



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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 2012

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

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

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 30 September 2012 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), Guidelines on Financial Reporting for Licenced Islamic Banks and Circular on the Application of FRS and Revised Financial Reporting for Islamic Banks issued by Bank Negara Malaysia in 2012.

SAW SAY PIN
Chief Financial Officer

Date : 22 October 2012

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

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2012

	<i>Note</i>	30 Sep 2012 RM'000	31 Dec 2011 RM'000 Restated	1 Jan 2011 RM'000 Restated
Assets				
Cash and short-term funds	10	2,140,582	1,536,792	1,508,998
Financial Assets Held-for-Trading	11	261,180	216,716	148,006
Financial Investments Available-for-Sale	12	931,043	422,086	330,665
Financing and advances	13	9,072,649	7,774,866	4,810,143
Other assets	15	308,159	204,466	56,586
Statutory deposits with Bank Negara Malaysia		348,062	228,562	34,729
Equipment		21,890	18,926	16,425
Intangible assets		116	461	1,499
Deferred tax assets		37,784	29,623	32,383
Total Assets		13,121,465	10,432,498	6,939,434
Liabilities				
Deposits from customers	16	8,745,216	5,662,496	3,930,560
Deposits and placements from banks and other financial institutions	17	2,633,583	3,740,525	2,084,599
Bills and acceptances payable		12,925	7,600	5,531
Other liabilities	18	678,934	99,296	88,790
Provision for taxation		48,307	31,248	26,061
Total Liabilities		12,118,965	9,541,165	6,135,541
Shareholder's Equity				
Share capital		50,000	50,000	50,000
Reserves		952,500	841,333	753,893
Total Shareholder's Equity		1,002,500	891,333	803,893
Total Liabilities and Shareholder's Equity		13,121,465	10,432,498	6,939,434
Commitments and Contingencies	26	7,351,344	5,343,157	1,675,614

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 the accompanying explanatory notes on pages 5 to 31 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 22 October 2012.

HSBC AMANAH MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012**

	<i>Note</i>	Third Quarter Ended		Year-To-Date Ended	
		30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Income derived from investment of depositors' funds and others	19	163,427	112,742	468,907	312,624
Income derived from investment of shareholder's funds	20	38,372	25,132	97,427	71,093
Impairment losses on financing	21	(32,644)	(31,844)	(94,109)	(76,072)
Total distributable income		169,155	106,030	472,225	307,645
Income attributable to depositors	22	(63,406)	(39,963)	(183,232)	(105,401)
Total net income		105,749	66,067	288,993	202,244
Personnel expenses	23	(7,715)	(6,372)	(26,839)	(19,723)
Other overheads and expenditures	24	(46,684)	(35,565)	(130,888)	(100,157)
Profit before taxation		51,350	24,130	131,266	82,364
Taxation		(7,912)	(5,684)	(25,637)	(16,828)
Profit for the period		43,438	18,446	105,629	65,536
Other comprehensive income					
Items that may be reclassified subsequently to profit or loss					
Fair value reserve					
Change in fair value		(750)	402	(265)	216
Income tax relating to components of other comprehensive income		196	(100)	75	(54)
Other comprehensive income for the period, net of tax		(554)	302	(190)	162
Total comprehensive income for the period		42,884	18,748	105,439	65,698
Profit attributable to the owner of the Bank		43,438	18,446	105,629	65,536
Total comprehensive income attributable to owner of the Bank		42,884	18,748	105,439	65,698
Basic earnings per RM0.50 ordinary share		43.4 sen	18.4 sen	105.6 sen	65.5 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 2011 and the accompanying explanatory notes on pages 5 to 31 attached to the unaudited condensed interim financial statements.

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HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	←		Non-distributable			→		Distributable	Total
	Share capital	Share premium	Statutory reserve	Available-for-sale reserve	Capital contribution reserve	Profit equalisation reserve	Retained profits		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011									
Balance as at 1 January 2011	50,000	610,000	50,000	(136)	335	-	74,652	784,851	
Effect of convergence to MFRS	-	-	-	-	-	-	19,042	19,042	
Balance as at 1 January 2011, restated	50,000	610,000	50,000	(136)	335	-	93,694	803,893	
Total comprehensive income for the period									
Net profit for the period	-	-	-	-	-	-	65,536	65,536	
Transfer to Statutory Reserve	-	-	-	-	-	-	-	-	
Other comprehensive income, net of income tax									
Fair value reserve:									
Net change in fair value	-	-	-	162	-	-	-	162	
Total other comprehensive income	-	-	-	162	-	-	-	162	
Total comprehensive income for the period	-	-	-	162	-	-	65,536	65,698	
Transactions with ultimate holding company, recorded directly in equity									
Share based payment transactions	-	-	-	-	273	-	-	273	
Balance as at 30 September 2011	50,000	610,000	50,000	26	608	-	159,230	869,864	
2012									
Balance as at 1 January 2012	50,000	610,000	50,000	148	695	-	153,216	864,059	
Effect of convergence to MFRS	-	-	-	-	-	-	27,274	27,274	
Balance as at 1 January 2012, restated	50,000	610,000	50,000	148	695	-	180,490	891,333	
Total comprehensive income for the period									
Net profit for the period	-	-	-	-	-	-	105,629	105,629	
Other comprehensive income, net of income tax									
Fair value reserve:									
Net change in fair value	-	-	-	(190)	-	-	-	(190)	
Total other comprehensive income	-	-	-	(190)	-	-	-	(190)	
Total comprehensive income for the period	-	-	-	(190)	-	-	105,629	105,439	
Transactions with ultimate holding company, recorded directly in equity									
Share based payment transactions	-	-	-	-	368	-	-	368	
Other transactions, recorded directly in equity									
Reclassification from other liabilities to equity	-	-	-	-	-	5,360*	-	5,360	
Balance as at 30 September 2012	50,000	610,000	50,000	(42)	1,063	5,360	286,119	1,002,500	

* Refer to Note 2(a)(iv)

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 the accompanying explanatory notes on pages 5 to 31 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 22 October 2012.

HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2012

	30 Sep 2012	30 Sep 2011
	RM'000	RM'000
		Restated
Profit before taxation	131,266	82,364
Adjustments for non-operating and non-cash items	12,032	4,651
Operating profit before working capital changes	143,298	87,015
Changes in working capital:		
Net changes in operating assets	(1,565,440)	(2,113,027)
Net changes in operating liabilities	2,060,741	2,034,840
Taxation paid	(17,333)	(10,666)
Net cash generated from operating activities	621,266	(1,838)
Net cash used in financing activities	(17,476)	8,431
Net changes in cash and cash equivalents	603,790	6,593
Cash and cash equivalents at beginning of the period	1,536,792	1,508,998
Cash and cash equivalents at end of the period	2,140,582	1,515,591
Analysis of cash and cash equivalents		
Cash and short-term funds	2,140,582	1,515,591

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 the accompanying explanatory notes on pages 5 to 31 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 22 October 2012.

HSBC AMANAH MALAYSIA BERHAD
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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AT 30 SEPTEMBER 2012

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 financial period ended 30 September 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”), as modified by Bank Negara Malaysia’s (“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 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 2011.

