

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

(Company No. 839839 M)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**

**31 MARCH 2012**

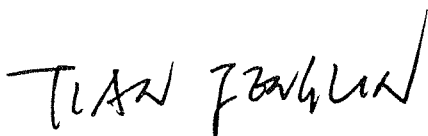
## **Industrial and Commercial Bank of China (Malaysia) Berhad**

(Company No. 839839 M)

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### **MANAGEMENT'S CERTIFICATION**

I hereby certify that the attached unaudited condensed financial statements for the first quarter and three months ended 31 March 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: 25 April 2012

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

(Company No. 839839 M)

(Incorporated in Malaysia)

### UNAUDITED CONDENSED STATEMENTS OF FINANCIAL POSITION AS AT 31 MARCH 2012

		31 Mar 2012 RM'000	31 Dec 2011 RM'000
<b>ASSETS</b>			
Cash and short-term funds	10	1,038,324	846,191
Deposits and placements with banks and other financial institutions	11	1,821,733	499,729
Loans, advances and financing	12	476,418	355,933
Other assets	13	12,691	6,176
Deferred tax assets		2,235	2,235
Plant and equipment		2,353	2,550
<b>TOTAL ASSETS</b>		<b>3,353,754</b>	<b>1,712,814</b>
<b>LIABILITIES</b>			
Deposits from customers	14	348,694	386,572
Deposits and placements of banks and other financial institutions	15	2,641,556	962,658
Other liabilities	16	16,606	18,762
Provision for taxation		-	86
<b>TOTAL LIABILITIES</b>		<b>3,006,856</b>	<b>1,368,078</b>
<b>EQUITY</b>			
Share capital		331,000	331,000
Reserves		15,898	13,736
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDER OF THE BANK</b>		<b>346,898</b>	<b>344,736</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,353,754</b>	<b>1,712,814</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 2011 and accompanying explanatory notes on pages 5 to 16 attached to the unaudited condensed interim financial statements.

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

(Company No. 839839 M)

(Incorporated in Malaysia)

### UNAUDITED CONDENSED STATEMENTS OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2012

	Note	1st quarter ended		Year-To-Date ended	
		31 Mar 2012 RM'000	31 Mar 2011 RM'000	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Interest income	17	17,434	6,686	17,434	6,686
Interest expense	17	(9,116)	(2,499)	(9,116)	(2,499)
Net interest income	17	8,318	4,187	8,318	4,187
Fee income	18	840	72	840	72
Net trading income	19	1,234	281	1,234	281
Net operating income		10,392	4,540	10,392	4,540
Other operating expenses	20	(5,473)	(3,272)	(5,473)	(3,272)
Operating profit		4,919	1,268	4,919	1,268
Allowance for impairment on loans, advances and financing	21	(2,001)	(510)	(2,001)	(510)
Profit before taxation		2,918	758	2,918	758
Tax expense		(756)	(190)	(756)	(190)
Profit after taxation		2,162	568	2,162	568
Other comprehensive income for the period, net of tax		-	-	-	-
Total comprehensive income for the period		2,162	568	2,162	568
Basic earnings per ordinary share (sen):		0.65	0.17	0.65	0.17

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.

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

(Company No. 839839 M)

(Incorporated in Malaysia)

### UNAUDITED CONDENSED STATEMENTS OF CHANGES IN EQUITY FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2012

	<b>Non-distributable Share Capital RM'000</b>	<b>Statutory Reserve RM'000</b>	<b>Distributable Retained Earnings RM'000</b>	<b>Total RM'000</b>
At 1 January 2011	331,000	1,060	1,059	333,119
Total comprehensive income for the period	-	-	568	568
At 31 March 2011	<u>331,000</u>	<u>1,060</u>	<u>1,627</u>	<u>333,687</u>
At 1 January 2012	<b>331,000</b>	<b>6,869</b>	<b>6,867</b>	<b>344,736</b>
Total comprehensive income for the period	-	-	2,162	2,162
At 31 March 2012	<u><b>331,000</b></u>	<u><b>6,869</b></u>	<u><b>9,029</b></u>	<u><b>346,898</b></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.

