

**Industrial and Commercial Bank of China (Malaysia) Berhad**

(Company No. 839839 M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**30 SEPTEMBER 2013**

## **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 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 October 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 SEPTEMBER 2013

	Note	30 Sept 2013 RM'000	31 Dec 2012 RM'000
<b>ASSETS</b>			
Cash and short-term funds	10	2,004,338	1,335,609
Deposits and placements with banks and other financial institutions	11	65,613	1,372,551
Financial investments available-for-sale	12	150,596	51,065
Loans, advances and financing	13	1,257,940	367,459
Other assets	14	13,545	15,945
Tax recoverable		6,030	1,831
Plant and equipment		6,410	4,289
Intangible asset		1,993	2,384
Deferred tax assets		998	1,034
<b>TOTAL ASSETS</b>		<b>3,507,463</b>	<b>3,152,167</b>
<b>LIABILITIES</b>			
Deposits from customers	15	971,351	661,992
Deposits and placements of banks and other financial institutions	16	2,121,174	2,106,214
Other liabilities	17	53,904	24,483
<b>TOTAL LIABILITIES</b>		<b>3,146,429</b>	<b>2,792,689</b>
<b>EQUITY</b>			
Share capital		331,000	331,000
Reserves		30,034	28,478
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>		<b>361,034</b>	<b>359,478</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,507,463</b>	<b>3,152,167</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	23	<b>1,691,585</b>	<b>1,445,488</b>

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 October 2013

## Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

### UNAUDITED CONDENSED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

	Note	3rd quarter ended		Year-To-Date ended	
		30 Sept 2013 RM'000	30 Sept 2012 RM'000	30 Sept 2013 RM'000	30 Sept 2012 RM'000
Interest income	18	24,870	22,931	75,100	68,468
Interest expense	18	(16,776)	(14,157)	(53,204)	(39,476)
Net interest income	18	8,094	8,774	21,896	28,992
Net fee income	19	5,181	623	10,597	2,270
Net trading income	20	1,341	1,477	6,488	3,872
Other operating income		-	1	-	64
Net operating income		14,616	10,875	38,981	35,198
Other operating expenses	21	(12,756)	(7,924)	(31,326)	(20,930)
Operating profit		1,860	2,951	7,655	14,268
Allowance for impairment on loans, advances and financing	22	(2,085)	(2,952)	(4,136)	(6,457)
Profit before taxation		(225)	(1)	3,519	7,811
Tax expense		(682)	(369)	(1,678)	(2,057)
Profit for the period		(907)	(370)	1,841	5,754
Other comprehensive income for the period, net of tax					
Fair value reserve					
- Net changes in fair value		120	(192)	(249)	48
- Deferred tax adjustment		(28)	49	(36)	(11)
Total other comprehensive income for the period		92	(143)	(285)	37
Total comprehensive income for the period		(815)	(513)	1,556	5,791
Basic earnings per ordinary share (sen):		(0.27)	(0.11)	0.56	1.74

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 October 2013

## 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 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
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	5,754	5,754
<b>Other comprehensive income for the period, net of tax</b>					
Fair value reserve					
- Net changes in fair value	-	-	48	-	48
- Deferred tax adjustment	-	-	(11)	-	(11)
Total other comprehensive income for the period	-	-	37	-	37
Total comprehensive income for the period	-	-	37	5,754	5,791
At 30 September 2012	<u>331,000</u>	<u>6,869</u>	<u>37</u>	<u>15,795</u>	<u>353,701</u>
<b>At 1 January 2013</b>	331,000	12,629	50	15,799	359,478
<b>Total comprehensive income for the period</b>					
Profit for the period	-	-	-	1,841	1,841
<b>Other comprehensive income for the period, net of tax</b>					
Fair value reserve					
- Net changes in fair value	-	-	(249)	-	(249)
- Deferred tax adjustment	-	-	(36)	-	(36)
Total other comprehensive income for the period	-	-	(285)	-	(285)
Total comprehensive income for the period	-	-	(285)	1,841	1,556
<b>At 30 September 2013</b>	<u>331,000</u>	<u>12,629</u>	<u>(235)</u>	<u>17,640</u>	<u>361,034</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 October 2013

## Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

### UNAUDITED CONDENSED STATEMENT OF CASH FLOWS FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

	Note	30 Sept 2013 RM'000	30 Sept 2012 RM'000
<b>Cash flows from operating activities</b>			
Profit before taxation		3,519	7,811
Adjustments for:			
Depreciation of plant and equipment		1,622	805
Amortisation of intangible asset		391	-
Allowance for impairment on loans, advances and financing		4,136	6,457
Net unrealised losses arising from derivative trading		1,034	2,170
Operating profit before working capital changes		<u>10,702</u>	<u>17,243</u>
Decrease/(Increase) in operating assets			
Deposits and placements with banks and other financial institutions		1,306,938	301,578
Loans, advances and financing		(894,617)	(415,289)
Other assets		(1,583)	(2,516)
Increase/(Decrease) in operating liabilities			
Deposits from customers		309,359	(100,238)
Deposits and placements of banks and other financial institutions		14,960	352,350
Other liabilities		32,635	(5,455)
Cash generated from operations		<u>778,394</u>	<u>147,673</u>
Income taxes paid		(5,877)	(3,173)
<b>Net cash generated from operating activities</b>		<u><u>772,517</u></u>	<u><u>144,500</u></u>
<b>Cash flows used in investing activities</b>			
Purchase of plant and equipment		(3,743)	(420)
Purchase of investment securities available-for-sale		(100,045)	(51,122)
<b>Net cash used in investing activities</b>		<u><u>(103,788)</u></u>	<u><u>(51,542)</u></u>
<b>Net increase in cash and cash equivalents</b>		668,729	92,958
<b>Cash and cash equivalents at beginning of the financial period</b>		<u>1,335,609</u>	<u>846,191</u>
<b>Cash and cash equivalents at end of the financial period</b>		<u><u>2,004,338</u></u>	<u><u>939,149</u></u>
<b>Cash and cash equivalents comprise:</b>			
Cash and short-term funds	10	<u><u>2,004,338</u></u>	<u><u>939,149</u></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 October 2013

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED  
30 SEPTEMBER 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 3rd quarter and nine months ended 30 September 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:

<b>FRSs/Interpretations</b>	<b>Effective date</b>
IC Interpretation 21, <i>Levies</i>	1 January 2014
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
Amendments to MFRS 136, <i>Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139, <i>Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting</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 MFRS 9 will result in a change in accounting policy. The Bank is currently assessing the financial impact of adopting MFRS 9.

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 3rd quarter and nine months ended 30 September 2013.

**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 2013.

**7. Issue of Shares and Debentures**

There were no issuance of shares and debentures during the 3rd quarter and nine months ended 30 September 2013.

**8. Dividend Paid**

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

	<b>30 Sept 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	29,780	17,660
Money at call and deposit placements maturing within one month	<u>1,974,558</u>	<u>1,317,949</u>
	<u><b>2,004,338</b></u>	<u>1,335,609</u>

**11. Deposits and placements with banks and other financial institutions**

	<b>30 Sept 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
Licensed Malaysian banks	-	30,361
Foreign banks	<u>65,613</u>	<u>1,342,190</u>
	<u><b>65,613</b></u>	<u>1,372,551</u>

**12. Financial investments available-for-sale**

	<b>30 Sept 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
Malaysian Government Securities	50,460	51,065
Private debt securities	<u>100,136</u>	-
	<u><b>150,596</b></u>	<u>51,065</u>
The maturity structure of investment securities available-for-sale are as follows:		
Within one year	95,162	-
More than three years to five years	<u>55,434</u>	<u>51,065</u>
	<u><b>150,596</b></u>	<u>51,065</u>

