

Industrial and Commercial Bank of China (Malaysia) Berhad

(Company No. 839839 M)

(Incorporated in Malaysia)

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

30 JUNE 2012

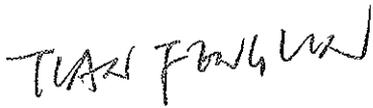
Industrial and Commercial Bank of China (Malaysia) Berhad

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MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed financial statements for the half year ended 30 June 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 July 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 JUNE 2012

	Note	30 Jun 2012 RM'000	31 Dec 2011 RM'000
ASSETS			
Cash and short-term funds	10	617,544	846,191
Deposits and placements with banks and other financial institutions	11	2,306,941	499,729
Investment securities available-for-sale	12	51,345	-
Loans, advances and financing	13	676,842	355,933
Other assets	14	21,901	6,176
Tax recoverable		494	-
Deferred tax assets		2,175	2,235
Plant and equipment		2,407	2,550
TOTAL ASSETS		3,679,649	1,712,814
LIABILITIES			
Deposits from customers	15	295,771	386,572
Deposits and placements of banks and other financial institutions	16	2,943,053	962,658
Other liabilities	17	91,159	18,762
Provision for taxation		-	86
TOTAL LIABILITIES		3,329,983	1,368,078
EQUITY			
Share capital		331,000	331,000
Reserves		18,666	13,736
EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK		349,666	344,736
TOTAL LIABILITIES AND EQUITY		3,679,649	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 July 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 JUNE 2012

	Note	2nd quarter ended		Year-To-Date ended	
		30 Jun 2012 RM'000	30 Jun 2011 RM'000	30 Jun 2012 RM'000	30 Jun 2011 RM'000
Interest income	18	28,103	8,412	45,537	15,098
Interest expense	18	(16,203)	(3,531)	(25,319)	(6,030)
Net interest income	18	11,900	4,881	20,218	9,068
Net fee income	19	807	36	1,647	108
Net trading income	20	1,161	1,358	2,395	1,639
Other operating income		63	-	63	-
Net operating income		13,931	6,275	24,323	10,815
Other operating expenses	21	(7,533)	(3,981)	(13,006)	(7,253)
Operating profit		6,398	2,294	11,317	3,562
Allowance for impairment on loans, advances and financing	22	(2,878)	(47)	(4,879)	(557)
Profit before taxation		3,520	2,247	6,438	3,005
Tax expense		(932)	(563)	(1,688)	(753)
Profit after taxation		2,588	1,684	4,750	2,252
Other comprehensive income:					
Fair value reserve					
- Net changes in fair value		240	-	240	-
- Income tax effects		(60)	-	(60)	-
Other comprehensive income for the period, net of tax		180	-	180	-
Total comprehensive income for the period		2,768	1,684	4,930	2,252
Basic earnings per ordinary share (sen):		0.78	0.51	1.44	0.68

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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 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	-	-	-	2,252	2,252
At 30 June 2011	<u>331,000</u>	<u>1,060</u>	<u>-</u>	<u>3,311</u>	<u>335,371</u>
At 1 January 2012	331,000	6,869	-	6,867	344,736
Total comprehensive income for the period					
Profit for the period	-	-	-	4,750	4,750
Other comprehensive income, net of tax					
Fair value reserve					
- Net changes in fair value	-	-	240	-	240
- Income tax effects	-	-	(60)	-	(60)
Total other comprehensive income for the period	-	-	180	-	180
Total comprehensive income for the period	<u>-</u>	<u>-</u>	<u>180</u>	<u>4,750</u>	<u>4,930</u>
At 30 June 2012	<u>331,000</u>	<u>6,869</u>	<u>180</u>	<u>11,617</u>	<u>349,666</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.