The audited financial statements of the Bank as at and 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 Malaysian Financial Reporting Standards (“MFRS”) framework issued by the Malaysian Accounting Standards Board (“MASB”) with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the 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, there are some differences in relation to the transitional provisions and effective dates contained in certain FRSs. The financial effects of convergence to the MFRS framework and any consequential changes in accounting policies as a result of the convergence are discussed in Note 2 a) Changes in Accounting Policies.

This is the Bank’s first nine months financial statements covered by the MFRS framework and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The MFRS did not result in any material financial impact to the Bank other than the financial impact arising from the change in accounting policy on i) the impairment of collectively assessed financing and advances, ii) the fair valuation of structured deposits and iii) recognition of securities pledged on Islamic repurchase agreements, as the accounting policies previously adopted under FRS framework were already in line with the requirements of the MFRS framework. The above changes in accounting policy are described in Note 2(a), together with other accounting treatment changes resulting from new/revised Bank Negara Malaysia’s (“BNM”) guidelines. A detailed explanation of how the transition to MFRSs has affected the reported financial position, financial performance and cash flows of the Bank is provided in Note 27.

The Bank has early adopted the amendments to MFRS 101, Presentation of Items of Other Comprehensive Income (Amendments to MFRS 101) which is originally effective for annual periods beginning on or after 1 July 2012. The early adoption of this amendment to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

The following MFRS, IC Interpretation and Amendments to MFRSs have been adopted by the Bank during the current period:

- IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to MFRS 1)
- Disclosures - Transfers of Financial Assets (Amendments to MFRS 7)
- Deferred tax: Recovery of Underlying Assets (Amendments to MFRS 112)

The adoption of the IC Interpretation and Amendments to MFRSs above did not have any financial impact on the Bank as they mainly help to clarify the requirements of or provide further explanations to existing MFRSs.

2 Basis of Preparation (Cont'd)

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:

Effective for annual periods commencing on or after 1 January 2013

- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle: Repeated Application of MFRS 1 and Borrowing Cost)
- MFRS 3, Business Combinations (IFRS 3 issued by IASB in March 2004)
- Amendments to MFRS 7, Disclosures-Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 10, MFRS 11 and MFRS 12, Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
- MFRS 13, Fair Value Measurement
- Amendments to MFRS 101, Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle: Clarification of the Requirements for Comparative Information)
- Amendments to MFRS 116, property, Plant and Equipment (Annual Improvements 2009-2011 Cycle: Classification of Servicing Equipment)
- MFRS 119, Employee Benefits (IAS 19 as amended by IASB in June 2011)
- MFRS 127, Consolidated and Separate Financial Statements (IAS 27 as amended by IASB in December 2003)
- MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- Amendments to MFRS 132, Financial instruments: Presentation (Annual Improvements 2009-2011 Cycle: Tax effect of distribution to holders of equity instruments)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle: Interim Financial Reporting and Segment Information for Total Assets and Liabilities)
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine

Effective for annual periods commencing on or after 1 January 2014

- Amendments to MFRS 132, Financial Instruments: Presentation (Offsetting Financial Assets and Financial Liabilities)

Effective for annual periods commencing on or after 1 January 2015

- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- MFRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)

The Bank plans to apply the abovementioned accounting standards, amendments and interpretations from the annual period beginning 1 January 2013, except for Amendments to MFRS 132 (Offsetting Financial Assets and Financial Liabilities) and MFRS 9 (2009 & 2010) that would apply for the annual period beginning on or after 1 January 2014 and 1 January 2015 respectively.

The initial application of a standard that will be applied prospectively or which requires extended disclosures is not expected to have any financial impact to the current and prior period's financial statements upon their first adoption.

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. The initial application of the other standards and amendments are not expected to have any material financial impact on the financial statements of the Bank.

2 Basis of Preparation (Cont'd)

Change in accounting policy and BNM requirements

(i) Impairment of collectively assessed financing and advances

Prior to the transition to MFRS 139, the Bank had maintained collective impairment provision at 1.5% of total outstanding financing and advances, 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 adoption of MFRS 139 on 1 January 2012, these transitional provisions were removed and the Bank has applied the requirements of MFRS 139 in the determination of collective impairment provision, of which the revised accounting policy is described below.

This change in accounting policy has been accounted for retrospectively and has resulted in a decrease in the collective allowance for impairment charged in the income statement and a write-back of collective allowance to the opening retained profits and opening collective impairment allowance in the statement of financial position. A summary of the financial impact of the change in accounting policy on the financial statements of the Bank is reflected in Note 27.

Impairment is assessed on a collective basis in two circumstances:

- to cover losses which have been incurred but not yet been identified on financing subject to individual assessment; and
- for homogeneous groups of financing that are not considered individually significant.

Losses incurred but not yet identified on individually significant financing and advances

Individually assessed financing for which no evidence of impairment has been specifically identified on an individual basis are grouped together according to their credit risk characteristics for the purpose of calculating an estimated collective impairment. These credit risk characteristics may include type of products offered, industry sector, or other relevant factors. As soon as information becomes available which identifies losses on individual financing within the group, those financing are removed from the group and assessed on an individual basis for impairment.

The collective impairment allowance is determined after taking into account:

- historical loss experience in portfolios of similar credit risk characteristics (for example, by industry sector, financing grade or product);
- the estimated period between impairment occurring and the loss being identified and evidenced by the establishment of an appropriate allowance against the individual financing (the period between a loss occurring and its identification is estimated for each identified portfolio); and
- management's experienced judgment as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience.

Homogeneous groups of financing and advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of financing that are not considered individually significant, because individual financing assessment is impracticable. Losses in these groups of financing are recorded on an individual basis only when individual financing are written off, at which point they are removed from the group. Two alternative methods are used to calculate allowances on a collective basis:

When appropriate empirical information is available, roll rate methodology is applied. This methodology employs statistical analyses of historical data and experience of delinquency and default to estimate the amount of financing that will eventually be written off as a result of the events occurring before the balance sheet date which the Bank are not able to identify on an individual financing basis, and that can be reliably estimated. Under this methodology, financing are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that financing in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable. In addition to the delinquency groupings, financing are segmented according to their credit characteristics as described above. Current economic conditions are also evaluated when calculating the appropriate level of allowance required to cover inherent loss.

2 Basis of Preparation (Cont'd)

(a) Change in accounting policy and BNM requirements (Cont'd)

(i) Impairment of collectively assessed financing and advances (Cont'd)

When the portfolio size is small or when information is insufficient or not reliable enough to adopt a roll rate methodology, a basic formulaic approach based on historical loss rate experience is adopted.

In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within each portfolio, though sometimes it provides less relevant information about the inherent loss in a given portfolio at the balance sheet date, for example, when there have been changes in economic, regulatory or behavioural conditions which result in the most recent trends in portfolio risk factors being not fully reflected in the statistical models. In these circumstances, the risk factors are taken into account by adjusting the impairment allowances derived solely from historical loss experience.

