



**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 807705-X)**  
**(Incorporated in Malaysia)**

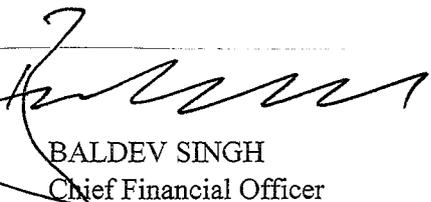
**UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS**  
**30 JUNE 2011**

**Domiciled in Malaysia.**  
**Registered Office :**  
**2, Leboh Ampang,**  
**50100 Kuala Lumpur**

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 807705-X)**  
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**MANAGEMENT'S CERTIFICATION**

I hereby certify that the attached unaudited condensed financial statements for the half year ended 30 June 2011 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of FRS134: Interim Financial Reporting and the Circular on the Application of FRS and Revised Financial Reporting Requirements for Islamic Banks issued by Bank Negara Malaysia in 2010.



BALDEV SINGH  
Chief Financial Officer

Date : 26 July 2011

**HSBC AMANAH MALAYSIA BERHAD**  
**(Company No. 807705-X)**  
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**UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2011**

	<i>Note</i>	<b>30 Jun 2011</b> <b>RM'000</b>	31 Dec 2010 RM'000
<b>Assets</b>			
Cash and short-term funds	10	<b>1,639,773</b>	1,508,998
Financial Assets Held-for-Trading	11	<b>136,451</b>	148,006
Financial Investments Available-for-Sale	12	<b>338,334</b>	330,665
Financing and advances	13	<b>5,465,454</b>	4,636,276
Other assets	15	<b>211,228</b>	59,035
Statutory deposits with Bank Negara Malaysia		<b>136,061</b>	34,729
Equipment		<b>14,990</b>	16,425
Intangible assets		<b>735</b>	1,499
Deferred tax assets		<b>21,268</b>	18,002
Total Assets		<b><u>7,964,294</u></b>	<u>6,753,635</u>
<b>Liabilities</b>			
Deposits from customers	16	<b>4,317,668</b>	3,782,536
Deposits and placements of banks and other financial institutions	17	<b>2,660,846</b>	2,084,599
Bills and acceptances payable		<b>5,716</b>	5,531
Other liabilities	18	<b>143,118</b>	91,670
Provision for taxation and zakat	19	<b>9,678</b>	4,448
Total Liabilities		<b><u>7,137,026</u></b>	<u>5,968,784</u>
<b>Shareholder's Equity</b>			
Share capital		<b>50,000</b>	50,000
Reserves		<b>777,268</b>	734,851
Total Shareholder's Equity		<b><u>827,268</u></b>	<u>784,851</u>
Total Liabilities and Shareholder's Equity		<b><u>7,964,294</u></b>	<u>6,753,635</u>
Commitments and Contingencies	28	<b><u>3,053,141</u></b>	<u>1,823,148</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 2010 and the accompanying explanatory notes on pages 5 to 25 attached to the unaudited condensed interim financial statements.*

*The financial statements were approved by the Board of Directors on 26 July 2011.*

**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE HALF YEAR ENDED 30 JUNE 2011**

	<i>Note</i>	<b>Second Quarter Ended</b>		<b>Year-To-Date Ended</b>	
		<b>30 Jun 2011</b>	30 Jun 2010	<b>30 Jun 2011</b>	30 Jun 2010
		<b>RM'000</b>	RM'000	<b>RM'000</b>	RM'000
Income derived from investment of depositors' funds and others	20	<b>107,477</b>	65,378	<b>201,156</b>	133,431
Income derived from investment of shareholders' funds	21	<b>22,608</b>	22,215	<b>45,945</b>	41,915
Impairment losses on financing	22	<b>(26,739)</b>	(24,213)	<b>(47,954)</b>	(35,408)
<b>Total distributable income</b>		<b>103,346</b>	63,380	<b>199,147</b>	139,938
Income attributable to depositors	23	<b>(37,448)</b>	(20,940)	<b>(68,803)</b>	(38,276)
<b>Total net income</b>		<b>65,898</b>	42,440	<b>130,344</b>	101,662
Personnel expenses	24	<b>(5,322)</b>	(7,039)	<b>(13,351)</b>	(12,679)
Other overheads and expenditures	25	<b>(36,938)</b>	(36,425)	<b>(64,592)</b>	(68,327)
<b>Profit before income tax expense</b>		<b>23,638</b>	(1,024)	<b>52,401</b>	20,656
Income tax expense		<b>(3,597)</b>	(1,357)	<b>(10,010)</b>	(5,772)
<b>Profit for the period</b>		<b>20,041</b>	(2,381)	<b>42,391</b>	14,884
<b>Other comprehensive income</b>					
Fair value reserve					
Change in fair value		<b>185</b>	412	<b>(186)</b>	(833)
Income tax relating to components of other comprehensive income		<b>(46)</b>	(57)	<b>46</b>	(149)
Other comprehensive income for the period, net of tax		<b>139</b>	355	<b>(140)</b>	(982)
<b>Total comprehensive income for the period</b>		<b>20,180</b>	(2,026)	<b>42,251</b>	13,902
Basic earnings/(loss) per RM0.50 ordinary share		<b>20.0 sen</b>	(2.4 sen)	<b>42.4 sen</b>	14.9 sen

*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 2010 and the accompanying explanatory notes on pages 5 to 25 attached to the unaudited condensed interim financial statements.*

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**UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 30 JUNE 2011**