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Industrial and Commercial Bank of China (Malaysia) Berhad

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

	Note	30 Jun 2012 RM'000	30 Jun 2011 RM'000
Cash flows from operating activities			
Profit before taxation		6,438	3,005
Adjustments for:			
Depreciation of plant and equipment		526	415
Allowance for impairment on loans, advances and financing		4,879	557
Unrealised net losses arising from derivative financial instruments		569	(151)
Operating profit before working capital changes		<u>12,412</u>	<u>3,826</u>
Increase in operating assets			
Deposits and placements with banks and other financial institutions		(1,807,212)	(615,958)
Loans, advances and financing		(325,788)	(37,091)
Other assets		(16,294)	(5,521)
(Decrease)/increase in operating liabilities			
Deposits from customers		(90,801)	65,391
Deposits and placements of banks and other financial institutions		1,980,395	926,799
Other liabilities		72,397	2,977
Cash (used in)/generated from operations		<u>(174,891)</u>	<u>340,423</u>
Income taxes paid		(2,268)	(2,328)
Net cash (used in)/generated from operating activities		<u>(177,159)</u>	<u>338,095</u>
Cash flows from investing activities			
Purchase of plant and equipment		(383)	(1,731)
Purchase of securities available-for-sale		(51,105)	-
Net cash used in investing activities		<u>(51,488)</u>	<u>(1,731)</u>
Net (decrease)/increase in cash and cash equivalents		(228,647)	336,364
Cash and cash equivalents at beginning of the financial period		<u>846,191</u>	<u>321,307</u>
Cash and cash equivalents at end of the financial period		<u><u>617,544</u></u>	<u><u>657,671</u></u>
Cash and cash equivalents comprise:			
Cash and short-term funds	10	<u>617,544</u>	<u>657,671</u>
		<u><u>617,544</u></u>	<u><u>657,671</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 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 July 2012.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED
30 JUNE 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 half year ended 30 June 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 first half year condensed interim financial statements covered by the MFRS framework and MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards has been applied.

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
Amendments to MFRS 101, <i>Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income</i>	1 July 2012
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 July 2012 and 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 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.

2. Basis of Preparation (continued)

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.

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.

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 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 half year ended 30 June 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 half year ended 30 June 2012.

7. Issue of Shares and Debentures

There were no issuance of shares and debentures during the half year ended 30 June 2012.

8. Dividend Paid

No dividend was paid during the half year ended 30 June 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 Jun 2012	31 Dec 2011
	RM'000	RM'000
Cash and balances with banks and other financial institutions	42,751	287,004
Money at call and deposit placements maturing within one month	574,793	559,187
	617,544	846,191

11. Deposits and placements with banks and other financial institutions

	30 Jun 2012	31 Dec 2011
	RM'000	RM'000
Licensed Malaysian banks	29,888	29,402
Foreign banks	2,277,053	470,327
	2,306,941	499,729

12. Investment securities available-for-sale

	30 Jun 2012 RM'000	31 Dec 2011 RM'000
At fair value		
Malaysian Government securities	<u>51,345</u>	-
	<u>51,345</u>	-

13. Loans, advances and financing

	30 Jun 2012 RM'000	31 Dec 2011 RM'000
At amortised cost		
(i) By type		
Overdrafts	4,400	6,149
Term loans		
- housing loans	541	-
- other term loans	536,149	285,228
Bills receivable	124,414	49,969
Trust receipts	1,389	-
Revolving credit	19,660	20,007
Staff loans	588	-
	<u>687,141</u>	<u>361,353</u>
Gross loans, advances and financing		
Less: Allowance for impairment		
- Collective allowance for impairment	(10,299)	(5,420)
Net loans, advances and financing	<u>676,842</u>	<u>355,933</u>
(ii) By type of customer		
Domestic business enterprises		
- Small medium enterprises	7,441	4,018
- Others	82,962	105,085
Individuals	588	-
Foreign entities	596,150	252,250
	<u>687,141</u>	<u>361,353</u>
(iii) By interest rate sensitivity		
Fixed rate	37,752	12,839
Variable rate		
- Base Lending Rate plus	14,537	4,306
- Cost plus	616,074	331,714
- Other variable rates	18,778	12,494
	<u>687,141</u>	<u>361,353</u>
(iv) By sector		
Manufacturing	14,232	39,592
Construction	59,727	59,354
Real estate	74,050	556
Wholesale & retail trade and restaurants & hotels	268,901	175,584
Transport, storage and communication	45,726	-
Finance, insurance and business services	223,376	86,267
Household	1,129	-
	<u>687,141</u>	<u>361,353</u>
(v) By purpose		
Purchase of landed property		
- Residential	962	-
- Non residential	17,390	10,652
Purchase of transport vehicles	167	-
Working capital	641,103	323,370
Other purpose	27,519	27,331
	<u>687,141</u>	<u>361,353</u>

