



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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 JUNE 2013

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 June 2013 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") and the revised Guidelines on Financial Reporting for Islamic Banking Institutions issued by Bank Negara Malaysia in 2013.

SAW SAY PIN
Chief Financial Officer

Date : 24 July 2013

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

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2013

	<i>Note</i>	30 Jun 2013 RM'000	31 Dec 2012 RM'000 Restated
Assets			
Cash and short-term funds	10	3,065,511	1,650,386
Financial Assets Held-for-Trading	11	113,732	182,509
Financial Investments Available-for-Sale	12	1,199,979	1,265,283
Financing and advances	13	8,580,752	8,483,879
Other assets	15	398,216	151,220
Statutory deposits with Bank Negara Malaysia	16	336,062	343,561
Equipment		27,688	27,839
Intangible assets		20	29
Deferred tax assets		40,573	41,473
Tax recoverable		62	-
Total assets		13,762,595	12,146,179
Liabilities			
Deposits from customers	17	10,038,782	8,639,809
Deposits and placements from banks and other financial institutions	18	1,828,032	1,763,316
Bills and acceptances payable		11,604	15,426
Other liabilities	19	285,680	184,541
Provision for taxation		-	3,307
Multi-Currency Sukuk Programme	20	500,000	500,000
Total liabilities		12,664,098	11,106,399
Equity			
Share capital		50,000	50,000
Reserves		1,048,497	989,780
Total equity attributable to owner of the Bank		1,098,497	1,039,780
Total liabilities and equity		13,762,595	12,146,179
Commitments and Contingencies	29	9,325,508	7,668,612

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012 and the accompanying explanatory notes on pages 5 to 24 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 24 July 2013.

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

UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

	Note	Second Quarter		Half Year To	
		30 Jun 2013 RM'000	30 Jun 2012 RM'000 Restated	30 Jun 2013 RM'000	30 Jun 2012 RM'000 Restated
Income derived from investment of depositors' funds and others	21	144,039	147,530	290,265	305,355
Income derived from investment of shareholder's funds	22	33,660	32,550	66,992	59,179
Impairment losses on financing	23	(14,546)	(30,509)	(46,648)	(69,314)
Total distributable income		163,153	149,571	310,609	295,220
Income attributable to depositors	24	(61,651)	(58,929)	(121,732)	(119,826)
Total net income		101,502	90,642	188,877	175,394
Personnel expenses	25	(10,382)	(9,642)	(18,444)	(19,124)
Other overheads and expenditures	26	(45,972)	(46,221)	(89,514)	(84,204)
Profit before taxation		45,148	34,779	80,919	72,066
Income tax expense		(10,429)	(5,563)	(19,318)	(14,956)
Profit for the period		34,719	29,216	61,601	57,110
Other comprehensive income					
Fair value reserve					
Change in fair value		(5,147)	824	(3,814)	485
Income tax relating to components of other comprehensive income		1,287	(206)	954	(121)
Other comprehensive income for the period, net of income tax		(3,860)	618	(2,860)	364
Total comprehensive income for the period		30,859	29,834	58,741	57,474
Profit attributable to the owner of the Bank		34,719	29,216	61,601	57,110
Total comprehensive income attributable to the owner of the Bank		30,859	29,834	58,741	57,474
Basic earnings per RM0.50 ordinary share		34.7 sen	29.2 sen	61.6 sen	57.1 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 2012 and the accompanying explanatory notes on pages 5 to 24 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 JUNE 2013