	← Non-distributable →				Distributable		Total
	Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Available- for-sale reserve RM'000	Capital Contribution reserve RM'000	Retained profits RM'000	
<b>2010</b>							
Balance as at 1 January 2010, as previously stated	50,000	610,000	40,104	437	143*	40,103	740,787
- effect of adopting FRS 139	-	-	-	-	-	32	32
Balance as at 1 January 2010, restated	50,000	610,000	40,104	437	-	40,135	740,819
<b>Total comprehensive income for the period</b>							
Net profit for the period	-	-	-	-	-	14,884	14,884
<b>Other comprehensive income, net of income tax</b>							
Fair value reserve:							
Net change in fair value	-	-	-	(982)	-	-	(982)
Total other comprehensive income	-	-	-	(982)	-	-	(982)
Total comprehensive income for the period	-	-	-	(982)	-	14,884	13,902
<b>Transactions with ultimate holding company, recorded directly in equity</b>							
Share based payment transactions	-	-	-	-	86	170	256
Balance as at 30 June 2010	50,000	610,000	40,104	(545)	229	55,189	754,977
<b>2011</b>							
Balance as at 1 January 2011	50,000	610,000	50,000	(136)	335*	74,652	784,851
<b>Total comprehensive income for the period</b>							
Net profit for the period	-	-	-	-	-	42,391	42,391
<b>Other comprehensive income, net of income tax</b>							
Fair value reserve:							
Net change in fair value	-	-	-	(140)	-	-	(140)
Total other comprehensive income	-	-	-	(140)	-	-	(140)
Total comprehensive income for the period	-	-	-	(140)	-	42,391	42,251
<b>Transactions with ultimate holding company, recorded directly in equity</b>							
Share based payment transactions					166		166
Balance as at 30 June 2011	50,000	610,000	50,000	(276)	501	117,043	827,268

\* This balance has been reclassified to conform to current year's presentation, please refer to Note 29 for further details.

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**HSBC AMANAH MALAYSIA BERHAD**  
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**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE HALF YEAR ENDED 30 JUNE 2011**

	<b>30 Jun 2011</b>	30 Jun 2010
	<b>RM'000</b>	RM'000
Profit before income tax expense	<b>52,401</b>	20,656
Adjustments for non-operating and non-cash items	<b>3,184</b>	1,921
Operating profit before working capital changes	<b>55,585</b>	22,577
Changes in working capital:		
Net changes in operating assets	<b>(1,071,147)</b>	(309,840)
Net changes in operating liabilities	<b>1,163,177</b>	851,927
Income tax paid	<b>(8,000)</b>	(8,666)
<b>Net cash generated from operating activities</b>	<b>139,615</b>	555,998
<b>Net cash (used in)/generated from investing activities</b>	<b>(8,840)</b>	57,754
<b>Net changes in cash and cash equivalents</b>	<b>130,775</b>	613,752
<b>Cash and cash equivalents at beginning of the period</b>	<b>1,508,998</b>	687,308
<b>Cash and cash equivalents at end of the period</b>	<b>1,639,773</b>	1,301,060
<b>Analysis of cash and cash equivalents</b>		
Cash and short-term funds	<b>1,639,773</b>	1,301,060

*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 2010 and the accompanying explanatory notes on pages 5 to 25 attached to the unaudited condensed interim financial statements.*

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**AS AT 30 JUNE 2011**

**1 General Information**

HSBC Amanah Malaysia Berhad ("the Bank") incorporated on 26 February 2008, is a licensed Islamic Bank under the Islamic Banking Act, 1983. The registered office of the Bank is at No. 2, Leboh Ampang, 50100 Kuala Lumpur.

The principal activities of the Bank are Islamic banking and 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 2011 have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") as modified by Bank Negara Malaysia's ("BNM") guidelines and the principles of Shariah.

The unaudited condensed interim financial statements do not include all of the information required for the 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 2010. The explanatory notes attached in 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 2010.

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 2010, except for the adoption of the following FRSS, amendments to FRSS, Issues Committee ("IC") Interpretations and Technical Release ("TR").

<b>FRSS / Interpretations</b>	<b>Effective Date</b>
- FRS 1, First time Adoption of Financial Reporting Standards	1 Jul 2010
- FRS 3, Business Combinations	1 Jul 2010
- FRS 127, Consolidated and Separate Financial Statements	1 Jul 2010
- IC Interpretation 4, Determining whether an Arrangement contains a Lease	1 Jan 2011
- IC Interpretation 12, Service Concession Arrangements	1 Jul 2010
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation	1 Jul 2010
- IC Interpretation 17, Distribution of Non-cash Assets to Owners	1 Jul 2010
- IC Interpretation 18, Transfer of Assets from Customers	1 Jan 2011
- Amendments to FRS 1, First Time Adoption of Financial Reporting Standards – Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters and Additional Exemptions for First-time Adopters	1 Jan 2011
- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues	1 Mar 2010
- Amendments to FRS 2, Share-based Payment	1 Jul 2010
- Amendments to FRS 2, Group Cash-settled Share-based Payment Transactions	1 Jan 2011
- Amendments to FRS 5, Non-current Assets held for Sale and Discontinued Operations	1 Jul 2010
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments	1 Jan 2011
- Amendments to FRS 138, Intangible Assets	1 Jul 2010
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives	1 Jul 2010
- Improvements to FRSS (2010)	1 Jan 2011
- TR-i 4: Shariah Compliant Sale Contracts	1 Jan 2011

## **2 Basis of Preparation (Cont'd)**

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IC Interpretations 12, 16 and 17 are not expected to have any impact on the financial statements of the Bank as they are not relevant to the operations of the Bank. The adoption of the remaining FRSs, amendments to FRSs and IC Interpretations did not have any material impact on the financial results of the Bank.

The Bank has not applied the following accounting standards, amendments and interpretations that have been issued by the MASB as they are either not applicable or not yet effective for the Bank.

<b>FRSs / Interpretations</b>	<b>Effective Date</b>
- FRS 124, Related Party Disclosures (revised)	1 Jan 2012
- IC Interpretation 15, Agreements for the Construction of Real Estate	1 Jan 2012
- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments	1 Jul 2011
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement	1 Jul 2011

The new requirements above take effect for the annual periods beginning on or after 1 July 2011, except for FRS 124, and IC Interpretation 15, which apply for the annual period beginning on or after 1 January 2012. IC Interpretation 15 is not expected to have any impact on the financial statements of the Bank as it is not relevant to the operations of the Bank. The adoption of the other revised FRSs, amendments to FRSs and IC Interpretations is not expected to have a significant financial impact on the Bank.

## **3 Auditors' Report On Preceding Annual Financial Statements**

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The audit report on the audited financial statements for the financial year ended 31 December 2010 was not subject to any qualification.

## **4 Seasonality or Cyclical Factors**

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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**

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There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the half year ended 30 June 2011.

## **6 Changes in Estimates**

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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 2011.

## **7 Debt and Equity Securities**

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There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the half year ended 30 June 2011.