13. Loans, advances and financing (continued)

(vi) By geographical distribution	30 Jun 2012	31 Dec 2011
	RM'000	RM'000
Within Malaysia	91,532	109,103
Outside Malaysia	595,609	252,250
	<u>687,141</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 Jun 2012	31 Dec 2011
	RM'000	RM'000
Maturity within one year	608,292	239,199
More than one year to three years	66,229	115,476
More than three years to five years	3,513	2,805
More than five years	9,107	3,873
	<u>687,141</u>	<u>361,353</u>

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

	30 Jun 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	5,507	5,047
Allowance written back	(628)	(1,436)
At end of the financial period/year	<u>10,299</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 Jun 2012	31 Dec 2011
	RM'000	RM'000
Derivative financial assets (Note 26)	40	824
Interest receivable	19,944	4,164
Deposits	1,169	793
Other receivables and prepayments	748	395
	<u>21,901</u>	<u>6,176</u>

15. Deposits from customers

(i) By type of deposit	30 Jun 2012	31 Dec 2011
	RM'000	RM'000
Demand deposits	38,562	36,378
Savings deposits	3,671	2,951
Fixed deposits	247,514	347,243
Money market deposits	5,006	-
Other deposits	1,018	-
	<u>295,771</u>	<u>386,572</u>

15. Deposits from customers (continued)

(ii) By type of customer	30 Jun 2012	31 Dec 2011
	RM'000	RM'000
Business enterprises	129,170	96,919
Individuals	42,101	26,755
Others	124,500	262,898
	<u>295,771</u>	<u>386,572</u>

(iii) By maturity structure of term deposits	30 Jun 2012	31 Dec 2011
	RM'000	RM'000
Due within six months	282,331	371,492
Six months to one year	13,440	15,080
	<u>295,771</u>	<u>386,572</u>

16. Deposits and placements of banks and other financial institutions

	30 Jun 2012	31 Dec 2011
	RM'000	RM'000
Licensed Malaysian banks	1,538,844	803,237
Licensed investment banks	25	25
Foreign banks	1,404,184	159,396
	<u>2,943,053</u>	<u>962,658</u>

17. Other liabilities

	30 Jun 2012	31 Dec 2011
	RM'000	RM'000
Interest payable	18,329	5,630
Other payables and accruals	72,221	13,130
Derivative financial liabilities (Note 26)	609	2
	<u>91,159</u>	<u>18,762</u>

18. Interest income

	2nd quarter ended		Year-To-Date ended	
	30 Jun 2012	30 Jun 2011	30 Jun 2012	30 Jun 2011
	RM'000	RM'000	RM'000	RM'000
Loans, advances and financing:				
- Interest income other than from impaired loans	4,683	1,022	7,737	1,833
Money at call and deposit placements with financial institutions	23,270	7,390	37,649	13,265
Investment securities available-for-sale	142	-	142	-
Others	8	-	9	-
	<u>28,103</u>	<u>8,412</u>	<u>45,537</u>	<u>15,098</u>

Interest expense

Deposits and placements of banks and other financial institutions	(14,719)	(3,059)	(22,431)	(5,339)
Deposits from customers	(1,484)	(472)	(2,888)	(691)
	<u>(16,203)</u>	<u>(3,531)</u>	<u>(25,319)</u>	<u>(6,030)</u>
Net interest income	<u>11,900</u>	<u>4,881</u>	<u>20,218</u>	<u>9,068</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 2012 RM'000	30 Jun 2011 RM'000	30 Jun 2012 RM'000	30 Jun 2011 RM'000
Fee income:				
- Service charges and fees	89	26	243	39
- Loan processing fees	31	10	39	10
- Guarantee fees	208	-	295	48
- Commitment fees	23	-	39	11
- Other loans related fee income	457	-	1,032	-
	<u>808</u>	<u>36</u>	<u>1,648</u>	<u>108</u>
Fee expenses:				
- Brokerage	(1)	-	(1)	-
	<u>(1)</u>	<u>-</u>	<u>(1)</u>	<u>-</u>
Net fee income	<u>807</u>	<u>36</u>	<u>1,647</u>	<u>108</u>