	←		<i>Non-distributable</i>		→		<i>Distributable</i>	
	<i>Share capital</i>	<i>Share premium</i>	<i>Statutory reserve</i>	<i>Available-for-sale reserve</i>	<i>Capital contribution reserve</i>	<i>Profit equalisation reserve</i>	<i>Retained profits</i>	<i>Total</i>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2012								
Balance at 1 January	50,000	610,000	50,000	148	695	-	190,825	901,668
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	57,110	57,110
Other comprehensive income, net of income tax								
Fair value reserve:								
Net change in fair value	-	-	-	364	-	-	-	364
Total other comprehensive income	-	-	-	364	-	-	-	364
Total comprehensive income for the period	-	-	-	364	-	-	57,110	57,474
Transactions with the owner (the ultimate holding company), recorded directly in equity								
Share based payment transactions	-	-	-	-	288	-	-	288
Other transactions, recorded directly in equity								
Reclassification of profit equalisation reserve to equity	-	-	-	-	-	5,360	-	5,360
Balance at 30 June	50,000	610,000	50,000	512	983	5,360	247,935	964,790
2013								
Balance at 1 January	50,000	610,000	50,000	534	1,161	-	328,085	1,039,780
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	61,601	61,601
Other comprehensive income, net of income tax								
Fair value reserve:								
Net change in fair value	-	-	-	(2,860)	-	-	-	(2,860)
Total other comprehensive income	-	-	-	(2,860)	-	-	-	(2,860)
Total comprehensive income for the period	-	-	-	(2,860)	-	-	61,601	58,741
Transactions with the owner (the ultimate holding company), recorded directly in equity								
Share based payment transactions	-	-	-	-	(15)	-	(9)	(24)
Balance at 30 June	50,000	610,000	50,000	(2,326)	1,146	-	389,677	1,098,497

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012 and the accompanying explanatory notes on pages 5 to 24 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 24 July 2013.

HSBC AMANAH MALAYSIA BERHAD
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UNAUDITED CONDENSED STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2013

	30 Jun 2013	30 Jun 2012
	RM'000	RM'000
Profit before income tax expense	80,919	72,066
Adjustments for non-operating and non-cash items	5,270	4,480
Operating profit before working capital changes	86,189	76,546
Changes in working capital:		
Net changes in operating assets	(267,602)	(1,163,439)
Net changes in operating liabilities	1,561,006	2,232,385
Income tax paid	(20,833)	(13,000)
Net cash generated from operations	1,358,760	1,132,492
Net cash generated from/(used in) investing activities	56,365	(253,960)
	56,365	(253,960)
Net changes in cash and cash equivalents	1,415,125	878,532
Cash and cash equivalents at beginning of the period	1,650,386	1,536,792
Cash and cash equivalents at end of the period	3,065,511	2,415,324
Analysis of cash and cash equivalents		
Cash and short-term funds	3,065,511	2,415,324

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2012 and the accompanying explanatory notes on pages 5 to 24 attached to the unaudited condensed interim financial statements.

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Explanatory notes to the Unaudited Condensed Interim Financial Statements at 30 June 2013

1 General Information

HSBC Amanah Malaysia Berhad ('the Bank') incorporated on 26 February 2008, is a licensed Islamic Bank under the Islamic Financial Services Act, 2013 (formerly known as 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 June 2013 have been prepared under the historical cost convention except for the following assets and liabilities which are stated at fair values: financial assets held-for-trading, financial investments available-for-sale and derivative financial instruments.

The unaudited condensed interim financial statements for the financial period ended 30 June 2013 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards ('MFRS') 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ('MASB') and Shariah requirements. 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 for the financial year ended 31 December 2012. 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 2012.

All significant accounting policies and methods of computation applied in the unaudited condensed interim financial statements are consistent with those adopted in the most recent audited annual financial statements for the year ended 31 December 2012, except for the adoption of the following MFRSs, amendments to MFRSs, and Issues Committee ('IC') Interpretations.

- MFRS 10, Consolidated Financial Statements
- MFRS 11, Joint Arrangements
- MFRS 12, Disclosure of Interest in Other Entities
- MFRS 13, Fair Value Measurement
- 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 2004)
- MFRS 127 Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in May 2011)
- MFRS 128, Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
- Amendments to MFRS 1, (Government Loans)
- Amendments to MFRS 1, (Annual Improvements 2009-2011 Cycle : Repeated Application of MFRS 1 and Borrowing Cost)
- 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
- 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)
- 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

2 Basis of Preparation (Cont'd)

IC Interpretation 20 did not 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 remaining standards, amendments and interpretations did not have any material impact on the financial results of the Bank.