## **8 Dividend**

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No dividend was declared nor paid during the half year ended 30 June 2011.

## **9 Significant Events**

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There were no material events subsequent to the balance sheet date that requires disclosure or adjustments to the unaudited condensed interim financial statements.

**10 Cash and Short-Term Funds**

	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
Cash and balances with banks and other financial institutions	<b>68,143</b>	28,217
Money at call and interbank placements maturing within one month	<b>1,571,630</b>	1,480,781
	<b><u>1,639,773</u></b>	<b><u>1,508,998</u></b>

**11 Financial Assets Held-for-Trading**

	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
Money market instruments:		
Malaysian Government treasury bills	<b>79,838</b>	<b>64,360</b>
Malaysian Government Islamic bonds	<b>56,613</b>	<b>58,552</b>
Unquoted securities:		
Private debt securities	<b>-</b>	<b>25,094</b>
	<b><u>136,451</u></b>	<b><u>148,006</u></b>

**12 Financial Investments Available-for-Sale**

	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
<b>At fair value</b>		
Money market instruments:		
Malaysian Government Islamic bonds	<b>295,854</b>	296,161
Negotiable instruments of deposit	<b>25,001</b>	30,002
Bankers' acceptance and Islamic accepted bills	<b>17,479</b>	4,502
	<b><u>338,334</u></b>	<b><u>330,665</u></b>
The maturity structure of money market instruments held as financial investments available-for-sale is as follows:		
Maturing within one year	<b>213,464</b>	34,504
More than one year to three years	<b>124,870</b>	296,161
	<b><u>338,334</u></b>	<b><u>330,665</u></b>

### 13 Financing And Advances

#### (i) By type

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
Cash line	34,825	14,502
Term financing		
House financing	645,157	460,173
Hire purchase receivables	206,464	176,381
Lease receivables	159	187
Other term financing	3,533,281	3,134,643
Trust receipts	10,241	704
Claims on customers under acceptance credits	804,686	758,077
Staff financing	14,281	9,332
Credit/ charge cards	293,563	261,517
Revolving credit	131,216	-
	<u>5,673,873</u>	<u>4,815,516</u>
Less: Unearned income	(72,760)	(66,727)
	<u>5,601,113</u>	<u>4,748,789</u>
Less: Allowance for impaired financing:		
- Collective allowances for impairment	(83,236)	(70,655)
- Individual allowances for impairment	(52,423)	(41,858)
Total net financing and advances	<u>5,465,454</u>	<u>4,636,276</u>

#### (ii) By contract

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
Bai Bithaman Ajil ( <i>deferred payment sale</i> )	618,256	762,967
Ijarah ( <i>lease</i> )	149	173
Ijarah Thumma Al-Bai (AITAB) ( <i>hire purchase</i> )	188,465	161,735
Murabahah ( <i>cost-plus</i> )	1,820,105	1,410,169
Musharakah ( <i>profit and loss sharing</i> )	856,546	552,958
Bai Al-Inah ( <i>sell and buy back</i> )	1,344,528	1,234,198
Bai Al-Dayn ( <i>sale of debt</i> )	274,865	267,797
Ujrah ( <i>fee-based</i> )	498,198	358,786
Qard ( <i>benevolent financing</i> )	1	6
	<u>5,601,113</u>	<u>4,748,789</u>

#### (iii) By type of customer

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
Domestic non-bank financial institutions	-	78
Domestic business enterprises		
- Small medium enterprises	1,123,107	942,457
- Others	1,827,796	1,562,294
Government and statutory bodies	25,606	25,443
Individuals	2,309,367	1,969,341
Other domestic entities	3,271	3,614
Foreign entities	311,966	245,562
	<u>5,601,113</u>	<u>4,748,789</u>

**13 Financing And Advances (Cont'd)**

<b>(iv) By profit rate sensitivity</b>	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
Fixed rate		
House financing	17,524	21,518
Hire purchase receivables	188,465	161,735
Other financing	2,723,103	2,717,503
Variable rate		
House financing	659,820	448,763
Other financing	2,012,201	1,399,270
	<u>5,601,113</u>	<u>4,748,789</u>
<b>(v) By maturity structure</b>	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
Maturing within one year	2,990,581	2,483,534
More than one year to three years	606,083	639,036
More than three years to five years	979,119	935,955
Over five years	1,025,330	690,264
	<u>5,601,113</u>	<u>4,748,789</u>
<b>(vi) By sector</b>	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
Agriculture, hunting, forestry & fishing	125,716	97,788
Mining and quarrying	141,279	138,104
Manufacturing	1,296,599	1,090,858
Electricity, gas and water	10,646	12,273
Construction	185,026	80,790
Real estate	367,999	323,738
Wholesale & retail trade, restaurants & hotels	237,699	231,219
Transport, storage and communication	393,462	233,059
Finance, insurance and business services	149,928	233,414
Household - Retail	2,358,015	2,000,719
Others	334,744	306,827
	<u>5,601,113</u>	<u>4,748,789</u>
<b>(vii) By purpose</b>	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
Purchase of landed property:		
Residential	641,821	455,611
Non-residential	56,245	25,469
Purchase of securities	884	1,019
Purchase of transport vehicles	1,792	1,464
Purchase of fixed assets excluding land & building	67,926	76,779
Consumption Credit	1,711,283	1,541,544
Construction	185,026	80,790
Working Capital	2,644,054	2,323,025
Other Purpose	292,082	243,088
	<u>5,601,113</u>	<u>4,748,789</u>

### 13 Financing And Advances (Cont'd)

#### (viii) By geographical distribution

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
Northern Region	1,188,635	954,542
Southern Region	600,570	516,849
Central Region	3,192,145	2,861,233
Eastern Region	619,763	416,165
	<u>5,601,113</u>	<u>4,748,789</u>

The Northern region consists of the states of Perlis, Kedah, Penang, Perak, Pahang, Kelantan and Terengganu.

The Southern region consists of the states of Johor, Malacca and Negri Sembilan.

The Central region consists of the states of Selangor and the Federal Territory of Kuala Lumpur.

The Eastern region consists of the states of Sabah, Sarawak and the Federal Territory of Labuan.

Concentration by location for financing and advances is based on the location of the customer.