Roll rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Financing (and related allowances) are normally written off, either partially or in full, when there is no realistic prospect of recovery of these amounts and, for collateralised financing, when the proceeds from the realisation of security have been received.

Regulatory Reserves

In addition to the collective impairment and individual impairment allowances, the Bank maintains a regulatory reserve to satisfy local regulatory requirements for prudential supervision purposes. The regulatory reserves are overlay provisions on top of the collective impairment allowance, based on collective impairment models. In accordance with updated guidance from BNM, the regulatory reserve has been increased to RM88.9m (31Dec11: RM74.6m).

(ii) Fair valuation of structured deposits

Prior to the transition to MFRS 139, derivatives embedded in structured deposits were bifurcated and marked to market separately from the deposits portion. After the transition to MFRS 139, the entire structured deposits are classified as "trading liabilities" and fair valued on a totality basis if this is permitted under MFRS 139. This change in accounting policy has been accounted for retrospectively and a summary of the financial impact on the financial statements of the Bank is reflected in Note 27.

(iii) Contracts under Islamic Sell and Buyback Agreements ("SBBA")

Prior to its convergence to the MFRS framework, the BNM Guidelines on Financial Reporting for Islamic Banking Institutions requires securities sold in a SBBA to be derecognised from the financial statements and the buy back commitment to be recognised as an off balance sheet liability. However, BNM recently issued a revised Guidance Note on SBBA that allows financial institutions to account for SBBA as per the approved accounting standards by the Malaysian Accounting Standards Board. With this, the securities sold via SBBA will no longer be derecognised from the financial statements and the buy-back commitment is now recognised as an on balance sheet liability. This change in accounting policy has been accounted for retrospectively and a summary of the financial impact on the financial statements of the Bank is reflected in Note 27.

(iv) Profit Equalisation Reserves (PER)

PER refers to the amount appropriated out of total gross income in order to maintain an acceptable level of return to depositors as stipulated by BNM's "The Framework of Rate of Return". PER is a provision shared by both the depositors and the Bank.

During the financial period, as stipulated by BNM's "Guidelines on Profit Equalisation Reserve", effective 1 January 2012, PER has been segregated into the portion belonging to the depositors and the Bank based on the contractual profit sharing ratio. The portion belonging to the depositors continues to be recognised as other liabilities but the portion belonging to the Bank is disclosed as a separate reserve in equity.

3 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited 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 financial period ended 30 September 2012.

6 Changes in Estimates

The preparation of financial information requires the use of estimates. The use of available information and the application of judgement are inherent in the formation of estimates; actual results in the future may differ from those reported. Management believes that critical accounting policies where judgement is necessarily applied are those which relate to the calculation of collective impairment allowances, the valuation of financial instruments and the impairment allowance of available-for-sale financial investments

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 financial period ended 30 September 2012, except for those arising from the change in accounting treatment as disclosed in Note 27.

7 Debt and Equity Securities

During the period, the Bank issued a RM500 million 5-year medium term note (Sukuk) under its RM3 billion Multi-Currency Sukuk Programme ("MCSP"). The Sukuk's maturity date is on 28 September 2017 and bears a distribution rate of 3.75% per annum payable semi-annually in arrears. The Sukuk issued under the MCSP is carried at amortised cost, with profit payable recognised on an accruals basis.

Notwithstanding the above, there were no other issuances, cancellations, repurchases, resale or repayment of other debt or equity securities during the financial period ended 30 September 2012.

8 Dividend

No dividend was declared nor paid during the financial period ended 30 September 2012.

9 Significant Events

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

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
Cash and balances with banks and other financial institutions	290,582	113,412
Money at call and interbank placements maturing within one month	1,850,000	1,423,380
	<u>2,140,582</u>	<u>1,536,792</u>

11 Financial Assets Held-for-Trading

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	-	216,716
Malaysian Government treasury bills	261,180	-
	<u>261,180</u>	<u>216,716</u>

12 Financial Investments Available-for-Sale

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	885,281	397,082
Cagamas bonds and notes		
Negotiable instruments of deposit	25,000	25,004
Bankers' acceptances and Islamic accepted bills	20,762	-
	<u>931,043</u>	<u>422,086</u>

The maturity structure of money market instruments held as financial investments available-for-sale is as follows:

Maturing within one year	301,147	206,016
More than one year to three years	332,238	216,070
Three years to five years	297,658	-
	<u>931,043</u>	<u>422,086</u>

13 Financing And Advances

(i) By type

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Cash line	69,667	49,753
Term financing		
House financing	1,960,059	1,272,351
Hire purchase receivables	302,502	258,634
Lease receivables	85	129
Other term financing	5,498,579	4,629,180
Trust receipts	47,588	25,137
Claims on customers under acceptance credits	840,253	1,247,279
Staff financing	37,680	20,378
Credit/ charge cards	407,361	365,947
Revolving credit	204,907	168,726
	9,368,681	8,037,514
Less: Unearned income	(132,296)	(114,198)
	9,236,385	7,923,316
Less: Allowance for impaired financing:		
- Collectively assessed	(49,291)	(40,911)
- Individually assessed	(25,574)	(32,981)
- Regulatory reserves	(88,871)	(74,558)
Total net financing and advances	9,072,649	7,774,866

(ii) By contract

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Bai Bithaman Ajil (<i>deferred payment sale</i>)	460,788	496,370
Ijarah (<i>lease</i>)	83	123
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	274,250	234,425
Murabahah (<i>cost-plus</i>)	3,711,852	2,853,393
Musharakah (<i>profit and loss sharing</i>)	3,042,829	1,707,395
Bai Al-Inah (<i>sell and buy back</i>)	1,036,346	1,573,752
Bai Al-Dayn (<i>sale of debt</i>)	257,748	292,850
Ujrah (<i>fee-based</i>)	452,489	765,008
	9,236,385	7,923,316

(iii) By type of customer

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Domestic business enterprises		
Small medium enterprises	1,794,756	1,864,749
Others	2,945,559	2,402,235
Government and statutory bodies	20,840	25,086
Individuals	3,928,561	3,217,167
Other domestic entities	1,664	2,934
Foreign entities	545,005	411,145
	9,236,385	7,923,316

13 Financing And Advances (Cont'd)

(iv) By profit rate sensitivity

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Fixed rate		
House financing	11,234	14,812
Hire purchase receivables	274,250	234,425
Other financing	2,481,223	3,269,277
Variable rate		
House financing	2,467,287	1,309,663
Other financing	4,002,391	3,095,139
	9,236,385	7,923,316

(v) By maturity structure

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Maturing within one year	4,194,298	4,069,410
More than one year to three years	661,643	674,185
More than three years to five years	902,212	1,173,785
Over five years	3,478,232	2,005,936
	9,236,385	7,923,316

(vi) By sector

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Agriculture, hunting, forestry & fishing	551,588	495,346
Mining and quarrying	167,491	158,056
Manufacturing	1,359,923	1,636,587
Electricity, gas and water	100,692	82,353
Construction	243,804	270,145
Real estate	764,782	394,054
Wholesale & retail trade, restaurants & hotels	627,956	431,776
Transport, storage and communication	404,050	409,556
Finance, insurance and business services	352,439	183,116
Household - Retail	4,211,852	3,360,543
Others	451,808	501,784
	9,236,385	7,923,316