With effect from 1 January 2013, the Bank has adopted Bank Negara Malaysia's Capital Adequacy Framework (Capital Components and Basel II - Risk-weighted Assets) ("the Framework"). This Framework outlines the general requirements on regulatory capital adequacy ratios, the components of eligible regulatory capital as well as the levels of those ratios at which banking institutions are required to operate.

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 2014

- Amendments to MFRS 10, MFRS 12 and MFRS 127, Investment Entities
- 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)
- Amendments to MFRS 9 (IFRS 9 issued by IASB in November 2009), MFRS 9 (IFRS 9 issued by IASB in October 2010) and MFRS 7) – Mandatory Effective Date of MFRS 9 and Transition Disclosures.

The Bank plans to apply the abovementioned accounting standards and amendments from the annual period beginning 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 impacts to the current and prior period's financial statement upon their first adoption

The initial application of the above standards, amendments and interpretations is not expected to have any material financial impact to the current and prior periods financial statements of the Bank upon their first adoption, except for those discussed below:-

MFRS 9, Financial Instruments

MFRS 9 replaces the guidance in MFRS 139: Financial Instruments, Recognition and Measurement on the classification and measurement of financial assets. Upon adoption of MFRS 9, financial assets will be measured at either fair value or amortised cost. The adoption of MFRS 9 will result in a change in accounting policy.

3 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

4 Seasonality or Cyclical Factors

The business operations of the Bank are not subject to material seasonal or cyclical fluctuations.

5 Unusual Items Due to Their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Bank for the financial period ended 30 June 2013.

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 impairment allowances for financing and advances, 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 years that have a material effect on the financial results and position of the Bank for the financial period ended 30 June 2013, except for those arising from the change in accounting treatment as disclosed in Note 30.

7 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt or equity securities during the financial period ended 30 June 2013.

8 Dividend

No dividend was declared nor paid during the financial period ended 30 June 2013.

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 Jun 2013	31 Dec 2012
	RM'000	RM'000
Cash and balances with banks and other financial institutions	215,511	150,386
Money at call and interbank placements maturing within one month	2,850,000	1,500,000
	3,065,511	1,650,386

11 Financial Assets Held-for-Trading

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	89,754	-
Malaysian Government treasury bills	23,978	182,509
	113,732	182,509

12 Financial Investments Available-for-Sale

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	1,161,029	1,216,651
Negotiable instruments of deposit	25,000	25,001
Bankers' acceptances and Islamic accepted bills	13,950	23,631
	1,199,979	1,265,283

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

Maturing within one year	264,121	303,905
More than one year to three years	410,836	331,801
More than three years to five years	45,098	145,412
Over five years	479,924	484,165
	1,199,979	1,265,283

13 Financing and Advances

(i) By type

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Cash line	76,305	62,737
Term financing		
House financing	2,391,198	2,096,318
Hire purchase receivables	279,340	296,641
Lease receivables	3,113	3,219
Other term financing	4,632,415	4,712,263
Trust receipts	45,199	49,217
Claims on customers under acceptance credits	757,108	864,548
Staff financing	45,698	41,073
Credit cards	443,247	442,771
Revolving credit	195,868	211,621
	8,869,491	8,780,408
Less: Unearned income	(110,860)	(121,297)
Gross Financing and Advances	8,758,631	8,659,111
Less: Allowance for impaired financing:		
- Collective allowances for impairment	(140,841)	(144,853)
- Individual allowances for impairment	(37,038)	(30,379)
Total net financing and advances	8,580,752	8,483,879

(ii) By contract

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	358,275	386,505
Ijarah (<i>lease</i>)	2,724	2,777
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	255,063	269,517
Commodity Murabahah (<i>cost-plus</i>)	3,149,868	3,044,272
Diminishing Musharakah (<i>diminishing partnership</i>)	3,694,340	3,255,938
Bai Al-Inah (<i>sell and buy back</i>)	652,422	878,477
Bai Al-Dayn (<i>sale of debt</i>)	184,116	259,995
Ujrah (<i>fee-based</i>)	461,823	561,630
	8,758,631	8,659,111