### 14 Impaired Financing

#### (i) Movements in impaired financing and advances

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
At beginning of period/year	70,810	55,453
Classified as impaired during the period/year	69,961	96,333
Reclassified as performing	(397)	(1,456)
Amount recovered	(10,799)	(18,785)
Amount written off	(39,775)	(66,250)
Other movements	4,423	5,515
At end of period/year	<u>94,223</u>	<u>70,810</u>
Less: Individual allowances for impairment	<u>(52,423)</u>	<u>(41,858)</u>
Net impaired financing and advances	<u>41,800</u>	<u>28,952</u>

#### (ii) Movements in allowance for impaired financing

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
<b>Collective allowance for impairment</b>		
At beginning of period/year	70,655	52,597
Made during the period/year	13,438	18,988
Amount written back	(857)	(930)
At end of period/year	<u>83,236</u>	<u>70,655</u>

#### **Individual allowance for impairment**

At beginning of period/year	41,858	35,383
- effect of adopting FRS 139	-	(43)
At beginning of period/year, restated	<u>41,858</u>	<u>35,340</u>
Made during the period/year	41,854	68,769
Amount recovered	(1,274)	(5,668)
Amount written off	(34,884)	(61,545)
Other movement	4,869	4,962
At end of period/year	<u>52,423</u>	<u>41,858</u>

#### 14 Impaired Financing (Cont'd)

##### (iii) By contract

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
Bai Bithaman Ajil ( <i>deferred payment sale</i> )	1,994	2,149
Ijarah Thumma Al-Bai (AITAB) ( <i>hire purchase</i> )	4,173	2,545
Murabahah ( <i>cost-plus</i> )	4,493	4,521
Musharakah ( <i>profit and loss sharing</i> )	6,224	1,859
Bai Al-Inah ( <i>sell and buy back</i> )	67,363	51,608
Ujrah ( <i>fee-based</i> )	9,976	8,128
	<u>94,223</u>	<u>70,810</u>

##### (iv) By sector

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
Manufacturing	4,551	2,929
Wholesale & retail trade, restaurants & hotels	5,206	5,246
Transport, storage and communication	-	80
Finance, insurance and business services	664	685
Household - Retail	83,802	61,870
	<u>94,223</u>	<u>70,810</u>

##### (v) By purpose

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
Purchase of landed property:		
Residential	6,521	2,218
Non-residential	111	111
Consumption credit	77,280	59,652
Working Capital	10,311	8,829
	<u>94,223</u>	<u>70,810</u>

##### (vi) By geographical distribution

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
Northern Region	26,738	19,219
Southern Region	17,201	12,865
Central Region	43,185	31,681
Eastern Region	7,099	7,045
	<u>94,223</u>	<u>70,810</u>

#### 15 Other Assets

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
Derivative financial assets (Note 28)	26,809	11,155
Income receivable	4,037	4,128
Amount due from holding company	172,669	30,604
Other receivables, deposits and prepayments	7,713	13,148
	<u>211,228</u>	<u>59,035</u>

## 16 Deposits From Customers

### (i) By type of deposit

	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
Non-Mudharabah Fund		
Demand deposits	<b>413,705</b>	513,731
Savings deposits	<b>706,831</b>	655,350
Fixed return investment deposits	<b>1,382,109</b>	705,179
	<b>2,502,645</b>	1,874,260
Mudharabah Fund		
General investment deposits	<b>1,622,544</b>	1,778,568
Others	<b>192,479</b>	129,708
	<b>4,317,668</b>	3,782,536

The maturity structure of general investment deposits and fixed return investment deposits is as follows:

	<b>RM'000</b>	RM'000
Due within six months	<b>2,696,086</b>	2,165,113
More than six months to one year	<b>285,148</b>	295,281
More than one year to three years	<b>22,405</b>	18,736
More than three years to five years	<b>1,014</b>	4,617
	<b>3,004,653</b>	2,483,747

### (ii) By type of customer

	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
Government and statutory bodies	<b>142,806</b>	134,519
Business enterprises	<b>1,463,146</b>	1,571,992
Individuals	<b>2,290,671</b>	1,699,995
Others	<b>421,045</b>	376,030
	<b>4,317,668</b>	3,782,536

## 17 Deposits and Placements of Banks and Other Financial Institutions

	<b>30 Jun 2011</b>	31 Dec 2010
	<b>RM'000</b>	RM'000
Mudharabah Fund		
Licensed banks	<b>1,862,448</b>	1,493,087
Bank Negara Malaysia	<b>43,019</b>	-
Other financial institutions	<b>755,379</b>	591,512
	<b>2,660,846</b>	2,084,599

## 18 Other Liabilities

	30 Jun 2011	31 Dec 2010
	RM'000	RM'000
Derivative financial liabilities	12,491	11,155
Profit payable	16,430	15,182
Amounts due to holding company/ related companies	10,431	22,626
Profit equalisation reserve	6,700	6,700
Other creditors and accruals	97,066	36,007
	<b>143,118</b>	<b>91,670</b>

## 19 Provision for taxation and zakat

	30 Jun 2011	31 Dec 2010
	RM'000	RM'000
Taxation	9,578	4,348
Zakat	100	100
	<b>9,678</b>	<b>4,448</b>

## 20 Income Derived from Investment of Depositors' Funds and Others

	Second Quarter Ended		Year-To-Date ended	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) general investment deposits	74,009	54,299	139,935	102,848
(ii) specific investment deposits	15,946	(2,198)	26,584	6,119
(iii) other deposits	17,522	13,277	34,637	24,464
	<b>107,477</b>	<b>65,378</b>	<b>201,156</b>	<b>133,431</b>

### (i) Income derived from investment of general investment deposits

#### Finance income and hibah:

#### Financing and advances

#### - Profit earned other than recoveries from

impaired financing	65,277	48,847	123,174	93,368
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- Recoveries from impaired financing	1,564	923	2,791	1,785
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#### Money at call and deposit with financial

institutions	7,168	4,529	13,970	7,695
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	<b>74,009</b>	<b>54,299</b>	<b>139,935</b>	<b>102,848</b>
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### (ii) Income derived from investment of specific investment deposits