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

(Company No. 839839 M)

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### UNAUDITED CONDENSED CASH FLOW STATEMENTS FOR THE FIRST QUARTER AND THREE MONTHS ENDED 31 MARCH 2012

	Note	31 Mar 2012 RM'000	31 Mar 2011 RM'000
<b>Cash flows from operating activities</b>			
Profit before taxation		2,918	758
Adjustments for:			
Depreciation of plant and equipment		258	198
Allowance for impairment on loans, advances and financing		2,001	510
Operating profit before working capital changes		5,177	1,466
Increase in operating assets			
Deposits and placements with banks and other financial institutions		(1,322,004)	(141,287)
Loans, advances and financing		(122,486)	(33,987)
Other assets		(5,543)	(2,843)
(Decrease)/increase in operating liabilities			
Deposits from customers		(37,878)	57,314
Deposits and placements of banks and other financial institutions		1,678,898	113,617
Other liabilities		(2,156)	887
Cash generated from/(used in) operations		194,008	(4,833)
Income taxes paid		(1,814)	(1,241)
<b>Net cash generated from/(used in) operating activities</b>		192,194	(6,074)
<b>Cash flows from investing activity</b>			
Purchase of plant and equipment		(61)	(1,515)
<b>Net cash used in investing activity</b>		(61)	(1,515)
<b>Net increase/(decrease) in cash and cash equivalents</b>		192,133	(7,589)
<b>Cash and cash equivalents at beginning of the financial period</b>		846,191	321,307
<b>Cash and cash equivalents at end of the financial period</b>		1,038,324	313,718
<b>Cash and cash equivalents comprise:</b>			
Cash and short-term funds	10	1,038,324	313,718
		1,038,324	313,718

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.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE PERIOD ENDED  
31 MARCH 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 first quarter and three months ended 31 March 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") and Bank Negara Malaysia ("BNM") guidelines.

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.

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 2011, except for the adoption of the following MFRSs, amendments to MFRSs and IC Interpretations.

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:

<b>FRSs/Interpretations</b>	<b>Effective date</b>
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 7, <i>Financial Instruments: Disclosures – Mandatory Date of FRS 9 and Transition Disclosures</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

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.

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 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 1st quarter and three months ended 31 March 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 1st quarter and three months ended 31 March 2012.

**7. Issue of Shares and Debentures**

There were no issuance of shares and debentures during the 1st quarter and three months ended 31 March 2012.

**8. Dividend Paid**

No dividend was paid during the three months ended 31 March 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**

	<b>31 Mar 2012</b>	31 Dec 2011
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>40,219</b>	287,004
Money at call and deposit placements maturing within one month	<b>998,105</b>	559,187
	<b><u>1,038,324</u></b>	<u>846,191</u>

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

	<b>31 Mar 2012</b>	31 Dec 2011
	<b>RM'000</b>	RM'000
Licensed Malaysian banks	<b>29,655</b>	29,402
Foreign banks	<b>1,792,078</b>	470,327
	<b><u>1,821,733</u></b>	<u>499,729</u>

**12. Loans, advances and financing**

<b>At amortised cost</b>	<b>31 Mar 2012</b>	31 Dec 2011
<b>(i) By type</b>	<b>RM'000</b>	RM'000
Overdrafts	<b>6,928</b>	6,149
Term loans	<b>288,701</b>	285,228
Bills receivable	<b>164,790</b>	49,969
Trust receipts	<b>985</b>	-
Revolving credit	<b>22,435</b>	20,007
Gross loans, advances and financing	<b><u>483,839</u></b>	<u>361,353</u>
Less: Allowance for impairment		
- Collective allowance for impairment	<b>(7,421)</b>	(5,420)
Net loans, advances and financing	<b><u>476,418</u></b>	<u>355,933</u>