(iii) By type of customer

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Domestic business enterprises		
Small medium enterprises	1,764,467	1,712,652
Others	2,289,384	2,418,532
Government and statutory bodies	20,835	20,193
Individuals	4,224,002	4,037,832
Other domestic entities	1,783	1,648
Foreign entities	458,160	468,254
	8,758,631	8,659,111

13 Financing and Advances (Cont'd)

(iv) By profit rate sensitivity

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Fixed rate		
House financing	8,880	10,327
Hire purchase receivables	255,063	269,517
Other financing	2,107,047	2,360,678
Variable rate		
House financing	3,057,828	2,668,365
Other financing	3,329,813	3,350,224
	8,758,631	8,659,111

(v) By maturity structure

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Maturing within one year	3,527,213	3,769,152
More than one year to three years	588,691	626,054
More than three years to five years	731,477	765,104
Over five years	3,911,250	3,498,801
	8,758,631	8,659,111

(vi) By sector

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
		Restated
Agriculture, hunting, forestry & fishing	394,469	562,445
Mining and quarrying	132,139	151,227
Manufacturing	1,208,898	1,162,846
Electricity, gas and water	97,071	100,845
Construction	263,144	266,430
Real estate	639,402	558,642
Wholesale & retail trade, restaurants & hotels	624,750	605,763
Transport, storage and communication	274,696	305,380
Finance, takaful and business services	258,149	234,389
Household - Retail	4,618,293	4,356,938
Others	247,620	354,206
	8,758,631	8,659,111

13 Financing and Advances (Cont'd)

(vii) By purpose

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Purchase of landed property:		
- Residential	2,262,939	1,966,090
- Non-residential	76,722	74,027
Purchase of transport vehicles	1,487	1,487
Purchase of fixed assets excluding land & building	42,513	49,562
Consumption credit	2,351,176	2,387,506
Construction	263,144	255,241
Working capital	3,674,163	3,754,209
Other purpose	86,487	170,989
	8,758,631	8,659,111

(viii) By geographical distribution

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Northern Region	1,468,869	1,642,810
Southern Region	1,387,940	1,321,642
Central Region	5,337,520	5,082,757
Eastern Region	564,302	611,902
	8,758,631	8,659,111

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 Negeri 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.

(ix) Assets under Management

The details of assets under management in respect of the Restricted Profit Sharing Investment account financing are as below. The exposures and the corresponding risk weighted amount are reported in HSBC Bank Malaysia Berhad's financial statements.

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Term financing	431,848	632,121
Less: Individual allowance for impaired financing	-	-
Total net financing and advances	431,848	632,121

	Credit Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Commitments and Contingencies			
- at 30 Jun 2013	-	-	-
- at 31 Dec 2012	-	-	-
		Principal RM'000	Risk weighted RM'000
Total RWA for Credit Risk			
- at 30 Jun 2013		431,848	431,848
- at 31 Dec 2012		632,121	632,121

14 Impaired Financing

(i) Movements in impaired financing and advances

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
At beginning of period/year	129,418	125,688
Classified as impaired during the period/year	127,123	230,701
Reclassified as performing	(35,112)	(23,715)
Amount recovered	(21,867)	(65,354)
Amount written off	(59,697)	(116,486)
Other movements	13,463	(21,416)
At end of period/year	<u>153,328</u>	<u>129,418</u>
Less: Individual allowance for impairment	(37,038)	(30,379)
Collective allowance for impairment (impaired portion)	<u>(56,494)</u>	<u>(57,126)</u>
Net impaired financing and advances	<u>59,796</u>	<u>41,913</u>

(ii) Movements in allowance for impaired financing

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Collective allowance for impairment		
At beginning of period/year	144,853	105,185
Made during the period/year	76,522	159,920
Amount released	(19,113)	(6,644)
Amount written off	(61,331)	(110,956)
Discount unwind	(90)	18
Other movement	-	(2,670)
At end of period/year	<u>140,841</u>	<u>144,853</u>