**13. Loans, advances and financing**

<b>At amortised cost</b>	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
<b>(i) By type</b>	<b>RM'000</b>	<b>RM'000</b>
Overdrafts	36,897	8,221
Term loans		
- housing loans	4,007	988
- syndicated term loans	9,523	-
- other term loans	986,430	145,181
Bills receivable	23,153	130,303
Trust receipts	830	5,089
Revolving credit	137,195	52,014
Bankers' acceptances	66,140	28,602
Staff loans	1,245	863
Credit card loans	634	176
Gross loans, advances and financing	<u>1,266,054</u>	<u>371,437</u>
Less: Allowance for impairment		
- Collective allowance for impairment	(8,114)	(3,978)
Net loans, advances and financing	<u>1,257,940</u>	<u>367,459</u>
<b>(ii) By type of customer</b>	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic non-bank financial institutions		
- Others	27,060	22,055
Domestic business enterprises		
- Small medium enterprises	38,076	8,447
- Others	296,041	116,336
Individuals	13,321	2,422
Foreign entities	891,556	222,177
	<u>1,266,054</u>	<u>371,437</u>
<b>(iii) By interest rate sensitivity</b>	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate loans	5,296	36,146
Variable rate		
- Base Lending Rate plus	23,292	14,012
- Cost plus	331,669	268,228
- Other variable rates	905,797	53,051
	<u>1,266,054</u>	<u>371,437</u>
<b>(iv) By sector</b>	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Agriculture	9,523	-
Mining and quarrying	24,323	23,076
Manufacturing	52,343	21,913
Construction	120,789	4,700
Real estate	13,138	27,290
Wholesale & retail trade and restaurants & hotels	848,869	94,004
Transport, storage and communication	12,379	6,939
Finance, insurance and business services	170,628	190,548
Household	14,062	2,967
	<u>1,266,054</u>	<u>371,437</u>

**13. Loans, advances and financing (continued)**

<b>(v) By purpose</b>	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of landed properties		
- Non-residential	41,188	35,712
- Residential	4,777	1,699
Purchase of transport vehicles	128	152
Construction	15,040	8,010
Credit card	634	176
Personal use	750	-
Working capital	1,203,190	325,593
Other purpose	347	95
	<u>1,266,054</u>	<u>371,437</u>

<b>(vi) By geographical distribution</b>	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Within Malaysia	374,713	149,804
Outside Malaysia	891,341	221,633
	<u>1,266,054</u>	<u>371,437</u>

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

<b>(vii) By residual contractual maturity</b>	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturity within one year	847,554	311,751
More than one year to three years	311,171	41,366
More than three years to five years	80,508	8,158
More than five years	26,821	10,162
	<u>1,266,054</u>	<u>371,437</u>

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

	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the financial period/year	3,978	1,189
Allowance made during the financial period/year	4,713	7,310
Allowance written back	(577)	(4,521)
At end of the financial period/year	<u>8,114</u>	<u>3,978</u>
As % of gross loans, advances and financing (net of individual allowance for impairment)	<u>0.6%</u>	<u>1.1%</u>

**14. Other assets**

	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Derivative financial assets (Note 25)	1,935	6,183
Interest receivable	5,325	5,339
Deposits	1,231	1,183
Other receivables and prepayments	5,054	3,240
	<u>13,545</u>	<u>15,945</u>

**15. Deposits from customers**

<b>(i) By type of deposit</b>	<b>30 Sept 2013</b>	<b>31 Dec 2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	103,930	315,066
Fixed deposits	524,593	140,424
Savings deposits	27,164	6,886
Money market deposits	163,885	198,540
Other deposits	151,779	1,076
	<u>971,351</u>	<u>661,992</u>

**15. Deposits from customers (continued)**

(ii) By type of customer	30 Sept 2013 RM'000	31 Dec 2012 RM'000
Business enterprises	772,795	609,163
Individuals	92,505	37,761
Others	106,051	15,068
	<u>971,351</u>	<u>661,992</u>

(iii) By maturity structure of term deposits	30 Sept 2013 RM'000	31 Dec 2012 RM'000
Due within six months	936,666	645,087
More than six months to one year	32,908	15,889
More than one year to three years	1,777	1,016
	<u>971,351</u>	<u>661,992</u>

**16. Deposits and placements of banks and other financial institutions**

	30 Sept 2013 RM'000	31 Dec 2012 RM'000
Bank Negara Malaysia	58,014	-
Licensed Malaysian banks	1,429,764	1,372,975
Licensed investment banks	26	20,025
Other financial institutions	186,376	186,148
Foreign banks	446,994	527,066
	<u>2,121,174</u>	<u>2,106,214</u>