20. Net trading income	2nd quarter ended		Year-To-Date ended	
	30 Jun 2012 RM'000	30 Jun 2011 RM'000	30 Jun 2012 RM'000	30 Jun 2011 RM'000
Net gains from dealing in foreign exchange and derivative trading	1,140	1,198	2,964	1,696
Unrealised revaluation gains/losses in foreign exchange	120	212	-	(208)
Net unrealised losses arising from derivative trading	(99)	(52)	(569)	151
	<u>1,161</u>	<u>1,358</u>	<u>2,395</u>	<u>1,639</u>

21. Other operating expenses	2nd quarter ended		Year-To-Date ended	
	30 Jun 2012 RM'000	30 Jun 2011 RM'000	30 Jun 2012 RM'000	30 Jun 2011 RM'000
Personnel costs:				
- Salaries, allowance and bonuses	3,890	1,753	6,622	3,149
- Pension fund contributions	438	150	743	236
- Other staff costs	572	115	890	202
Establishment costs:				
- Depreciation of plant and equipment	268	217	526	415
- Rental	567	656	1,078	1,082
- Others	189	106	343	317
Promotion and marketing related expenses:				
- Advertising and promotion	105	30	120	226
- Others	320	119	483	268
Administrative expenses:				
- Audit fees	30	-	60	-
- Non-audit fees	25	-	60	-
- Professional fees	172	82	243	178
- Licence fee	35	27	63	55
- Membership fee	31	12	34	13
- Others	891	714	1,741	1,112
	<u>7,533</u>	<u>3,981</u>	<u>13,006</u>	<u>7,253</u>

22. Allowance for impairment on loans, advances and financing	2nd quarter ended		Year-To-Date ended	
	30 Jun 2012 RM'000	30 Jun 2011 RM'000	30 Jun 2012 RM'000	30 Jun 2011 RM'000
Collective allowance for impairment				
- made during the financial period	3,291	396	5,507	1,205
- written back during the financial period	(413)	(349)	(628)	(648)
	<u>2,878</u>	<u>47</u>	<u>4,879</u>	<u>557</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 2012 RM'000	31 Dec 2011 RM'000
Aggregate value of outstanding credit exposures to connected parties	<u>16,111</u>	<u>588</u>
As a percentage of total credit exposures	<u>0.42%</u>	<u>0.04%</u>
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	<u>0%</u>	<u>0%</u>

24. Commitments and contingencies

The commitments and contingencies constitute the following:

	30 Jun 2012			
	Principal amount	Positive value of derivative contracts ^	Credit equivalent amount *	Risk weighted assets *
	RM'000	RM'000	RM'000	RM'000
<u>Credit-related exposures</u>				
Transaction-related contingent items	242,145	-	121,073	75,831
Short term self-liquidating trade-related contingencies	2,354	-	471	471
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	75,934	-	37,967	36,338
- not exceeding one year	328,879	-	65,776	63,847
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	696,067	40	21,863	11,047
Total	<u>1,345,379</u>	<u>40</u>	<u>247,150</u>	<u>187,534</u>

Note 26

	31 Dec 2011			
	Principal amount	Positive value of derivative contracts ^	Credit equivalent amount *	Risk weighted assets *
	RM'000	RM'000	RM'000	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	<u>586,493</u>	<u>824</u>	<u>148,592</u>	<u>93,831</u>

Note 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

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

	30 Jun 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
	<u>344,736</u>	<u>344,736</u>
Less: Deferred tax assets	<u>(2,235)</u>	<u>(2,235)</u>
Total Tier 1 capital	<u>342,501</u>	<u>342,501</u>
Tier 2 capital		
Collective impairment allowance, representing total Tier 2 capital	<u>10,299</u>	<u>5,420</u>
Capital base	<u>352,800</u>	<u>347,921</u>
Core capital ratio	23.59%	53.57%
Risk-weighted capital ratio	24.30%	54.42%

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

	30 Jun 2012		31 Dec 2011	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	3,934,387	1,361,922	1,863,766	586,363
Total RWA for market risk	-	41,416	-	2,733
Total RWA for operational risk	-	48,659	-	50,245
	<u>3,934,387</u>	<u>1,451,997</u>	<u>1,863,766</u>	<u>639,341</u>

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).