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Individual allowance for impairment		
At beginning of period/year	30,379	32,981
Made during the period/year	19,760	32,088
Amount recovered	(16,282)	(18,053)
Amount written off	(235)	(1,370)
Other movement	3,591	(14,684)
Discount unwind	(175)	(583)
At end of period/year	<u>37,038</u>	<u>30,379</u>

(iii) By contract

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	548	597
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	9,139	9,251
Commodity Murabahah (<i>cost-plus</i>)	29,373	10,073
Diminishing Musharakah (<i>diminishing partnership</i>)	50,903	39,454
Bai Al-Inah (<i>sell and buy back</i>)	47,482	54,397
Ujrah (<i>fee-based</i>)	15,883	15,646
	<u>153,328</u>	<u>129,418</u>

(iv) By sector

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Agriculture, hunting, forestry & fishing	36	84
Manufacturing	8,311	7,594
Construction	3,267	-
Wholesale & retail trade, restaurants & hotels	6,832	6,913
Transport, storage and communication	993	829
Finance, takaful and business services	422	420
Household - Retail	133,275	113,578
Others	192	-
	<u>153,328</u>	<u>129,418</u>

14 Impaired Financing (Cont'd)

(v) **By purpose**

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Purchase of landed property:		
- Residential	54,017	45,439
- Non-residential	103	108
Purchase of transport vehicles	18	60
Consumption credit	79,240	68,079
Construction	3,267	-
Working capital	15,995	15,046
Other purpose	688	686
	<u>153,328</u>	<u>129,418</u>

(vi) **By geographical distribution**

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Northern Region	43,799	36,631
Southern Region	28,756	30,106
Central Region	74,332	57,037
Eastern Region	6,441	5,644
	<u>153,328</u>	<u>129,418</u>

15 Other Assets

	30 Jun 2013	31 Dec 2012
	RM'000	RM'000
Derivative financial assets (Note 29)	35,778	19,232
Income receivable	18,649	16,387
Amount due from holding company/ related companies	331,659	96,723
Other receivables, deposits and prepayments	12,130	18,878
	<u>398,216</u>	<u>151,220</u>

16 Statutory deposits with Bank Negara Malaysia

The non-profit bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)c and 26(3) of the Central Bank of Malaysia Act 2009, the amounts of which are determined at set percentages of total eligible liabilities.

17 Deposits from Customers

(i) By type of deposit

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Non-Mudharabah Fund		
Demand deposits		
Wadiah	1,172,878	769,786
Wakalah	62,806	28,108
Savings deposits		
Wadiah	562,959	516,172
Wakalah	512,971	426,700
Fixed return investment deposits		
Murabahah	5,908,305	5,446,258
Islamic repurchase agreements	-	
Bai Al-Inah	209,238	223,467
Negotiable instruments of deposits		
Wakalah	14,680	80,434
Wakalah with Commodity Wa'ad	295,274	-
Others		
Hybrid	108,038	105,169
Wakalah	58,410	59,841
Murabahah	1,133,223	983,874
	<u>10,038,782</u>	<u>8,639,809</u>

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

	RM'000	RM'000
Due within six months	5,046,548	4,697,623
More than six months to one year	926,209	709,464
More than one year to three years	96,134	58,711
More than three years to five years	149,368	60,894
	<u>6,218,259</u>	<u>5,526,692</u>

(ii) By type of customer

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Government and statutory bodies	89,767	86,997
Business enterprises	2,236,002	2,053,853
Individuals	5,972,305	5,252,261
Others	1,740,708	1,246,698
	<u>10,038,782</u>	<u>8,639,809</u>

18 Deposits and Placements from Banks and Other Financial Institutions

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Mudharabah Fund		
Licensed banks	1,810,796	1,753,541
Bank Negara Malaysia	17,236	9,775
	<u>1,828,032</u>	<u>1,763,316</u>

19 Other Liabilities

	Note	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Derivative financial liabilities		144,943	43,284
Profit payable		46,755	41,915
Amounts due to holding company/ related companies		7,869	33,776
Profit equalisation reserve	(a)	1,340	1,340
Other creditors and accruals	(b)	84,773	64,226
		285,680	184,541

(a) Movement in profit equalisation reserve is as follows:

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
At beginning of financial period/year	1,340	6,700
Transfer to retained profits	-	(5,360)
At end of period/year	1,340	1,340

(b) Other creditors and accruals

Included in other creditors and accruals is excess compensation balance and profit earned from inadvertent financing of Shariah non-compliant activities. The contribution was distributed to charitable organisations approved by the Shariah Committee in the previous financial year.