#### Finance income and hibah:

#### Financing and advances

#### - Profit earned other than recoveries from

impaired financing	4,438	2,600	9,138	3,751
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Financial investments available-for-sale	2,591	2,501	5,154	5,076
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Accretion of discount less amortisation of premium	(4)	(60)	(55)	264
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	<b>7,025</b>	<b>5,041</b>	<b>14,237</b>	<b>9,091</b>
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**20 Income Derived from Investment of Depositors' Funds and Others (Cont'd)**

	Second Quarter Ended		Year-To-Date ended	
	30 Jun 2011 RM'000	30 Jun 2010 RM'000	30 Jun 2011 RM'000	30 Jun 2010 RM'000
(ii) Income derived from investment of specific investment deposits (Cont'd)				
<u>Other operating income</u>				
Fees and commission	181	(1,142)	387	1,512
Net gains from dealing in foreign currency	1,878	865	3,119	1,799
Net gains/(losses) from sale of financial assets				
held-for-trading and other financial instruments	1,593	(7,600)	2,380	(7,576)
Net gain from trading in derivatives	4,151	-	4,510	-
Net unrealised (loss)/gains from revaluation of				
financial assets held-for-trading	(12)	142	(165)	177
Net profit earned from financial assets				
held-for-trading	1,130	496	2,116	1,116
	<u>8,921</u>	<u>(7,239)</u>	<u>12,347</u>	<u>(2,972)</u>
	<u>15,946</u>	<u>(2,198)</u>	<u>26,584</u>	<u>6,119</u>

The above fees and commissions were derived from the following major contributors:

Service charges and fees	<u>181</u>	<u>764</u>	<u>387</u>	<u>764</u>
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(iii) Income derived from investment of other deposits

Finance income and hibah:

Financing and advances

- Profit earned other than recoveries

    from impaired financing
 15,457 | 11,951 | 30,488 | 22,209 |

- Recoveries from impaired financing
 373 | 226 | 691 | 425 |

Money at call and deposit with financial institutions
 1,692 | 1,100 | 3,458 | 1,830 |

 17,522 | 13,277 | 34,637 | 24,464 |

**21 Income Derived from Investment of Shareholder's Funds**

	Second Quarter Ended		Year-To-Date ended	
	30 Jun 2011 RM'000	30 Jun 2010 RM'000	30 Jun 2011 RM'000	30 Jun 2010 RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from				
impaired financing	10,281	10,266	21,143	20,969
- Recoveries from impaired financing	249	194	479	401
Money at call and deposit with financial				
institutions	1,122	967	2,398	1,728
	<u>11,652</u>	<u>11,427</u>	<u>24,020</u>	<u>23,098</u>

## 21 Income Derived from Investment of Shareholder's Funds (Cont'd)

	Second Quarter Ended		Year-To-Date ended	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
	RM'000	RM'000	RM'000	RM'000
<u>Other operating income</u>				
Fees and commission	10,377	9,702	20,781	16,943
Shared-service fees from holding company	530	1,049	1,038	1,786
Net gain on disposal of equipment	2	-	2	-
Other income	47	37	104	88
	<u>10,956</u>	<u>10,788</u>	<u>21,925</u>	<u>18,817</u>
	<u>22,608</u>	<u>22,215</u>	<u>45,945</u>	<u>41,915</u>

The above fees and commissions were derived from the following major contributors:

Service charges and fees	3,489	5,131	7,742	7,785
Cards	3,260	3,041	6,593	6,010
Agency fees	1,885	1,067	3,621	2,156

## 22 Impairment Losses on Financing

	Second Quarter Ended		Year-To-Date ended	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
	RM'000	RM'000	RM'000	RM'000
Impairment charges on financing:				
(a) Individual impairment				
- Provided	21,895	22,535	41,854	37,911
- Written back	(829)	(395)	(1,274)	(2,455)
(b) Collective impairment				
- Provided	9,044	4,942	13,438	4,942
- Written back	(857)	-	(857)	-
Impaired financing				
- Recovered	(5,254)	(3,662)	(10,098)	(6,611)
- Written off	2,740	793	4,891	1,621
	<u>26,739</u>	<u>24,213</u>	<u>47,954</u>	<u>35,408</u>

## 23 Income Attributable to Depositors

	Second Quarter Ended		Year-To-Date ended	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Mudharabah Fund	11,772	11,508	23,916	20,644
- Non-Mudharabah Fund	12,075	1,167	20,485	2,025
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	12,613	8,199	22,821	15,477
Others	988	66	1,581	130
	<b>37,448</b>	<b>20,940</b>	<b>68,803</b>	<b>38,276</b>

## 24 Personnel Expenses

	Second Quarter Ended		Year-To-Date ended	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	4,062	5,376	10,812	10,065
Employees Provident Fund contributions	693	916	1,712	1,658
Other staff related costs	567	747	827	956
	<b>5,322</b>	<b>7,039</b>	<b>13,351</b>	<b>12,679</b>

## 25 Other Overheads and Expenditures

	Second Quarter Ended		Year-To-Date ended	
	30 Jun 2011	30 Jun 2010	30 Jun 2011	30 Jun 2010
	RM'000	RM'000	RM'000	RM'000
Promotion and marketing related expenses				
Advertising and promotion	1,886	3,307	2,145	5,522
Establishment related expenses				
Depreciation of equipment	1,323	836	2,633	1,500
Amortisation of intangible assets	140	188	279	377
Information technology costs	83	101	234	174
Hire of Equipment	20	68	32	157
Rental of premises	1,275	898	2,501	1,998
Net loss on disposal of equipment	-	1	-	1
Others	293	550	207	981
	<b>3,134</b>	<b>2,642</b>	<b>5,886</b>	<b>5,188</b>
General administrative expenses				
Shared-service fees to immediate holding company	27,158	25,034	49,636	47,853
Auditors' fees				
- Statutory audit	25	20	50	40
- Non-audit services	47	8	60	83
Professional fees	43	103	523	199
Others	4,645	5,311	6,292	9,442
	<b>31,918</b>	<b>30,476</b>	<b>56,561</b>	<b>57,617</b>
	<b>36,938</b>	<b>36,425</b>	<b>64,592</b>	<b>68,327</b>

## 26 Credit exposure to connected parties

The credit exposures of the Bank to connected parties, as defined by Bank Negara Malaysia's Guidelines on Credit Transactions and Exposures with Connected Parties' are as follows:

	30 Jun 2011	31 Dec 2010
Aggregate value of outstanding credit exposures to connected parties (RM'000)	256,389	4,574
As a percentage of total credit exposures	<u>3.94%</u>	<u>0.09%</u>
Aggregate value of outstanding credit exposures to connected parties which is impaired or in default (RM'000)	-	-
As a percentage of total credit exposures	<u>-</u>	<u>-</u>

## 27 Capital Adequacy

	30 Jun 2011 RM'000	31 Dec 2010 RM'000
<b>Tier 1 capital</b>		
Paid-up ordinary share capital	50,000	50,000
Share premium	610,000	610,000
Retained profits	117,043	74,652
Statutory reserve	<u>50,000</u>	<u>50,000</u>
	<b>827,043</b>	784,652
Deferred tax adjustments	<u>(5,267)</u>	<u>(2,047)</u>
Total Tier 1 capital	<u><b>821,776</b></u>	<u>782,605</u>
<b>Tier 2 capital</b>		
Collective impairment allowance	<u>83,236</u>	69,592
Total Tier 2 capital	<u><b>83,236</b></u>	<u>69,592</u>
<b>Capital base</b>	<u><b>905,012</b></u>	<u>852,197</u>
<b>Core capital ratio</b>	<b>13.7%</b>	16.1%
<b>Risk-weighted capital ratio</b>	<b>15.0%</b>	17.5%

*The capital ratios have been computed in accordance with the Capital Adequacy Framework for Islamic Banks (CAFIB).*

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

	30 Jun 2011		31 Dec 2010	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	8,773,381	5,457,624	6,991,418	4,443,562
Total RWA for market risk	-	51,668	-	29,276
Total RWA for operational risk	-	505,464	-	394,028
	<u><b>8,773,381</b></u>	<u><b>6,014,756</b></u>	<u>6,991,418</u>	<u>4,866,866</u>

27 Capital adequacy (Cont'd)

30 Jun 2011						
Exposure Class	Gross Exposures	Net Exposures	Risk Weighted Assets (RWA)	RWA Absorbed by PSIA	Total RWA after PSIA	Capital Requirement
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
<b>Credit Risk</b>						
<i>On-Balance Sheet Exposures</i>						
Sovereigns/Central Banks	1,978,386	1,978,386	-	-	-	-
Banks, Development Financial Institutions & MDBs	485,618	485,618	109,218	-	109,218	8,737
Corporates	2,681,537	2,625,840	2,623,539	-	2,623,539	209,883
Regulatory Retail	1,922,531	1,896,892	1,423,187	-	1,423,187	113,855
Residential Mortgages	714,092	713,905	362,866	-	362,866	29,029
Other Assets	130,377	130,377	86,020	-	86,020	6,882
Defaulted Exposures	46,080	45,480	60,249	-	60,249	4,820
<b>Total for On-Balance Sheet</b>	<b>7,958,621</b>	<b>7,876,498</b>	<b>4,665,079</b>	<b>-</b>	<b>4,665,079</b>	<b>373,206</b>
<i>Off-Balance Sheet Exposures</i>						
OTC Derivatives	54,355	54,355	24,306	-	24,306	1,944
Off balance sheet exposures other than OTC derivatives or credit derivatives	850,503	842,239	767,807	-	767,807	61,425
Defaulted Exposures	289	289	432	-	432	35
<b>Total for Off-Balance Sheet Exposures</b>	<b>905,147</b>	<b>896,883</b>	<b>792,545</b>	<b>-</b>	<b>792,545</b>	<b>63,404</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>8,863,768</b>	<b>8,773,381</b>	<b>5,457,624</b>	<b>-</b>	<b>5,457,624</b>	<b>436,610</b>
<b>Large Exposures Risk Requirement</b>						
	-	-	-	-	-	-
<b>Market Risk</b>						
	<u>Long position</u>	<u>Short position</u>				
Profit Rate Risk	865,449	714,577	150,872	32,179	32,179	2,574
Foreign Currency Risk	1,153	19,485	1,153	19,489	19,489	1,559
<b>Total market risk</b>	<b>866,602</b>	<b>734,062</b>	<b>152,025</b>	<b>51,668</b>	<b>51,668</b>	<b>4,133</b>
<b>Operational Risk</b>	-	-	-	505,464	505,464	40,437
<b>Total RWA and Capital Requirement</b>	-	-	-	6,014,756	6,014,756	481,180

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market large exposure risk and operational risk of the Bank as at reporting date. This requirement came into effect since 2008 with the adoption of the Basel II Standardised Approach under the Risk Weighted Capital Adequacy Framework "RWCAF"

Note:

PSIA - Profit Sharing Investment Account  
MDBs - Multilateral Development Banks  
OTC - Over the counter

27 Capital adequacy (continued)

31 Dec 2010

Exposure Class	Gross Exposures (RM'000)	Net Exposures (RM'000)	Risk Weighted Assets (RWA) (RM'000)	RWA Absorbed by PSIA (RM'000)	Total RWA after PSIA (RM'000)	Capital Requirement (RM'000)
<b>Credit Risk</b>						
<i>On-Balance Sheet Exposures</i>						
Sovereigns/Central Banks	1,786,547	1,786,547	-	-	-	-
Banks, Development Financial Institutions & MDBs	77,914	77,914	15,583	-	15,583	1,247
Corporates	2,426,978	2,371,878	2,360,797	-	2,360,797	188,864
Regulatory Retail	1,708,832	1,691,727	1,267,743	-	1,267,743	101,419
Residential Mortgages	499,816	499,692	266,512	-	266,512	21,321
Other Assets	90,315	90,315	90,315	-	90,315	7,225
Defaulted Exposures	56,866	56,147	79,782	-	79,782	6,383
<b>Total for On-Balance Sheet</b>	<b>6,647,268</b>	<b>6,574,220</b>	<b>4,080,732</b>	<b>-</b>	<b>4,080,732</b>	<b>326,459</b>
<i>Off-Balance Sheet Exposures</i>						
OTC Derivatives	20,467	20,467	4,093	-	4,093	327
Off balance sheet exposures other than OTC derivatives or credit derivatives	408,389	396,462	358,337	-	358,337	28,667
Defaulted Exposures	269	269	400	-	400	32
<b>Total for Off-Balance Sheet Exposures</b>	<b>429,125</b>	<b>417,198</b>	<b>362,830</b>	<b>-</b>	<b>362,830</b>	<b>29,026</b>
<b>Total On and Off-Balance Sheet Exposures</b>	<b>7,076,393</b>	<b>6,991,418</b>	<b>4,443,562</b>	<b>-</b>	<b>4,443,562</b>	<b>355,485</b>
<b>Large Exposures Risk Requirement</b>	-	-	-	-	-	-
<b>Market Risk</b>	<u>Long position</u>	<u>Short position</u>				
Profit Rate Risk	174,661	25,074	149,586	26,583	26,583	2,127
Foreign Currency Risk	2,693	2,300	2,693	2,693	2,693	215
<b>Total market risk</b>	<b>177,354</b>	<b>27,374</b>	<b>152,279</b>	<b>29,276</b>	<b>29,276</b>	<b>2,342</b>
<b>Operational Risk</b>	-	-	-	394,028	394,028	31,522
<b>Total RWA and Capital Requirement</b>	-	-	-	4,866,866	4,866,866	389,349