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 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	423,190	423,190	-	-
Banks, Development Financial Institutions and MDBs	2,550,634	2,550,634	661,669	52,934
Corporates	686,011	686,011	487,804	39,024
Regulatory retail	167	167	167	13
Residential mortgages	962	962	481	38
Other assets	26,273	26,273	24,267	1,941
Total On-Balance Sheet Exposures	3,687,237	3,687,237	1,174,388	93,950
Off-Balance Sheet Exposures				
Credit-related off-balance sheet exposures	225,287	225,287	176,487	14,119
OTC derivatives	21,863	21,863	11,047	884
Total Off-Balance Sheet Exposures	247,150	247,150	187,534	15,003
Total On and Off-Balance Sheet Exposures	3,934,387	3,934,387	1,361,922	108,953
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	41,416	39,085	41,416	3,313
<i>Operational Risk</i>	-	-	48,659	3,893
Total RWA and Capital Requirements			1,451,997	116,159

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

25. Capital adequacy (continued)

	31 Dec 2011			
	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	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)

25. Capital adequacy (continued)

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

30 Jun 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		
0%	423,190	-	11,446	-	-	2,006	436,642	-
20%	-	2,045,495	-	-	-	1,227	2,046,722	409,344
50%	-	505,139	467,862	-	4,220	19,670	996,891	498,446
100%	-	-	428,731	167	-	25,234	454,132	454,132
Total Exposures	423,190	2,550,634	908,039	167	4,220	48,137	3,934,387	1,361,922
Risk-Weighted Assets by Exposures	-	661,669	662,662	167	2,110	35,314	1,361,922	
Average Risk	0.0%	25.9%	73.0%	100.0%	50.0%	73.4%	34.6%	
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		
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	
Average Risk	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

26. Derivative financial instruments

	30 Jun 2012		31 Dec 2011	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Foreign exchange derivatives	-	609	821	2
Currency swaps	40	-	3	-
Total recognised derivative assets/liabilities (Note 14, 17, 24)	<u>40</u>	<u>609</u>	<u>824</u>	<u>2</u>

27. Performance review

The Bank registered a profit before taxation of RM6.4 million for the half year ended 30 June 2012, an increase of 114% or RM3.4 million compared against the corresponding period in 2011. Operating profit increased by RM7.8 million or 218%, attributable to the growth of net interest income and non-interest income by RM11.2 million and RM2.4 million respectively compared to the previous period in June 2011, driven by strong loan growth and higher deposit placements with financial institutions. These were partially offset by increased overheads of RM5.8 million comprising mainly of personnel costs.

Total assets grew by 115% to RM3.7 billion compared to 31 December 2011, mainly on increase in deposits and placements with banks and other financial institutions by 362% or RM1.8 billion, funded by the increase in deposits and placements of banks and other financial institutions. The loans portfolio had grown by 90% year-on-year to RM676.8 million as at 30 June 2012, compared to RM355.9 million in the previous period.

28. Business prospects

The global economy growth is expected to moderate throughout the year, on the back of euro-debt crisis and lacklustre growth in other major advanced economies. On the domestic front, the Malaysian economy is expected to grow at a steady pace with domestic demand being the anchor of growth. The overall growth performance will be underpinned by the expansion in private sector, further supported by public sector spending. The private investment is anticipated to remain robust, spurred by implementation of Entry Point Projects (EPP) under the Economic Transformation Programme (ETP) and accommodative interest rate environment. In addition, the recent launch of "SME Masterplan 2012-2020: Catalysing Growth and Income" will further boost and set direction for SME business growth, increase productivity and effectively compete on the global stage. While in the household segment, spending is supported by stable employment conditions and income growth.

The Bank has recently launched its credit card and debit card products to further tap on the consumer segment and leverage on its competitive edge of extensive global presence of ICBC. Moving ahead in continuing the growth momentum, the Bank's domestically focused business plans in the pipeline include setting up new branches to expand geographical footprints, launching E-banking business and introducing wealth management products to the market. By introducing competitive and innovative product packages, increasing the depth of client relationship and embedding the right risk culture, the Bank remains optimistic to be competitive and achieve sustainable profit.