Source and use of charity funds	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Source of charity funds		
At beginning of period/year	32	-
Excess compensation account	-	70
Income from inadvertent Shariah non-compliant activities	58	32
Use of charity funds		
Contribution to non-profit organisations	-	(70)
At end of period/year	90	32

20 Multi-Currency Sukuk Programme

	30 Jun 2013 RM'000	31 Dec 2012 RM'000
Multi-Currency Sukuk Programme ('MCSP')	500,000	500,000

This is a 5-year medium term note (Sukuk) issued under the Bank's RM3 billion Multi-Currency Sukuk Programme. 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 accrual basis.

21 Income Derived from Investment of Depositors' Funds and Others

	Second Quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) general investment deposits	110,587	110,420	219,192	216,759
(ii) specific investment deposits	7,945	18,404	20,983	49,277
(iii) other deposits	25,507	18,706	50,090	39,319
	144,039	147,530	290,265	305,355
(i) Income derived from investment of general investment deposits				
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	89,943	95,618	182,771	187,866
- Recoveries from impaired financing	2,226	2,893	4,095	4,915
Financial investments available-for-sale	4,564	3,098	9,313	4,380
Money at call and deposit with financial institutions	13,854	8,811	23,013	19,598
	110,587	110,420	219,192	216,759

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

(ii) Income derived from investment of specific investment deposits

	Second Quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	5,219	7,578	9,601	14,983
Financial investments available-for-sale	3,834	1,249	7,641	3,874
	9,053	8,827	17,242	18,857
<u>Other operating income</u>				
Fees and commission	872	550	2,149	1,169
Net gains from dealing in foreign currency	4,609	3,800	8,994	7,289
Net gains from sale of financial assets held-for-trading and other financial instruments	4,199	5,139	10,447	22,460
Net (losses)/gains from trading in derivatives	(36)	2,651	126	2,285
Net profit paid from financial assets held-for-trading and other financial instruments	(10,100)	(587)	(16,892)	(1,467)
Net unrealised losses from revaluation of financial assets held-for-trading	(652)	(1,976)	(1,083)	(1,316)
	(1,108)	9,577	3,741	30,420
	7,945	18,404	20,983	49,277

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

Guarantee fees	264	281	526	564
Service charges and fees	15	130	59	298
Credit facilities	527	98	1,006	247

(iii) Income derived from investment of other deposits

	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	20,755	16,196	41,767	34,078
- Recoveries from impaired financing	513	500	936	892
Financial investments available-for-sale	1,053	546	2,128	794
Money at call and deposit with financial institutions	3,186	1,464	5,259	3,555
	25,507	18,706	50,090	39,319

22 Income Derived from Investment of Shareholder's Funds

	Second Quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	10,058	8,904	21,101	20,197
- Recoveries from impaired financing	251	281	473	528
Financial investments available-for-sale	510	314	1,075	471
Money at call and deposit with financial institutions	1,568	786	2,657	2,107
	12,387	10,285	25,306	23,303
<u>Other operating income</u>				
Fees and commission	20,302	18,373	39,753	31,228
Shared-service fees from holding company	915	3,837	1,809	4,517
Other income	56	55	124	131
	21,273	22,265	41,686	35,876
	33,660	32,550	66,992	59,179
The above fees and commissions were derived from the following major contributors:				
Service charges and fees	6,410	4,130	10,665	8,141
Cards	7,251	6,076	13,652	10,104
Agency fees	4,307	4,236	8,928	6,638