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

<b>(ii) By type of customer</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Domestic business enterprises		
- Small medium enterprises	3,837	4,018
- Others	174,439	105,085
Foreign entities	305,563	252,250
	<u>483,839</u>	<u>361,353</u>
<b>(iii) By interest rate sensitivity</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Fixed rate	101,360	12,839
Variable rate		
- Base Lending Rate plus	13,995	4,306
- Cost plus	321,845	331,714
- Other variable rates	46,639	12,494
	<u>483,839</u>	<u>361,353</u>
<b>(iv) By sector</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Manufacturing	25,764	39,592
Construction	56,857	59,354
Real estate	534	556
Wholesale & retail trade and restaurants & hotels	289,382	175,584
Finance, insurance and business services	111,302	86,267
	<u>483,839</u>	<u>361,353</u>
<b>(v) By purpose</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of landed property		
- Non residential	10,340	10,652
Working capital	447,327	323,370
Other purpose	26,172	27,331
	<u>483,839</u>	<u>361,353</u>
<b>(vi) By geographical distribution</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Within Malaysia	178,276	109,103
Outside Malaysia	305,563	252,250
	<u>483,839</u>	<u>361,353</u>

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

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

<b>(vii) By residual contractual maturity</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Maturity within one year	366,118	239,199
More than one year to three years	111,392	115,476
More than three years to five years	2,564	2,805
More than five years	3,765	3,873
	<u>483,839</u>	<u>361,353</u>
<b>(viii) Movements in collective allowance for impairment on loans, advances and financing</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
At beginning of the financial period/year	5,420	1,809
Allowance made during the financial period/year	2,216	5,047
Allowance written back	(215)	(1,436)
At end of the financial period/year	<u>7,421</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>

**13. Other assets**

	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Derivative financial assets (Note 24)	-	824
Interest receivable	10,355	4,164
Deposits	846	793
Other receivables and prepayments	518	395
Tax recoverable	972	-
	<u>12,691</u>	<u>6,176</u>

**14. Deposits from customers**

<b>(i) By type of deposit</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Demand deposits	67,649	36,378
Savings deposits	4,016	2,951
Fixed deposits	277,029	347,243
	<u>348,694</u>	<u>386,572</u>
<b>(ii) By type of customer</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Business enterprises	138,212	96,919
Individuals	61,393	26,755
Others	149,089	262,898
	<u>348,694</u>	<u>386,572</u>
<b>(iii) By maturity structure of term deposits</b>	<b>31 Mar 2012</b>	<b>31 Dec 2011</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	327,814	371,492
Six months to one year	20,880	15,080
	<u>348,694</u>	<u>386,572</u>