**17. Other liabilities**

	30 Sept 2013 RM'000	31 Dec 2012 RM'000
Interest payable	8,636	10,581
Other payables and accruals	43,060	8,480
Derivative financial liabilities (Note 25)	2,208	5,422
	<u>53,904</u>	<u>24,483</u>

**18. Interest income**

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2013 RM'000	30 Sept 2012 RM'000	30 Sept 2013 RM'000	30 Sept 2012 RM'000
Loans, advances and financing:				
- Interest income other than from impaired loans	7,248	5,421	16,761	14,389
Money at call and deposit placements with financial institutions	16,213	17,083	55,631	53,502
Investment securities available-for-sale	1,409	427	2,707	569
Others	-	-	1	8
	<u>24,870</u>	<u>22,931</u>	<u>75,100</u>	<u>68,468</u>

**Interest expense**

Deposits and placements of banks and other financial institutions	(12,250)	(12,585)	(42,365)	(35,016)
Deposits from customers	(4,526)	(1,571)	(10,834)	(4,459)
Others	-	(1)	(5)	(1)
	<u>(16,776)</u>	<u>(14,157)</u>	<u>(53,204)</u>	<u>(39,476)</u>
<b>Net interest income</b>	<u>8,094</u>	<u>8,774</u>	<u>21,896</u>	<u>28,992</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 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012
	RM'000	RM'000	RM'000	RM'000
Fee income:				
- Commission	5	-	14	-
- Service charges and fees	274	93	728	336
- Loan processing fees	75	16	141	55
- Syndication fees	888	-	888	-
- Guarantee fees	404	123	1,016	418
- Commitment fees	42	25	205	64
- Other loans related fee income	1,902	367	3,003	1,399
- Credit card	26	-	61	-
- Other fees income	1,579	-	4,598	-
	<u>5,195</u>	<u>624</u>	<u>10,654</u>	<u>2,272</u>
Fee expenses:				
- Brokerage fees	(14)	(1)	(57)	(2)
Net fee income	<u>5,181</u>	<u>623</u>	<u>10,597</u>	<u>2,270</u>

20. Net trading income	3rd quarter ended		Year-To-Date ended	
	30 Sept 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012
	RM'000	RM'000	RM'000	RM'000
Net gains from dealing in foreign exchange	9,204	2,020	4,866	5,803
Net (losses)/gains arising from derivative trading	(1,480)	(64)	2,725	306
Unrealised revaluation gains/(losses) in foreign exchange	102	300	(69)	(67)
Net unrealised losses arising from derivative trading	(6,485)	(779)	(1,034)	(2,170)
	<u>1,341</u>	<u>1,477</u>	<u>6,488</u>	<u>3,872</u>

21. Other operating expenses	3rd quarter ended		Year-To-Date ended	
	30 Sept 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012
	RM'000	RM'000	RM'000	RM'000
Personnel costs:				
- Salaries, allowance and bonuses	7,910	4,330	17,406	10,952
- Pension fund contributions	915	519	2,252	1,262
- Other staff costs	528	500	1,950	1,390
Promotion and marketing related expenses:				
- Advertising and promotion	96	116	309	236
- Others	138	158	457	641
Establishment costs:				
- Depreciation of plant and equipment	619	279	1,622	805
- Amortisation of intangible asset	131	-	391	-
- Rental	818	769	2,487	1,847
- Others	262	147	712	490
Administrative expenses:				
- Auditors' remuneration				
• statutory audit fees	22	30	92	90
• audit related services	70	24	94	84
- Professional fees	43	211	204	454
- Licence fee	35	38	105	101
- Membership fee	70	33	94	67
- Others	1,099	770	3,151	2,511
	<u>12,756</u>	<u>7,924</u>	<u>31,326</u>	<u>20,930</u>

## 22. Allowance for impairment on loans, advances and financing

	3rd quarter ended		Year-To-Date ended	
	30 Sept 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012
	RM'000	RM'000	RM'000	RM'000
Collective allowance for impairment				
- made during the financial period	2,097	2,952	4,713	6,572
- written back during the financial period	(12)	-	(577)	(115)
	<u>2,085</u>	<u>2,952</u>	<u>4,136</u>	<u>6,457</u>

**23. Commitments and contingencies**

The commitments and contingencies constitute the following:

	<b>30 Sept 2013</b>			
	<b>Principal amount RM'000</b>	<b>Positive value of derivative contracts ^ RM'000</b>	<b>Credit equivalent amount * RM'000</b>	<b>Risk- weighted assets * RM'000</b>
<u>Credit-related exposures</u>				
Transaction-related contingent items	363,508	-	181,754	113,724
Short term self-liquidating trade-related contingencies	30,155	-	6,031	3,601
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	458,422	-	229,211	186,300
- not exceeding one year	444,675	-	88,935	67,150
Unutilised credit card lines	20,381	-	4,076	3,057
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	374,444	1,935	8,103	3,945
<b>Total</b>	<b>1,691,585</b>	<b>1,935</b>	<b>518,110</b>	<b>377,777</b>

Note 14, 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 guidelines of the Revised Capital Adequacy Framework on Standardised Approach.

**23. Commitments and contingencies (continued)**

	31 Dec 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	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
<b>Total</b>	<b>1,445,488</b>	<b>6,183</b>	<b>329,915</b>	<b>239,351</b>

Note 14, 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**

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:

	<b>30 Sept 2013</b>	31 Dec 2012
	<b>RM'000</b>	RM'000
<b>Tier 1 Capital</b>		
Paid-up share capital	-	331,000
Retained earnings	-	15,799
Statutory reserves	-	12,629
	<u>-</u>	<u>359,428</u>
Less: Deferred tax assets	-	(1,050)
Total Tier 1 capital	<u>-</u>	<u>358,378</u>
<b>Common Equity Tier 1 ("CET1") Capital</b>		
Paid-up share capital	<b>331,000</b>	-
Statutory reserves	<b>12,629</b>	-
Unrealised losses on investment securities available-for-sale	<b>(235)</b>	-
Retained earnings	<b>15,799</b>	-
	<u><b>359,193</b></u>	<u>-</u>
Less: Deferred tax assets	<b>(1,050)</b>	-
Total CET1 Capital	<u><b>358,143</b></u>	<u>-</u>
<b>Tier 2 Capital</b>		
Collective impairment allowance, representing total Tier 2 Capital	<u><b>8,114</b></u>	<u>3,978</u>
Capital base	<u><b>366,257</b></u>	<u>362,356</u>
CET1 Capital Ratio	<b>23.004%</b>	-
Tier 1 Capital Ratio/Core Capital Ratio	<b>23.004%</b>	32.916%
Total Capital Ratio	<b>23.525%</b>	33.282%

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

	<b>30 Sept 2013</b>		31 Dec 2012	
	<b>Principal RM'000</b>	<b>Risk- weighted RM'000</b>	Principal RM'000	Risk- weighted RM'000
Total RWA for credit risk	<b>4,024,725</b>	<b>1,432,145</b>	3,477,013	1,019,938
Total RWA for market risk	-	<b>38,834</b>	-	3,372
Total RWA for operational risk	-	<b>85,883</b>	-	65,449
	<u><b>4,024,725</b></u>	<u><b>1,556,862</b></u>	<u>3,477,013</u>	<u>1,088,759</u>

**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:

<b>30 Sept 2013</b>				
	<b>Gross Exposures RM'000</b>	<b>Net Exposures RM'000</b>	<b>Risk- Weighted Assets RM'000</b>	<b>Capital Requirements RM'000</b>
<i>Credit Risk</i>				
On-Balance Sheet Exposures				
Sovereigns/Central Bank	1,813,365	1,813,365	-	-
Banks, Development Financial Institutions and MDBs	322,551	322,551	90,269	7,222
Corporates	1,330,822	1,330,822	937,476	74,998
Regulatory Retail	8,938	8,938	4,392	351
Residential Mortgages	5,124	5,124	2,219	178
Other assets	25,815	25,815	20,012	1,601
<b>Total On-Balance Sheet Exposures</b>	<b>3,506,615</b>	<b>3,506,615</b>	<b>1,054,368</b>	<b>84,350</b>
Off-Balance Sheet Exposures				
Credit-related off-balance sheet exposures	510,007	510,007	373,832	29,907
OTC derivatives	8,103	8,103	3,945	316
<b>Total Off-Balance Sheet Exposures</b>	<b>518,110</b>	<b>518,110</b>	<b>377,777</b>	<b>30,223</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>4,024,725</b>	<b>4,024,725</b>	<b>1,432,145</b>	<b>114,573</b>
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<b>Long position</b>	<b>Short position</b>		
Foreign currency risk	38,834	599	38,834	3,107
<i>Operational Risk</i>	-	-	85,883	6,871
<b>Total RWA and Capital Requirements</b>			<b>1,556,862</b>	<b>124,551</b>