The table above discloses the gross and net exposures, risk weighted assets and capital requirements for credit risk, market large exposure risk and operational risk of the Bank as at reporting date. This requirement came into effect since 2008 with the adoption of the Basel II Standardised Approach under the Risk Weighted Capital Adequacy Framework "RWCAF"

Note:

PSIA - Profit Sharing Investment Account

MDBs - Multilateral Development Banks

OTC - Over the counter

## 27 Capital adequacy (Cont'd)

30 Jun 2011

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 Banks	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	1,978,386	-	1,500	552	-	44,356	2,024,794	-
20%	-	470,975	1,288	711	-	-	472,974	94,595
35%	-	-	-	-	300,414	-	300,414	105,145
50%	-	59,338	63,405	495	209,588	-	332,826	166,413
75%	-	-	-	2,060,157	204,085	-	2,264,242	1,698,182
100%	-	-	3,241,880	13,389	6,524	86,020	3,347,813	3,347,813
150%	-	-	-	30,318	-	-	30,318	45,476
Total Risk Weight	-	-	-	-	-	-	8,773,381	5,457,624
Average Risk Weight	-	-	-	-	-	-	487,410	303,201
Deduction from Capital Base	-	-	-	-	-	-	-	-

31 Dec 2010

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 Banks	Banks, MDBs and DFIs	Corporates	Regulatory Retail	Residential Mortgages	Other Assets		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
0%	1,786,547	-	-	1,402	-	-	1,787,949	-
20%	-	98,381	78	-	-	-	98,459	19,692
35%	-	-	-	-	145,148	-	145,148	50,802
50%	-	-	22,061	188	200,793	-	223,042	111,521
75%	-	-	-	1,808,757	187,770	-	1,996,527	1,497,395
100%	-	-	2,593,749	6,284	2,226	90,315	2,692,574	2,692,574
150%	-	-	25,782	21,937	-	-	47,719	71,578
Total Risk Weight	-	-	-	-	-	-	6,991,418	4,443,562
Average Risk Weight	-	-	-	-	-	-	388,412	246,865
Deduction from Capital Base	-	-	-	-	-	-	-	-

The above are disclosures on credit risk by risk weights of the Bank as at reporting date. This disclosure requirement came into effect since 2008 with the adoption of Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF".

Note:

MDBs - Multilateral Development Banks

DFIs - Development Financial Institutions

## 28 Commitments and Contingencies

The table below shows the contract or underlying principal amounts, positive fair value of derivative contract, credit equivalent amounts and risk weighted amounts of unmaturred off-balance sheet transactions as at balance sheet date. The underlying principal amounts indicate the volume of business outstanding and do not represent amounts at risk.

	Principal amount RM'000	Positive fair value of derivative contracts ^ RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
<b>30 Jun 2011</b>				
Direct credit substitutes	241,575	-	241,575	240,245
Transaction-related contingent items	214,811	-	107,405	74,607
Short-term self-liquidating trade-related contingencies	31,136	-	6,227	4,022
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	831,134	-	166,227	156,702
- Maturity exceeding one year	15,229	-	3,046	2,990
Unutilised credit card lines	732,799	-	146,560	109,920
Sell and buy back agreement	179,752	-	179,752	179,752
Equity related contracts				
- Less than one year	11,736	4,255	4,932	986
- One year to less than five years	169,719	7,151	20,740	4,148
Profit rate related contracts				
- One year to less than five years	601,130	15,403	27,477	18,569
Foreign exchange related contracts				
- One year to less than five years	24,120	-	1,206	603
	<b>3,053,141</b>	<b>26,809</b>	<b>905,147</b>	<b>792,544</b>

Note 15

^ The foreign exchange related contracts, profit rate related contracts, equity related contracts and commodity 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, profit rates and security price) of the underlying instruments. The table above shows the Bank's derivative financial instruments as at the balance sheet date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at balance sheet date are shown above.

\* The credit equivalent and risk weighted amounts are computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines. The credit conversion factors and risk weighting rules were based on Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework, "RWCAF" including a refined temporary (until 31 December 2011) measure relating to credit conversion factor for undrawn facilities.

**28 Commitments and Contingencies (Cont'd)**

	Principal amount	Positive fair value of derivative contracts ^	Credit equivalent amount *	Risk weighted amount *
<b>31 Dec 2010</b>	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	90,224	-	90,224	80,828
Transaction-related contingent items	22,347	-	11,174	9,800
Short-term self-liquidating trade-related contingencies	14,427	-	2,885	1,406
Irrevocable commitments to extend credit:				
- Maturity not exceeding one year	766,956	-	-	-
- Maturity exceeding one year	81,217	-	40,609	31,995
Unutilised credit card lines	581,158	-	116,232	87,174
Sell and buy back agreement	147,534	-	147,534	147,534
Equity related contracts				
- Less than one year	13,177	4,642	5,439	1,087
- One year to less than five years	106,108	6,513	15,028	3,006
	<u>1,823,148</u>	<u>11,155</u>	<u>429,125</u>	<u>362,830</u>

Note 15

^ The foreign exchange related contracts, profit rate related contracts, equity related contracts and commodity 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, profit rates and security price) of the underlying instruments. The table above shows the Bank's derivative financial instruments as at the balance sheet date. The underlying principal amount of these derivative financial instruments and their corresponding gross positive (derivative financial asset) fair values as at balance sheet date are shown above.