23 Impairment Losses on Financing and Advances

	Second Quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Impairment charges on financing and advances:				
(a) Individual impairment				
- Provided	7,709	6,780	19,760	9,953
- Written back	(6,942)	(3,396)	(16,282)	(4,952)
(b) Collective impairment				
- Provided	33,596	38,961	76,522	87,402
- Written back	(12,403)	(6,077)	(19,113)	(10,983)
Impaired financing and advances				
- Recovered	(7,914)	(5,822)	(15,547)	(12,315)
- Written off	500	63	1,308	209
	14,546	30,509	46,648	69,314

24 Income Attributable to Depositors

	Second Quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Non-Mudharabah Fund	47,515	44,746	92,049	87,832
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	9,067	13,890	19,708	31,572
Others	5,069	293	9,975	422
	61,651	58,929	121,732	119,826

25 Personnel Expenses

	Second Quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	8,404	7,543	14,899	15,048
Employees Provident Fund contributions	1,269	1,211	2,050	2,261
Other staff related costs	709	888	1,495	1,815
	10,382	9,642	18,444	19,124

26 Other Overheads and Expenditures

	Second Quarter		Half Year To	
	30 Jun 2013	30 Jun 2012	30 Jun 2013	30 Jun 2012
	RM'000	RM'000	RM'000	RM'000
Promotion and marketing related expenses				
Advertising and promotion	4,788	2,562	7,612	5,353
Marketing	1,477	1,785	2,651	3,597
	6,265	4,347	10,263	8,950
Establishment related expenses				
Depreciation of equipment	2,707	1,675	5,178	3,412
Amortisation of intangible assets	6	121	11	255
Information technology costs	651	272	910	498
Hire of equipment	6	14	23	26
Rental of premises	1,963	1,874	3,994	3,632
Equipment written off	-	-	14	-
Others	761	667	1,292	1,098
	6,094	4,623	11,422	8,921
General administrative expenses				
Intercompany expenses	31,727	29,640	62,714	59,408
Auditors' remuneration				
<u>Audit fees</u>				
KPMG Malaysia	30	27	60	55
<u>Non-audit services</u>				
KPMG Malaysia	32	57	75	105
Professional fees	550	424	858	777
Others	1,274	7,103	4,122	5,988
	33,613	37,251	67,829	66,333
	45,972	46,221	89,514	84,204

27 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 2013	31 Dec 2012
Aggregate value of outstanding credit exposures to connected parties (RM'000)	167,683	130,602
As a percentage of total credit exposures	<u>1.60%</u>	<u>1.25%</u>
Aggregate value of outstanding credit exposures to connected parties which is non-performing or in default (RM'000)	-	-
As a percentage of total credit exposures	<u>-</u>	<u>-</u>

28 Capital Adequacy

	30 Jun 2013	31 Dec 2012
	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	389,677	328,085
Other reserves	48,044	51,874
Regulatory adjustments	(39,818)	(42,072)
Total Common Equity Tier 1 capital	<u>1,057,903</u>	<u>997,887</u>
Tier 2 capital		
Collective impairment allowance (unimpaired portion)	<u>84,347</u>	<u>87,727</u>
Total Tier 2 capital	<u>84,347</u>	<u>87,727</u>
Capital base	<u>1,142,250</u>	<u>1,085,614</u>
Common Equity Tier 1 and Core Capital ratio	11.571%	10.827%
Risk-Weighted Capital ratio	12.494%	11.779%

The capital ratios have been computed in accordance with the revised Capital Adequacy Framework for Islamic Banks (CAFIB), with effect from 1 January 2013. The Bank has adopted the Standardised Approach for credit Risk and Market Risk, and the Basic indicator Approach for Operational Risk.

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

	30 Jun 2013		31 Dec 2012	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	15,620,023	8,229,351	14,058,135	8,397,856
Total RWA for market risk	-	105,313	-	72,469
Total RWA for operational risk	-	808,005	-	746,473
	<u>15,620,023</u>	<u>9,142,669</u>	<u>14,058,135</u>	<u>9,216,798</u>

The comparative capital adequacy ratios and components of capital base have been restated in accordance with the guidelines of the revised CAFIB. Refer to Note 30(iii) for comparative ratios and capital base prior to restatement.