(vii) By purpose

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Purchase of landed property:		
Residential	1,838,472	1,254,170
Non-residential	66,431	63,002
Purchase of transport vehicles	1,428	1,578
Purchase of fixed assets excluding land & building	41,240	57,469
Consumption Credit	2,369,622	2,102,850
Construction	243,804	256,840
Working Capital	4,391,206	3,891,707
Other Purpose	284,182	295,700
	9,236,385	7,923,316

13 Financing And Advances (Cont'd)

(viii) By geographical distribution

	30 Sep 2012 RM'000	31 Dec 2011 RM'000 Restated
Northern Region	1,619,283	1,498,872
Southern Region	1,299,041	1,138,794
Central Region	5,755,112	4,441,080
Eastern Region	562,949	844,570
	<u>9,236,385</u>	<u>7,923,316</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 state 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 Sep 2012 RM'000	31 Dec 2011 RM'000 Restated
At beginning of period/year	125,688	70,810
Classified as impaired during the period/year	169,742	169,700
Reclassified as performing	(13,496)	(492)
Amount recovered	(49,692)	(40,326)
Amount written off	(79,302)	(83,291)
Other movements	(28,931)	9,287
At end of period/year	<u>124,009</u>	<u>125,688</u>
Less: Individual allowances for impairment	(25,574)	(32,981)
Collective allowance for impairment	(16,883)	(14,538)
Net impaired financing and advances	<u>81,552</u>	<u>78,169</u>

(ii) Movements in allowance for impaired financing

	30 Sep 2012 RM'000	31 Dec 2011 RM'000 Restated
Collective allowance for impairment		
At beginning of period/year	115,300	70,655
- effect of convergence to MFRS	(74,389)	(37,303)
At beginning of period/year, restated	<u>40,911</u>	<u>33,352</u>
Made during the period/year	91,004	85,903
Amount released	(2,463)	(5,435)
Amount written off	(77,474)	(72,533)
Discount unwind	(16)	(376)
Other movement	(2,671)	-
At end of period/year	<u>49,291</u>	<u>40,911</u>

14 Impaired Financing (Cont'd)

(ii) Movements in allowance for impaired financing (Cont'd)

	30 Sep 2012 RM'000	31 Dec 2011 RM'000 Restated
Individual allowance for impairment		
At beginning of period/year	69,269	41,858
- effect of convergence to MFRS	(36,288)	(26,282)
At beginning of period/year, restated	32,981	15,576
Made during the period/year	20,702	13,397
Amount recovered	(11,695)	(2,488)
Amount written off	(1,416)	(3,097)
Other movement	(14,621)	9,287
Discount unwind	(377)	306
At end of period/year	25,574	32,981
Regulatory reserves		
At beginning of period/year	74,558	-
- effect of convergence to MFRS	-	37,252
At beginning of period/year, restated	74,558	37,252
Made during the period/year	15,930	37,306
Amount written back	(1,617)	-
At end of period/year	88,871	74,558

(iii) By contract

	30 Sep 2012 RM'000	31 Dec 2011 RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	568	779
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	7,790	4,552
Murabahah (<i>cost-plus</i>)	10,775	7,420
Musharakah (<i>profit and loss sharing</i>)	32,619	19,385
Bai Al-Inah (<i>sell and buy back</i>)	56,354	83,315
Ujrah (<i>fee-based</i>)	15,903	10,237
	124,009	125,688

(iv) By sector

	30 Sep 2012 RM'000	31 Dec 2011 RM'000
Agriculture, hunting, forestry & fishing	111	-
Manufacturing	7,565	9,068
Wholesale & retail trade, restaurants & hotels	5,867	4,281
Transport, storage and communication	839	-
Household - Retail	109,627	112,339
	124,009	125,688

(v) By purpose

	30 Sep 2012 RM'000	31 Dec 2011 RM'000
Purchase of landed property:		
Residential	39,387	19,032
Non-residential	111	111
Consumption credit	70,173	93,304
Working Capital	13,943	12,910
Other purpose	395	331
	124,009	125,688

(vi) By geographical distribution

	30 Sep 2012 RM'000	31 Dec 2011 RM'000
Northern Region	32,418	32,022
Southern Region	29,841	23,057
Central Region	55,187	64,135
Eastern Region	6,563	6,474
	124,009	125,688

15 Other Assets

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Derivative financial assets (Note 26)	20,291	20,451
Income receivable	8,070	6,691
Amount due from holding company	254,971	161,007
Other receivables, deposits and prepayments	24,827	16,317
	<u>308,159</u>	<u>204,466</u>

16 Deposits From Customers

(i) By type of deposit

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Non-Mudharabah Fund		
Demand deposits	831,798	673,829
Savings deposits	891,336	822,480
Term deposits	5,520,177	3,780,189
Islamic repurchase agreements	246,110	192,401
Negotiable instruments of deposits	80,928	15,400
Others	1,174,867	178,197
	<u>8,745,216</u>	<u>5,662,496</u>

The maturity structure of term deposits and negotiable instruments of deposits is as follows:

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
Due within six months	4,842,351	3,217,397
More than six months to one year	641,774	548,110
More than one year to three years	116,980	30,082
	<u>5,601,105</u>	<u>3,795,589</u>

(ii) By type of customer

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Government and statutory bodies	86,950	86,624
Business enterprises	2,293,871	1,883,294
Individuals	5,174,691	3,070,475
Others	1,189,704	622,103
	<u>8,745,216</u>	<u>5,662,496</u>

17 Deposits and Placements from Banks and Other Financial Institutions

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
Mudharabah Fund		
Licensed banks	2,633,583	3,261,118
Bank Negara Malaysia	-	48,405
Other financial institutions	-	431,002
	<u>2,633,583</u>	<u>3,740,525</u>

18 Other Liabilities

	Note	30 Sep 2012 RM'000	31 Dec 2011 RM'000 Restated
Derivative financial liabilities		20,136	6,794
Profit payable		36,054	16,503
Amounts due to holding company/ related companies		25,962	17,742
Profit equalisation reserve	2(a)(iv)	1,340	6,700
Multi-Currency Sukuk Programme	(a)	500,000	-
Other creditors and accruals	(b)	95,442	51,557
		<u>678,934</u>	<u>99,296</u>

(a) Multi-Currency Sukuk Programme ("MCSP")

During the period, the Bank issued a RM500 million 5-year medium term note (Sukuk) under its RM3 billion Multi-Currency Sukuk Programme ("MCSP"). The Sukuk's maturity date is 28 September 2017 and bears a distribution rate of 3.75% per annum payable semi-annually in arrears. The Sukuk issued under the MCSP is carried at amortised cost, with profit payable recognised on an accruals basis

(b) Other creditors and accruals

Included in other creditors and accruals is the excess compensation balance that was distributed to the Non-Governmental Organisations approved by the Shariah Committee during the financial period.