\* The credit equivalent and risk weighted amounts were computed using credit conversion factors and risk weighting rules as per Bank Negara Malaysia guidelines (including a refined temporary (until 31 December 2010) measure related to credit conversion factor for undrawn facilities) and based on the Basel 2 Standardised Approach under the Risk Weighted Capital Adequacy Framework.

## 29 Comparative Figures

### Restatement of Comparative Figures

The presentation and classification of items in the current financial statements have been consistent with the previous financial year except for the following:

- (i) Reclassification/restatement to conform to current year's presentation due to a change in the internal classification of states making up the geographical regions.

### Statement of Financial Position as at 31 December 2010

	As restated RM'000	As previously stated RM'000
<b>(a) <u>Financing and Advances</u></b>		
<b>By geographical distribution</b>		
Northern Region	954,542	794,176
Southern Region	516,849	642,158
Central Region	2,861,233	2,896,290
Eastern Region	416,165	416,165
	<u>4,748,789</u>	<u>4,748,789</u>
<b>(b) <u>Impaired Financing</u></b>		
<b>By geographical distribution</b>		
Northern Region	19,219	16,443
Southern Region	12,865	14,399
Central Region	31,681	32,923
Eastern Region	7,045	7,045
	<u>70,810</u>	<u>70,810</u>

### Statement of Financial Position as at 1 January 2010

	As restated RM'000	As previously stated RM'000
<b>(a) <u>Financing and Advances</u></b>		
<b>By geographical distribution</b>		
Northern Region	418,968	321,943
Southern Region	329,577	402,186
Central Region	2,136,275	2,160,691
Eastern Region	368,133	368,133
	<u>3,252,953</u>	<u>3,252,953</u>
<b>(b) <u>Impaired Financing</u></b>		
<b>By geographical distribution</b>		
Northern Region	13,176	10,975
Southern Region	7,335	8,534
Central Region	26,646	27,648
Eastern Region	8,296	8,296
	<u>55,453</u>	<u>55,453</u>

## 29 Comparative Figures (Cont'd)

### Restatement of Comparative Figures

- (ii) Reclassification to conform to current year's presentation upon adoption of Amendment to FRS 2, Share Based Payment.

### Statement of Financial Position as at 31 December 2010

	As restated	As previously stated
	RM'000	RM'000
(a) <u>Other Liabilities</u>		
Derivative financial liabilities	11,155	11,155
Profit payable	15,182	15,182
Amounts due to holding company/ related companies *	22,626	22,961
Profit equalisation reserve	6,700	6,700
Other creditors and accruals	36,007	36,007
	<u>91,670</u>	<u>92,005</u>
(b) Reserves [see unaudited condensed statement of changes in equity]		
Share option reserves	<u>335</u>	<u>-</u>

\* Reclassification of capital contribution on share options of RM335k to capital contribution reserves

### Statement of Financial Position as at 1 January 2010

	As restated	As previously stated
	RM'000	RM'000
(a) <u>Other Liabilities</u>		
Derivative financial liabilities	10,237	10,237
Profit payable	8,043	8,043
Amounts due to holding company/ related companies *	6,142	6,285
Profit equalisation reserve	6,700	6,700
Other creditors and accruals	30,364	30,364
	<u>61,486</u>	<u>61,629</u>
(b) Reserves [see unaudited condensed statement of changes in equity]		
Share option reserves	<u>143</u>	<u>-</u>

\* Reclassification of capital contribution on share options of RM143k to capital contribution reserves

### **30 Performance Review**

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The Bank recorded a profit before income tax expense of RM52.4 million for the half year ended 30 June 2011, an increase of RM31.7m or >100% against history. Total income derived from the investment of depositors and shareholders funds increased by RM71.8 million or 40.9%, offset by higher income attributable to depositors (RM30.5 million or 79.8%) and impairment losses on financing (RM12.5 million or 35.4%).

The growth in financing and advances (RM1.7 billion or 44.7% from June 2010) and customer deposits (RM1.5 billion or 51.6% from June 2010), coupled with a 75 basis point increase in the Overnight Policy Rate contributed to higher income from investment of depositors and shareholders fund and income attributable to depositors respectively. Impairment losses on financing increased in tandem with the growth in financing and advances.

Balance sheet size increased by RM1.2 billion or 17.9% against 31 December 2010, mainly on higher financing and advances and deposits. The introduction of new and improved products and services coupled with an expanded branch network contributed to this growth.

### **31 Business Prospect**

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The Malaysian economy is expected to expand 5%-6% this year, sustained mainly by public sector expenditure and domestic private consumption. Capital expenditure of Government-linked companies (GLCs), as well as private investment growth is forecasted to grow with the execution of projects outlined in the Economic Transformation Programme and Tenth Malaysia Plan (10MP).

The projected growth is slower compared to the 7.2 % GDP in 2010 due to the moderation in external demand from the larger emerging markets over concerns on rising inflation, the Euro zone debt crisis and geopolitical tensions in the Middle East and North Africa.

This year, growth in the local financial and insurance sector is expected to remain robust from lending and financing activities on government infrastructure development projects and resilient consumer spending. Fund raising activities by companies is expected to pick up as some key projects under the 10MP have commenced during the year and funding for such projects may need to be sourced from the market, either via business loans/financing or fund raising in the capital market.

In 2011, focus on corporate banking will be to fully participate in the funding activities of the various projects under the Economic Transformation Programme and 10MP. In the retail sector, emphasis will be on growing the Premier proposition for both the conventional and Islamic banks, with wealth management services being a key area of attention. The Bank intends to increase its current share of high quality assets via the relationship-based approach, and build on cross referrals and cross selling of various banking products to the Bank's existing customers by leveraging on the HSBC brand name, global reach and connectivity.

The Bank's branch network will increase to 9 with the opening of its ninth branch in Gunung Rapat, Perak on 11 July 2011, whilst the number of offsite ATMs has increased to 13. The Bank will continue to expand its geographical reach and market share over the next few years.

Barring unforeseen circumstances, the Bank expects to register a satisfactory performance for the current financial year.