**24. 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
<b>Total On-Balance Sheet Exposures</b>	<b>3,147,098</b>	<b>3,147,098</b>	<b>780,587</b>	<b>62,447</b>
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
<b>Total Off-Balance Sheet Exposures</b>	<b>329,915</b>	<b>329,915</b>	<b>239,351</b>	<b>19,148</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>3,477,013</b>	<b>3,477,013</b>	<b>1,019,938</b>	<b>81,595</b>
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
<b>Total RWA and Capital Requirements</b>			<b>1,088,759</b>	<b>87,101</b>

*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 reporting dates are as follows:

30 Sept 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%	1,813,365	-	132,332	267	45	5,804	1,951,813	-
20%	-	236,687	19,430	-	-	1,561	257,678	51,536
35%	-	-	-	4,457	15,789	-	20,246	7,086
50%	-	85,864	740,890	2,760	4,085	5,819	839,418	419,709
75%	-	-	-	7,025	-	-	7,025	5,269
100%	-	-	927,416	207	187	20,735	948,545	948,545
Total Exposures	1,813,365	322,551	1,820,068	14,716	20,106	33,919	4,024,725	1,432,145
Risk-Weighted Assets by Exposures	-	90,269	1,301,747	8,416	7,756	23,957	1,432,145	
Average Risk Weight	0.0%	28.0%	71.5%	57.2%	38.6%	70.6%	35.6%	
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*

**25. Derivative financial instruments**

	30 Sept 2013		31 Dec 2012	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives	1,935	2,208	5,276	3,742
Currency swaps	-	-	907	1,680
Total recognised derivative assets/liabilities (Note 14, 17, 23)	<u>1,935</u>	<u>2,208</u>	<u>6,183</u>	<u>5,422</u>

**26. Performance review**

The Bank registered a profit before taxation of RM3.5 million for the 3rd quarter and nine months ended 30 September 2013, a decrease of 55% or RM4.3 million compared against the corresponding period in 2012. Operating profit decreased by RM6.6 million or 46%, attributable to the drop of net interest income by RM7.1 million comparing previous corresponding period. In addition, in line with the Bank's expansion, personnel cost and establishment cost increased by RM8.0 and RM2.1 million respectively compared to previous period in September 2012.

As of 30 September 2013, total assets grew by 11% to RM3.5 billion comparing 31 December 2012, mainly due to a strong loan portfolio growth of 242% or RM890.5 million during the financial period. Deposits from customers also grew from RM662 million to RM971 million, mainly attributed by higher fixed deposits.

**27. Business prospects**

The global economy continues to experience modest growth. Although global monetary conditions remain highly accommodative, market uncertainties on the direction of policy have resulted in substantial volatility in global financial markets; such as the reversal of capital flows from the emerging economies. The World Bank recently lowered its 2013 and 2014 economic growth forecasts for most of developing South East Asia; citing growth in larger middle-income countries including Malaysia is softening in light of lower investment, lower global commodity prices and lower-than-expected growth of exports.

In the Malaysian economy, domestic demand has continued to support growth amid the weaknesses in external demand. Domestic investment activity which has been robust will continue to be led by capital spending in the domestic-oriented industries and the ongoing implementation of infrastructure projects. Nonetheless, Bank Negara Malaysia pointed out that there are increased uncertainties surrounding the outlook for domestic growth in the remaining of year 2013.

Going forward, the Bank will focus in sustaining the growth momentum in both lending business and deposits base. The Bank's asset portfolio is sound and the pipeline of deals is encouraging; especially riding on the newly established branch network. On deposit-taking, the Bank will continue to promote wholesale deposits and foreign currency deposits. Overall, the Bank remains optimistic that profit growth can be sustained at a reasonable level in this challenging environment.