Source and use of charity funds

	30 Sep 2012 RM'000	31 Dec 2011 RM'000
Source of charity funds		
At beginning of period/year	-	-
Excess compensation account	70	-
Use of charity funds		
Contribution to non-profit organisations	<u>(70)</u>	<u>-</u>
At end of period/ year	<u>-</u>	<u>-</u>

19 Income Derived from Investment of Depositors' Funds and Others

	Third Quarter Ended		Year-To-Date ended	
	30 Sep 2012 RM'000	30 Sep 2011 RM'000 Restated	30 Sep 2012 RM'000	30 Sep 2011 RM'000 Restated
Income derived from investment of:				
(i) general investment deposits	111,999	83,698	328,863	224,809
(ii) specific investment deposits	29,798	11,870	79,075	37,007
(iii) other deposits	21,630	17,174	60,969	50,808
	163,427	112,742	468,907	312,624
(i) Income derived from investment of general investment deposits				
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	98,724	75,147	291,436	202,501
- Recoveries from impaired financing	127	591	290	274
Financial investments available-for-sale	1,367	14	5,749	14
Money at call and deposit with financial institutions	11,781	7,946	31,388	22,020
	111,999	83,698	328,863	224,809
(ii) Income derived from investment of specific investment deposits				
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	8,288	6,350	23,271	15,488
Financial investments available-for-sale	3,956	2,622	7,830	7,776
Accretion of discount less amortisation of premium	-	(14)	-	(69)
	12,244	8,958	31,101	23,195
<u>Other operating income</u>				
Fees and commission	1,219	824	2,388	1,211
Net gain from dealing in foreign currency	4,208	2,117	11,497	5,236
Net gain from sale of financial assets held-for-trading and other financial instruments	16,342	5,660	38,802	7,526
Net gain from derivatives	50	(5,092)	2,335	(582)
Net unrealised profit/ (loss) from revaluation of financial assets held-for-trading	345	29	(971)	(136)
Net profit (paid)/ earned from trading financial assets/ liabilities	(4,610)	(626)	(6,077)	557
	17,554	2,912	47,974	13,812
	29,798	11,870	79,075	37,007
The above fees and commissions were derived from the following major contributors:				
Guarantee fees	268	-	832	-
Service charges and fees	724	238	1,022	625
Credit facilities	78	458	325	458
	1,070	696	2,179	1,143

19 Income Derived from Investment of Depositors' Funds and Others (Cont'd)

	Third Quarter Ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
(iii) Income derived from investment of other deposits				
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	19,073	15,411	54,030	45,766
- Recoveries from impaired financing	24	137	54	62
Financial investments available-for-sale	271	3	1,066	3
Money at call and deposit with financial institutions	2,262	1,623	5,819	4,977
	21,630	17,174	60,969	50,808

20 Income Derived from Investment of Shareholder's Funds

	Third Quarter Ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	12,888	11,121	33,486	32,814
- Recoveries from impaired financing	16	98	33	44
Financial investments available-for-sale	193	2	661	2
Money at call and deposit with financial institutions	1,510	1,171	3,606	3,568
	14,607	12,392	37,786	36,428
<u>Other operating income</u>				
Fees and commission	22,940	12,169	54,168	32,950
Shared-service fees from holding company	762	529	5,279	1,567
Net gain on disposal of equipment	-	-	-	2
Other income	63	42	194	146
	23,765	12,740	59,641	34,665
	38,372	25,132	97,427	71,093
The above fees and commissions were derived from the following major contributors:				
Service charges and fees	8,944	4,793	17,085	12,535
Cards	6,441	3,398	16,545	9,991
Agency fees	4,599	1,707	11,237	5,328

21 Impairment Losses on Financing

	Third Quarter Ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Impairment charges on financing:				
(a) Individual impairment				
- Provided	10,749	4,332	20,702	8,321
- Written back	(6,743)	(437)	(11,695)	(1,098)
(b) Collective impairment				
- Provided	34,419	24,175	91,004	61,750
- Written back	(525)	(913)	(2,463)	(4,440)
(c) Regulatory reserve				
- Provided	2,007	9,078	15,930	21,391
- Written back	(1,617)	-	(1,617)	-
Impaired financing				
- Recovered	(5,928)	(5,912)	(18,243)	(16,264)
- Written off	282	1,521	491	6,412
	32,644	31,844	94,109	76,072

22 Income Attributable to Depositors

	Third Quarter Ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Deposits from customers				
- Mudharabah Fund	-	9,551	-	33,467
- Non-Mudharabah Fund	45,498	15,771	133,330	34,348
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	17,543	14,511	49,115	37,332
Others	365	130	787	254
	63,406	39,963	183,232	105,401

23 Personnel Expenses

	Third Quarter Ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	6,009	4,915	21,057	15,727
Employees Provident Fund contributions	953	838	3,214	2,550
Other staff related costs	753	619	2,568	1,446
	7,715	6,372	26,839	19,723

24 Other Overheads and Expenditures

	Third Quarter Ended		Year-To-Date ended	
	30 Sep 2012	30 Sep 2011	30 Sep 2012	30 Sep 2011
	RM'000	RM'000	RM'000	RM'000
Promotion and marketing related expenses				
Advertising and promotion	1,920	3,710	7,273	5,613
Marketing	3,167	1,578	6,764	1,820
Promotion and marketing related expenses	5,087	5,288	14,037	7,433
Establishment related expenses				
Depreciation of equipment	2,003	1,367	5,415	4,000
Amortisation of intangible assets	109	139	364	418
Information technology costs	341	126	839	360
Hire of Equipment	15	18	41	50
Rental of premises	1,941	1,252	5,573	3,753
Others	890	521	1,988	728
	5,299	3,423	14,220	9,309
General administrative expenses				
Shared-service fees to immediate holding company	27,569	22,707	80,827	72,343
Auditors' remuneration				
Statutory audit fees				
KPMG Malaysia	28	25	83	75
Other services				
KPMG Malaysia	13	27	118	87
Professional fees	500	279	1,277	802
Others	8,188	3,816	20,326	10,108
	36,298	26,854	102,631	83,415
	46,684	35,565	130,888	100,157

25 Capital Adequacy

	30 Sep 2012	31 Dec 2011
	RM'000	RM'000
		Restated
Tier 1 capital		
Paid-up ordinary share capital	50,000	50,000
Share premium	610,000	610,000
Retained profits	242,680	180,490
Statutory reserve	50,000	50,000
	952,680	890,490
Deferred tax adjustments	(35,052)	(678)
Total Tier 1 capital	917,628	889,812
Tier 2 capital		
Collective impairment allowance (unimpaired portion)	32,408	26,373
Regulatory Reserves	88,871	74,558
Total Tier 2 capital	121,279	100,931
Capital base	1,038,907	990,743
Core capital ratio	9.2%	10.8%
Risk-weighted capital ratio	10.4%	12.0%

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 Sep 2012		31 Dec 2011	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	14,981,107	9,183,292	11,629,129	7,546,956
Total RWA for market risk	-	85,170	-	100,942
Total RWA for operational risk	-	705,265	-	580,027
	14,981,107	9,973,728	11,629,129	8,227,925