<b>15. Deposits and placements of banks and other financial institutions</b>	<b>31 Mar 2012</b>		<b>31 Dec 2011</b>	
	<b>RM'000</b>		<b>RM'000</b>	
Licensed Malaysian banks	1,700,073		803,237	
Licensed investment banks	24		25	
Foreign banks	941,459		159,396	
	<u>2,641,556</u>		<u>962,658</u>	
<b>16. Other liabilities</b>	<b>31 Mar 2012</b>		<b>31 Dec 2011</b>	
	<b>RM'000</b>		<b>RM'000</b>	
Interest payable	10,258		5,630	
Other payables and accruals	5,878		13,130	
Derivative financial liabilities (Note 24)	470		2	
	<u>16,606</u>		<u>18,762</u>	
<b>17. Interest income</b>	<b>1st quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>31 Mar 2012</b>	31 Mar 2011	<b>31 Mar 2012</b>	31 Mar 2011
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Loans, advances and financing:				
- Interest income other than from impaired loans	3,054	811	3,054	811
Money at call and deposit placements with financial institutions	14,379	5,875	14,379	5,875
Others	1	-	1	-
	<u>17,434</u>	<u>6,686</u>	<u>17,434</u>	<u>6,686</u>
<b>Interest expense</b>				
Deposits and placements of banks and other financial institutions	(1,404)	(2,280)	(1,404)	(2,280)
Deposits from customers	(7,712)	(219)	(7,712)	(219)
	<u>(9,116)</u>	<u>(2,499)</u>	<u>(9,116)</u>	<u>(2,499)</u>
<b>Net interest income</b>	<u>8,318</u>	<u>4,187</u>	<u>8,318</u>	<u>4,187</u>
All items of interest income and expense were recognised from assets and liabilities that were not at fair value through profit or loss.				
<b>18. Fee income</b>	<b>1st quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>31 Mar 2012</b>	31 Mar 2011	<b>31 Mar 2012</b>	31 Mar 2011
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Fee income:				
- Service charges and fees	154	13	154	13
- Loan processing fees	8	-	8	-
- Guarantee fees	87	59	87	59
- Commitment fees	16	-	16	-
- Other fee income	575	-	575	-
	<u>840</u>	<u>72</u>	<u>840</u>	<u>72</u>
<b>19. Net trading income</b>	<b>1st quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>31 Mar 2012</b>	31 Mar 2011	<b>31 Mar 2012</b>	31 Mar 2011
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Net gains from dealing in foreign exchange	2,281	726	2,281	726
Net gains arising from derivative trading	365	-	365	-
Unrealised revaluation losses in foreign exchange	(120)	(420)	(120)	(420)
Net unrealised losses arising from derivative trading	(1,292)	(25)	(1,292)	(25)
	<u>1,234</u>	<u>281</u>	<u>1,234</u>	<u>281</u>

**20. Other operating expenses**

	<b>1st quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>31 Mar 2012</b>	31 Mar 2011	<b>31 Mar 2012</b>	31 Mar 2011
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Personnel costs:				
- Salaries, allowance and bonuses	<b>2,732</b>	1,396	<b>2,732</b>	1,396
- Pension fund contributions	<b>305</b>	86	<b>305</b>	86
- Other staff costs	<b>318</b>	87	<b>318</b>	87
Establishment costs:				
- Depreciation of plant and equipment	<b>258</b>	198	<b>258</b>	198
- Rental	<b>511</b>	426	<b>511</b>	426
- Others	<b>154</b>	211	<b>154</b>	211
Promotion and marketing related expenses:				
- Advertising and promotion	<b>15</b>	196	<b>15</b>	196
- Others	<b>163</b>	149	<b>163</b>	149
Administrative expenses:				
- Audit fees	<b>30</b>	-	<b>30</b>	-
- Non-audit fees	<b>35</b>	-	<b>35</b>	-
- Professional fees	<b>71</b>	96	<b>71</b>	96
- Licence fee	<b>28</b>	28	<b>28</b>	28
- Membership fee	<b>3</b>	1	<b>3</b>	1
- Others	<b>850</b>	398	<b>850</b>	398
	<b>5,473</b>	3,272	<b>5,473</b>	3,272

**21. Allowance for impairment on loans, advances and financing**

	<b>1st quarter ended</b>		<b>Year-To-Date ended</b>	
	<b>31 Mar 2012</b>	31 Mar 2011	<b>31 Mar 2012</b>	31 Mar 2011
	<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Collective allowance for impairment				
- made during the financial period	<b>2,216</b>	818	<b>2,216</b>	818
- written back during the financial period	<b>(215)</b>	(308)	<b>(215)</b>	(308)
	<b>2,001</b>	510	<b>2,001</b>	510

**22. Commitments and contingencies**

The commitments and contingencies constitute the following:

	<b>31 Mar 2012</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	221,625	-	110,813	65,187
Short term self-liquidating trade-related contingencies	3,659	-	732	732
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
- exceeding one year	55,808	-	27,904	27,904
- not exceeding one year	272,010	-	54,402	17,266
<u>Derivative financial contracts</u>				
Foreign exchange related contracts:				
- less than one year	731,766	-	18,627	9,926
<b>Total</b>	<b>1,284,868</b>	<b>-</b>	<b>212,478</b>	<b>121,015</b>

Note 24

	<b>31 Dec 2011</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	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
<b>Total</b>	<b>586,493</b>	<b>824</b>	<b>148,592</b>	<b>93,831</b>

Note 24

^ 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".

