & Credit Risk Mitigation RM'000	Total Risk Weighted Assets RM'000
	Sovereigns & Central Bank	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	1,162,105	-	12,839	-	-	4,836	1,179,780	-
20%	-	1,179,139	-	-	-	2,101	1,181,240	236,248
35%	-	-	-	1,441	4,293	-	5,734	2,007
50%	-	486,360	156,987	-	1,817	11,073	656,237	328,119
75%	-	-	-	1,834	-	-	1,834	1,376
100%	-	43,479	390,724	282	-	17,703	452,188	452,188
Total Exposures	1,162,105	1,708,978	560,550	3,557	6,110	35,713	3,477,013	1,019,938
Risk-Weighted Assets by Exposures	-	522,487	469,218	2,162	2,411	23,661	1,019,938	
Average Risk Weight	0.0%	30.6%	83.7%	60.8%	39.5%	66.3%	29.3%	
Deduction from Capital Base	-	-	-	-	-	-	-	

The above are disclosures on credit risk by risk weight of the Bank at the end of the reporting period 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

26. Derivative financial instruments

	30 Jun 2013		31 Dec 2012	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives	20,912	12,470	5,276	3,742
Currency swaps	245	2,475	907	1,680
Total recognised derivative assets/liabilities (Note 14, 17, 24)	<u>21,157</u>	<u>14,945</u>	<u>6,183</u>	<u>5,422</u>

27. Performance review

The Bank registered a profit before taxation of RM3.7 million for the half year ended 30 June 2013, a decrease of 52% or RM4.1 million compared against the corresponding period in 2012. Operating profit decreased by RM5.5 million or 49%, attributable to the drop of net interest income by RM6.4 million comparing previous corresponding period. In addition, in line with the Bank's expansion, personnel cost and establishment cost increased by RM4.0 and RM1.4 million respectively compared to previous period in June 2012.

Total assets grew by 65% to RM5.2 billion compared to 31 December 2012, mainly on increase in cash and short term funds by 132% or RM1.8 billion, funded by the increase in deposits and placements of banks and other financial institutions. The loans portfolio had grown by 43% year-on-year to RM976.4 million as at 30 June 2013, compared to RM682.4 million in the previous period.

28. Business prospects

Whist the global economy is expected to deliver stronger recovery in 2013, the overall growth however has been slow thus far. It seems that the domestic drivers are to continue propping up further growth performance and maintaining the Malaysian economy's growth momentum.

Post 13th general elections, the domestic financial markets are expected to return to "business as usual" with renewed hopes of a stable and smoother economy. Given the backdrop of accommodative interest rate environment, broad policy continuity should sustain growth momentum over the medium term; while the Economic Transformation Programme (ETP) will continue to support private investment growth which has been respectable so far. Additionally, the implementation of the Financial Sector Blueprint 2011-2020 will further reinforce the banking industry's efficiency, competitiveness and stability.

Moving forward, the Bank is expected to sustain the growth momentum underpinned by the growth in lending business and deposit base; with the addition of new branches recently. The Bank is committed to expand its geographical presence to reach out to more customers; and to provide more comprehensive range of financial products and services. Overall, the Bank remains optimistic to achieve satisfactory performance in 2013.