26 Commitments and Contingencies

The table below shows the contract or underlying principal amounts, positive fair value of derivative contracts, credit equivalent amounts and risk weighted amounts of unmatured 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
30 Sep 2012				
Direct credit substitutes	730,881	-	730,881	674,549
Transaction-related contingent items	665,592	-	332,796	289,732
Short-term self-liquidating trade-related contingencies	21,189	-	4,238	3,331
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	1,285,153	-	257,031	233,557
- Maturity exceeding one year	85,445	-	42,722	40,669
Unutilised credit card lines	1,096,842	-	219,368	164,526
Equity related contracts				
- Less than one year	425,923	-	25,555	12,778
- One year to less than five years	850,146	5,630	73,683	31,942
Profit rate related contracts				
- One year to less than five years	1,502,707	11,275	58,562	32,851
- Over five years	550,000	2,359	35,359	26,834
Foreign exchange related contracts				
- Less than one year	137,466	1,027	2,587	1,583
	7,351,344	20,291	1,782,782	1,512,352

Note 15

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
31 Dec 2011				
Direct credit substitutes	461,660	-	461,660	404,287
Transaction-related contingent items	531,060	-	265,530	257,691
Short-term self-liquidating trade-related contingencies	32,928	-	6,586	4,745
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	1,314,320	-	262,864	246,185
- Maturity exceeding one year	133,435	-	26,687	26,251
Unutilised credit card lines	885,773	-	177,155	132,866
Equity related contracts				
- Less than one year	-	-	-	-
- One year to less than five years	206,474	5,192	21,710	5,138
Profit rate related contracts				
- One year to less than five years	1,551,362	13,568	73,052	41,410
- Over five years	-	-	-	-
Foreign exchange related contracts				
- Less than one year	226,145	1,691	5,783	4,003
	5,343,157	20,451	1,301,027	1,122,576

Note 15

* 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".

27 Explanation of transition to MFRSs

In preparing its opening MFRS statement of financial position, the Bank has adjusted amounts reported previously in financial statements prepared in accordance with the previous FRSs. An explanation of how the transition from previous FRSs to the new MFRSs has affected the Bank's financial position is set out in the following table and notes that accompany these tables.

(i) Reconciliation of financial position

		FRSs	Effect of transition to MFRSs 31 Dec 2011	MFRSs
	<i>Note</i>	RM'000	RM'000	RM'000
Assets				
Cash and short-term funds		1,536,792	-	1,536,792
Financial Assets Held-for-Trading		216,716	-	216,716
Financial Investments Available-for-Sale		422,086	-	422,086
Financing and advances	27(iv)(a)	7,546,346	228,520	7,774,866
Other assets	27(iv)(b)	212,308	(7,842)	204,466
Statutory deposits with Bank Negara Malaysia		228,562	-	228,562
Equipment		18,926	-	18,926
Intangible assets		461	-	461
Deferred tax assets	27(iv)(c)	15,182	14,441	29,623
Total Assets		<u>10,197,379</u>	<u>235,119</u>	<u>10,432,498</u>
Liabilities				
Deposits from customers	27(iv)(b)	5,476,252	186,244	5,662,496
Deposits and placements from banks and other financial institutions		3,740,525	-	3,740,525
Bills and acceptances payable		7,600	-	7,600
Other liabilities	27(iv)(b)	102,105	(2,809)	99,296
Provision for taxation	27(iv)(c)	6,838	24,410	31,248
Total Liabilities		<u>9,333,320</u>	<u>207,845</u>	<u>9,541,165</u>
Shareholder's Equity				
Share capital		50,000	-	50,000
Reserves	27(iv)(d)	814,059	27,274	841,333
Total Shareholder's Equity		<u>864,059</u>	<u>27,274</u>	<u>891,333</u>
Total Liabilities and Shareholder's Equity		<u>10,197,379</u>	<u>235,119</u>	<u>10,432,498</u>
Commitments and Contingencies	27(iv)(a)	<u>5,535,558</u>	<u>(192,401)</u>	<u>5,343,157</u>

27 Explanation of transition to MFRSs

(i) Reconciliation of financial position (Cont'd)

		FRSs	Effect of transition to MFRSs 30 Sep 2011	MFRSs
	<i>Note</i>	RM'000	RM'000	RM'000
Assets				
Cash and short-term funds		1,515,591	-	1,515,591
Financial Assets Held-for-Trading		78,418	-	78,418
Financial Investments Available-for-Sale		321,196	-	321,196
Financing and advances	27(iv)(a)	6,290,147	200,997	6,491,144
Other assets	27(iv)(b)	398,314	(7,947)	390,367
Statutory deposits with Bank Negara Malaysia		202,562	-	202,562
Equipment		14,200	-	14,200
Intangible assets		601	-	601
Deferred tax assets	27(iv)(c)	10,867	14,239	25,106
Total Assets		<u>8,831,896</u>	<u>207,289</u>	<u>9,039,185</u>
Liabilities				
Deposits from customers	27(iv)(b)	4,771,928	164,915	4,936,843
Deposits and placements from banks and other financial institutions		3,083,075	-	3,083,075
Bills and acceptances payable		5,608	-	5,608
Other liabilities	27(iv)(b)	121,344	(2,550)	118,794
Provision for taxation	27(iv)(c)	2,156	22,845	25,001
Total Liabilities		<u>7,984,111</u>	<u>185,210</u>	<u>8,169,321</u>
Shareholder's Equity				
Share capital		50,000	-	50,000
Reserves	27(iv)(d)	797,785	22,079	819,864
Total Shareholder's Equity		<u>847,785</u>	<u>22,079</u>	<u>869,864</u>
Total Liabilities and Shareholder's Equity		<u>8,831,896</u>	<u>207,289</u>	<u>9,039,185</u>
Commitments and Contingencies	27(iv)(a)	<u>4,544,136</u>	<u>(170,076)</u>	<u>4,374,060</u>

27 Explanation of transition to MFRSs (Cont'd)

(i) Reconciliation of financial position (Cont'd)

		FRSs	Effect of transition to MFRSs 1 Jan 2011	MFRSs
	<i>Note</i>	RM'000	RM'000	RM'000
Assets				
Cash and short-term funds		1,508,998	-	1,508,998
Financial Assets Held-for-Trading		148,006	-	148,006
Financial Investments Available-for-Sale		330,665	-	330,665
Financing and advances	27(iv)(a)	4,636,276	173,867	4,810,143
Other assets	27(iv)(b)	59,035	(2,449)	56,586
Statutory deposits with Bank Negara Malaysia		34,729	-	34,729
Equipment		16,425	-	16,425
Intangible assets		1,499	-	1,499
Deferred tax assets	27(iv)(c)	18,002	14,381	32,383
Total Assets		<u>6,753,635</u>	<u>185,799</u>	<u>6,939,434</u>
Liabilities				
Deposits from customers	27(iv)(b)	3,782,536	148,024	3,930,560
Deposits and placements from banks and other financial institutions		2,084,599	-	2,084,599
Bills and acceptances payable		5,531	-	5,531
Other liabilities	27(iv)(b)	91,670	(2,880)	88,790
Provision for taxation	27(iv)(c)	4,448	21,613	26,061
Total Liabilities		<u>5,968,784</u>	<u>166,757</u>	<u>6,135,541</u>
Shareholder's Equity				
Share capital		50,000	-	50,000
Reserves	27(iv)(d)	734,851	19,042	753,893
Total Shareholder's Equity		<u>784,851</u>	<u>19,042</u>	<u>803,893</u>
Total Liabilities and Shareholder's Equity		<u>6,753,635</u>	<u>185,799</u>	<u>6,939,434</u>
Commitments and Contingencies	27(iv)(a)	<u>1,823,148</u>	<u>(147,534)</u>	<u>1,675,614</u>