**23. Capital adequacy**

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

	<b>31 Mar 2012</b>	31 Dec 2011
	<b>RM'000</b>	RM'000
<b>Tier 1 capital</b>		
Paid-up share capital	<b>331,000</b>	331,000
Retained earnings	<b>6,867</b>	6,867
Statutory reserves	<b>6,869</b>	6,869
	<b>344,736</b>	344,736
Less: Deferred tax assets	<b>(2,235)</b>	(2,235)
Total Tier 1 capital	<b>342,501</b>	342,501
<b>Tier 2 capital</b>		
Collective impairment allowance, representing total Tier 2 capital	<b>7,421</b>	5,420
Capital base	<b>349,922</b>	347,921
Core capital ratio	<b>31.92%</b>	53.57%
Risk-weighted capital ratio	<b>32.61%</b>	54.42%

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

	<b>31 Mar 2012</b>		31 Dec 2011	
	<b>Principal</b>	<b>Risk-weighted</b>	Principal	Risk-weighted
	<b>RM'000</b>	<b>RM'000</b>	RM'000	RM'000
Total RWA for credit risk	<b>3,570,445</b>	<b>970,671</b>	1,863,766	586,363
Total RWA for market risk	-	<b>33,771</b>	-	2,733
Total RWA for operational risk	-	<b>68,533</b>	-	50,245
	<b>3,570,445</b>	<b>1,072,975</b>	1,863,766	639,341

Capital adequacy ratios of the Bank are computed in accordance with BNM's revised Risk Weighted Capital Adequacy Framework, "RWCAF": Standardised Approach for Credit Risk and Market Risk, and Basic Indicator Approach for Operational Risk (Basel 2).

**23. Capital adequacy (continued)**

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

	31 Mar 2012			Capital Requirements RM'000
	Gross Exposures RM'000	Net Exposures RM'000	Risk Weighted Assets RM'000	
<i>Credit Risk</i>				
On-Balance Sheet Exposures				
Sovereigns/Central Bank	381,890	381,890	-	-
Banks, Development Financial Institutions and MDBs	2,475,466	2,475,466	535,420	42,834
Corporates	483,839	483,839	300,163	24,013
Other assets	16,772	16,772	14,073	1,126
<b>Total On-Balance Sheet Exposures</b>	<b>3,357,967</b>	<b>3,357,967</b>	<b>849,656</b>	<b>67,973</b>
Off-Balance Sheet Exposures				
Credit-related off-balance sheet exposures	193,851	193,851	111,089	8,886
OTC derivatives	18,627	18,627	9,926	794
<b>Total Off-Balance Sheet Exposures</b>	<b>212,478</b>	<b>212,478</b>	<b>121,015</b>	<b>9,680</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>3,570,445</b>	<b>3,570,445</b>	<b>970,671</b>	<b>77,653</b>
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	<u>Long position</u>	<u>Short position</u>		
Foreign currency risk	33,771	-	33,771	2,702
<i>Operational Risk</i>				
	-	-	68,533	5,483
<b>Total RWA and Capital Requirements</b>			<b>1,072,975</b>	<b>85,838</b>

Note:

MDBs - Multilateral Development Banks

OTC - Over the counter

**23. 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
<b>Total On-Balance Sheet Exposures</b>	<b>1,715,174</b>	<b>1,715,174</b>	<b>492,532</b>	<b>39,402</b>
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
<b>Total Off-Balance Sheet Exposures</b>	<b>148,592</b>	<b>148,592</b>	<b>93,831</b>	<b>7,507</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>1,863,766</b>	<b>1,863,766</b>	<b>586,363</b>	<b>46,909</b>
Large exposure risk requirement	-	-	-	-
<i>Market Risk</i>				
	Long position	Short position		
Foreign currency risk	1,939	2,733	2,733	219
<i>Operational Risk</i>				
	-	-	50,245	4,020
<b>Total RWA and Capital Requirements</b>			<b>639,341</b>	<b>51,148</b>