27 Explanation of transition to MFRSs (Cont'd)

(ii) Reconciliation of profit or loss and other comprehensive income

		FRSs	Effect of transition to MFRSs three months ended 30 Sep 2011	MFRSs
	<i>Note</i>	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	27(iv)(e)	117,094	(4,352)	112,742
Income derived from investment of shareholder's funds	27(iv)(e)	24,703	429	25,132
Impairment losses on financing	27(iv)(f)	(32,411)	567	(31,844)
Total distributable income		<u>109,386</u>	<u>(3,356)</u>	<u>106,030</u>
Income attributable to depositors	27(iv)(g)	(41,897)	1,934	(39,963)
Total net income		<u>67,489</u>	<u>(1,422)</u>	<u>66,067</u>
Personnel expenses		(6,372)	-	(6,372)
Other overheads and expenditures		(35,565)	-	(35,565)
Profit before taxation		<u>25,552</u>	<u>(1,422)</u>	<u>24,130</u>
Taxation	27(iv)(h)	(5,444)	(240)	(5,684)
Profit for the period		<u>20,108</u>	<u>(1,662)</u>	<u>18,446</u>
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Fair value reserve				
Change in fair value		402	-	402
Income tax relating to components of other comprehensive income		(100)	-	(100)
Other comprehensive income for the period, net of tax		<u>302</u>	<u>-</u>	<u>302</u>
Total comprehensive income for the period		<u>20,410</u>	<u>(1,662)</u>	<u>18,748</u>
Profit attributable to the owner of the Bank		20,108		18,446
Total comprehensive income attributable to owner of the Bank		20,410		18,748
Basic earnings per RM0.50 ordinary share		<u>20.1 sen</u>		<u>18.4 sen</u>

27 Explanation of transition to MFRSs (Cont'd)

(ii) Reconciliation of profit or loss and other comprehensive income (Cont'd)

		FRSs	Effect of transition to MFRSs nine months ended 30 Sep 2011	MFRSs
	<i>Note</i>	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds and others	27(iv)(e)	318,250	(5,626)	312,624
Income derived from investment of shareholder's funds	27(iv)(e)	70,648	445	71,093
Impairment losses on financing	27(iv)(f)	(80,365)	4,293	(76,072)
Total distributable income		<u>308,533</u>	<u>(888)</u>	<u>307,645</u>
Income attributable to depositors	27(iv)(g)	(110,700)	5,299	(105,401)
Total net income		<u>197,833</u>	<u>4,411</u>	<u>202,244</u>
Personnel expenses		(19,723)	-	(19,723)
Other overheads and expenditures		(100,157)	-	(100,157)
Profit before taxation		<u>77,953</u>	<u>4,411</u>	<u>82,364</u>
Taxation	27(iv)(h)	(15,454)	(1,374)	(16,828)
Profit for the period		<u><u>62,499</u></u>	<u><u>3,037</u></u>	<u><u>65,536</u></u>
Other comprehensive income				
Items that may be reclassified subsequently to profit or loss				
Fair value reserve				
Change in fair value		216	-	216
Income tax relating to components of other comprehensive income		(54)	-	(54)
Other comprehensive income for the period, net of tax		<u>162</u>	<u>-</u>	<u>162</u>
Total comprehensive income for the period		<u><u>62,661</u></u>	<u><u>3,037</u></u>	<u><u>65,698</u></u>
Profit attributable to the owner of the Bank		62,499		65,536
Total comprehensive income attributable to owner of the Bank		62,661		65,698
Basic earnings per RM0.50 ordinary share		<u>62.5 sen</u>		<u>65.5 sen</u>

27 Explanation of transition to MFRSs (Cont'd)

(iii) Reconciliation of Cash Flow Statement

	<i>Note</i>	FRSs RM'000	Effect of transition to MFRSs 30 Sep 2011 RM'000	MFRSs RM'000
Profit before taxation		77,953	4,411	82,364
Adjustments for non-operating and non-cash items		4,651	-	4,651
Operating profit before working capital changes		<u>82,604</u>	<u>4,411</u>	<u>87,015</u>
Changes in working capital:				
Net changes in operating assets		(2,091,395)	(21,632)	(2,113,027)
Net changes in operating liabilities		2,017,619	17,221	2,034,840
Taxation paid		(10,666)	-	(10,666)
Net cash generated from operating activities		<u>(1,838)</u>	<u>(4,411)</u>	<u>(1,838)</u>
Net cash generated from financing activities		8,431	-	8,431
Net changes in cash and cash equivalents		6,593	-	6,593
Cash and cash equivalents at beginning of the period		<u>1,508,998</u>	<u>-</u>	<u>1,508,998</u>
Cash and cash equivalents at end of the period		<u>1,515,591</u>	<u>-</u>	<u>1,515,591</u>
Analysis of cash and cash equivalents				
Cash and short-term funds		<u>1,515,591</u>	<u>-</u>	<u>1,515,591</u>

The comparative cash flow statements have been restated for the effects of the change in accounting policies as disclosed in Note 2a) Changes in Accounting Policies. However, the differences between the statement of cash flows presented under the MFRSs and the statement of cash flows presented under FRSs are not material.

27 Explanation of transition to MFRSs (Cont'd)

(iv) Explanation of transition to MFRSs

Notes to reconciliation of statement of financial position

	Note	31 Dec 2011 RM'000	30 Sep 2011 RM'000	1 Jan 2011 RM'000
(a) Financing and advances				
Decrease in collective impairment ("CIP")	14(ii)	74,389	58,182	37,303
Decrease in individual impairment ("IIP")	14(ii)	36,288	31,382	26,282
Increase in regulatory reserves ("RRP")	14(ii)	(74,558)	(58,643)	(37,252)
<i>Adjustment to increase retained earnings</i>	27(iv)(d)	36,119	30,921	26,333
Islamic repurchase agreements		192,401	170,076	147,534
		<u>228,520</u>	<u>200,997</u>	<u>173,867</u>

In the previous years, collective impairment provisions were based on a percentage (1.5%) of the total outstanding financing portfolio net of individual impairment provisions to cover future potential losses from the financing and advances portfolio. Upon transition to MFRSs, the Bank adopted a MFRS compliant CIP model where collective impairment provisions are set aside to cover financing losses incurred but the financing has not been individually identified as impaired at reporting date. Additionally, impairment provisions for homogeneous groups of financing that are not considered individually significant are now computed under appropriate CIP models instead of being individually assessed. The accounting policy for collective impairment of financing and advances after the transition to MFRSs is disclosed in Note 2(a)(i).

Please refer to Note 2(a)(iii) for the change in accounting policy on disclosure on Islamic repurchase agreements.

(b) Other assets, other liabilities and deposits from customers

		31 Dec 2011 RM'000	30 Sep 2011 RM'000	1 Jan 2011 RM'000
Other assets:				
Decrease in derivative financial assets	15	(7,842)	(7,947)	(2,449)
Other liabilities:				
Decrease in derivative financial liabilities	18	2,809	2,550	2,880
Deposit from customers:				
Decrease/(Increase) in structured deposits	16(i)	6,157	5,161	(490)
<i>Adjustment to increase retained earnings</i>	27(iv)(d)	1,124	(236)	(59)
Deposit from customers:				
Islamic repurchase agreements	27(iv)(a)	192,401	170,076	147,534
		<u>193,525</u>	<u>169,840</u>	<u>147,475</u>

In the previous years, structured deposits were measured at amortised cost using the effective profit method. Upon transition to MFRSs, structured deposits are classified as "trading liabilities" and measured at fair value. The accounting policy for the fair value measurement of structured deposits is as disclosed in the audited financial statements of the Bank as at and for the financial year ended 31 December 2011, under Note 3(e)(vi).

27 Explanation of transition to MFRSs (Cont'd)

(iv) Explanation of transition to MFRSs

Notes to reconciliation of statement of financial position

	Note	31 Dec 2011 RM'000	30 Sep 2011 RM'000	1 Jan 2011 RM'000
(c) Deferred tax assets and provision for taxation				
Deferred tax assets				
(Decrease)/Increase in deferred tax assets on collective impairment allowance		(834)	3,248	8,059
Increase in deferred tax assets on RRP increase		15,275	10,991	6,322
Provision for taxation				
Increase/(Decrease) in provision for tax liability upon fair valuation of structured deposits		(281)	59	15
Increase in provision for tax liability upon decrease in CIP and IIP		(24,129)	(22,904)	(21,628)
<i>Adjustment to decrease retained earnings</i>	27(iv)(d)	<u>(9,969)</u>	<u>(8,606)</u>	<u>(7,232)</u>

The (increase)/decrease in collective impairment provision resulted in (lower)/higher deferred tax assets recognised.

The increase in regulatory reserve provision resulted in higher deferred tax assets recognised.

Provision for tax liability increased upon positive fair valuation of structured deposits and decrease in CIP and IIP.

(d) Retained earnings

		31 Dec 2011 RM'000	30 Sep 2011 RM'000	1 Jan 2011 RM'000
Financing and advances	27(iv)(a)	36,119	30,921	26,333
Other assets, other liabilities and deposits from customers	27(iv)(b)	1,124	(236)	(59)
Deferred tax assets and provision for taxation	27(iv)(c)	(9,969)	(8,606)	(7,232)
<i>Adjustment to increase retained earnings</i>		<u>27,274</u>	<u>22,079</u>	<u>19,042</u>

Notes to reconciliation of profit or loss and other comprehensive income

	Note	3 months ended 30 Sep 2011 RM'000	9 months ended 30 Sep 2011 RM'000
(e) Total income derived from investment of funds			
Increase in finance income and hibah		103	294
Decrease in other income		(4,026)	(5,475)
<i>Adjustment to decrease profit or loss</i>		<u>(3,923)</u>	<u>(5,181)</u>
(f) Impairment losses on financing			
Adjustment to collective impairment ("CIP")		(16,439)	(32,167)
Adjustment to individual impairment ("IIP")		26,084	57,851
Increase in regulatory reserves		(9,078)	(21,391)
<i>Adjustment to increase profit or loss</i>		<u>567</u>	<u>4,293</u>
(g) Income attributable to depositors			
Effect of fair valuation of derivative financial liabilities		1,934	5,299
<i>Adjustment to increase profit or loss</i>		<u>1,934</u>	<u>5,299</u>
(h) Taxation			
Effect of fair valuation of structured deposits		523	44
Decrease in impairment provisions		(169)	(1,276)
Deferred taxation on increase in CIP		(2,078)	(4,811)
Deferred taxation on provision for regulatory reserve		1,484	4,669
<i>Adjustment to decrease profit or loss</i>		<u>(240)</u>	<u>(1,374)</u>

28 Performance Review

The Bank recorded a profit before taxation of RM131.3 million for the financial period ended 30 September 2012, an increase of RM48.9m or 59.4% against history. Total income derived from the investment of depositors and shareholders fund increased by RM182.6 million or 47.6%, offset by higher income attributable to depositors (RM77.8 million or 73.8%), operating expenses (RM37.8 million or 31.6%) and financing impairment charges (RM18.0 million or 23.7%).

The improvement in income from investment of depositors and shareholder's fund was principally due to a RM2.6 billion or 39.7% growth in gross financing and advances from September 2011. Higher customer deposits (RM3.8 billion or 77.1% from September 2011) contributed to the increase in income attributable to depositors. Meanwhile, the increase in branch network contributed to the increase in operating expenses while financing impairment charges grew in tandem with financing and advances growth.

Balance sheet size increased by RM4.1 billion or 45.2% against 30 September 2011, 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.

29 Business Prospects

The Gross Domestic Product (GDP) for Q1 2012 was revised to 4.9% from the previous 4.7% while the GDP for 1H 2012 was 5.1% year-on-year, surpassing the forecasted domestic growth of between 4% to 5% for 2012 as the Malaysian economy was buoyed by the expansion in manufacturing and robust domestic demand. Despite the encouraging growth figures, the domestic economy is forecasted to experience some softening in the remaining part of the year due to the ongoing Eurozone sovereign debt crisis, restrained growth in the advanced economies and weakened growth in the emerging and developing nations.

Nevertheless, domestic demand is likely to remain strongly resilient, and is expected to continue being the anchor for growth in the coming months on expected sustained 10 Malaysia Plan (MP) spending and the ongoing implementation of projects under the Economic Transformation Programme (ETP). Additionally, domestic demand is also expected to benefit from the upwards revision of public sector wages and the one-off financial assistance to low and middle-income groups announced in the 2013 Budget as well as from private investments from domestic-oriented industries. These, coupled with the affordable housing measures unveiled during the 2013 Budget will encourage spending and boost housing sector financing.

In Q4 2012, the focus will remain on growing the Premier and Advance propositions (HSBC's established propositions for affluent and high networth individuals). The Bank intends to increase its current share of high quality assets via the relationship-based approach, by increasing value-added offerings, building on cross referrals and cross selling of various banking products (with emphasis on wealth management services) to the Bank's existing customers, while delivering quality customer service at the same time.

As at 30 Sep 2012, the Bank has 22 branches, with more branches expected to be opened progressively during the year. The Bank endeavours to maintain a strict cost discipline at all times to ensure sustainable growth is achieved amidst the increasingly challenging and competitive environment.

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