*Note:*

MDBs - Multilateral Development Banks

OTC - Over the counter



(Company No. 839839 M)

**23. Capital adequacy (continued)**

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

31 Mar 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	Other Assets		
	RM'000	RM'000	RM'000	RM'000		
0%	381,890	-	55,973	2,700	440,563	-
20%	-	2,341,042	65,039	1,820	2,407,901	481,580
50%	-	134,424	316,867	14,490	465,781	232,891
100%	-	-	239,811	16,389	256,200	256,200
Total Exposures	381,890	2,475,466	677,690	35,399	3,570,445	970,671
Risk-Weighted Assets by Exposures	-	535,420	411,252	23,998	970,671	
Average Risk Weight	0.0%	21.6%	60.7%	67.8%	27.2%	
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	Other Assets		
	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 Weight	0.0%	25.7%	63.9%	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***24. Derivative financial instruments**

	31 Mar 2012		31 Dec 2011	
	Assets	Liabilities	Assets	Liabilities
	RM'000	RM'000	RM'000	RM'000
Foreign exchange derivatives	-	440	821	2
Currency swaps	-	30	3	-
Total recognised derivative assets/liabilities (Note 16, 22)	-	470	824	2

**25. Performance review**

The Bank achieved a profit before taxation of RM2.9 million for the three months ended 31 March 2012, an increase of 285% or RM2.2 million compared to the previous period. Operating profit increased by RM3.7 million or 288% compared to the corresponding period in 2011. The higher operating income was contributed by the growth of net interest income and trading income by RM4.1 million and RM1.0 million respectively compared to the previous period in March 2011, which resulted from strong loan growth, higher deposit placements with financial institutions and higher foreign exchange gains. Operating expenses increased by RM2.2 million against the previous corresponding period, mainly due to higher personnel costs as a result of increase in headcount in line with the Bank's business growth.

Total assets grew by 96% or RM1.6 billion compared to the last financial year ended 31 December 2011 to RM3.4 billion, in tandem with the increase in deposits and placements with banks and other financial institutions by 265% or RM1.3 billion. Loans, advances and financing stood at RM476.4 million, which is RM120.5 million higher than the RM355.9 million recorded as at 31 December 2011, mainly funded by the increase in deposits from customers, as well as deposits and placements of banks and other financial institutions.

**26. Business prospects**

Growth in the global economy is estimated to be slow for the year, whereby the slowdown was due in part to lingering effects of the Eurozone financial crisis and the various adverse event shocks throughout the last financial year. It is expected that the emerging economies will be the drivers of global growth moving forward, of which will cushion the impact of anaemic demand from the advanced economies.

While the external market is expected to remain sluggish, the domestic drivers are propping up growth performance and maintaining the Malaysian economy's growth momentum this year. On the local front, the private consumption will remain robust against the backdrop of accommodative interest rate environment, high savings, moderate wage increases and low unemployment rate. The private investment will be spurred by the government's initiative to stimulate domestic investment activities through the Economic Transformation Programme (ETP), coupled with the overall improvement in business confidence. The recent release of the Financial Sector Blueprint 2011-2020 charts the future direction of the financial system 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. The Bank is committed to expand its geographical presence to reach out to more customers by setting up new branches. The Bank will also venture into new strategic business segments throughout the year of which amongst all include E banking business, wealth management, debit cards and ATM services. The commitment in setting up new outlets and introducing a comprehensive range of financial products and services will reinforce the Bank's vision towards achieving the objective of becoming the most preferred banking choice in the local market.