29 Commitments and Contingencies

The table below shows the contracts 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 Jun 2013				
Direct credit substitutes	407,812	-	407,812	360,079
Transaction-related contingent items	680,321	-	340,160	278,602
Short-term self-liquidating trade-related contingencies	46,151	-	9,230	6,823
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	2,201,862	-	440,372	407,795
- Maturity exceeding one year	660,552	-	330,276	265,349
Unutilised credit card lines	987,413	-	197,483	148,112
Foreign exchange related contracts				
- Less than one year	273,042	4,519	10,763	7,578
- Over five years	94,815	2,019	12,448	9,841
Profit rate related contracts				
- Less than one year	55,500	168	341	170
- One year to less than five years	1,609,385	2,149	68,118	36,192
- Over five years	821,211	23,173	43,209	28,507
Equity related contracts				
- Less than one year	1,008,809	497	61,026	30,030
- One year to less than five years	478,635	3,253	41,948	17,213
	9,325,508	35,778	1,963,186	1,596,291

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 2012				
Direct credit substitutes	683,648	-	683,648	635,259
Transaction-related contingent items	674,205	-	337,103	261,801
Short-term self-liquidating trade-related contingencies	17,107	-	3,421	2,634
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	1,645,059	-	329,012	302,734
- Maturity exceeding one year	123,684	-	61,842	59,511
Unutilised credit card lines	1,032,666	-	206,533	154,900
Foreign exchange related contracts				
- Less than one year	96,181	497	1,942	1,287
- Over five years	91,770	1,431	11,526	9,002
Profit rate related contracts				
- Less than one year	10,000	39	64	32
- One year to less than five years	1,479,461	9,241	51,784	29,087
- Over five years	550,000	2,206	29,706	22,169
Equity related contracts				
- Less than one year	743,859	604	45,235	22,349
- One year to less than five years	520,972	5,214	46,974	18,989
	7,668,612	19,232	1,808,790	1,519,754

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 II Capital Adequacy Framework for Islamic Banks (CAFIB).

30 Comparative Figures

Restatement of Comparative Figures

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

(i) Reclassification to conform to current period's presentation

Statement of financial position at 31 December 2012

	RM'000 As restated	RM'000 As previously stated
Financing and advances		
<u>By sector</u>		
Agriculture, hunting, forestry & fishing	562,445	542,637
Mining and quarrying	151,227	151,227
Manufacturing	1,162,846	1,253,426
Electricity, gas and water	100,845	100,845
Construction	266,430	255,241
Real estate	558,642	529,295
Wholesale & retail trade, restaurants & hotels	605,763	614,146
Transport, storage and communication	305,380	284,958
Finance, takaful and business services	234,389	229,244
Household - Retail	4,356,938	4,356,938
Others	354,206	341,154
	<u>8,659,111</u>	<u>8,659,111</u>

Statement of profit or loss and other comprehensive income for the financial period ended 30 June 2012

	Second Quarter		Half Year To	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
a) Income Derived from Investment of Depositors'				
Funds and Others	<u>147,530</u>	<u>148,342</u>	<u>305,355</u>	<u>305,090</u>
<i>(of which the affected components are disclosed below) :</i>				
(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	95,618	98,260	187,866	191,779
- Recoveries from impaired financing	2,893	58	4,915	163
Financial investments available-for-sale	3,098	3,088	4,380	4,361
Money at call and deposit with financial institutions	8,811	8,799	19,598	19,512
	<u>110,420</u>	<u>110,205</u>	<u>216,759</u>	<u>215,815</u>
(ii) Income derived from investment of specific investment deposits				
<u>Other operating income</u>	<u>9,577</u>	<u>9,785</u>	<u>30,420</u>	<u>30,420</u>
Fees and commission	550	758	1,169	1,169
(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	16,196	17,415	34,078	35,544
- Recoveries from impaired financing	500	10	892	30
Financial investments available-for-sale	546	561	794	808
Money at call and deposit with financial institutions	1,464	1,539	3,555	3,616
	<u>18,706</u>	<u>19,525</u>	<u>39,319</u>	<u>39,998</u>

30 Comparative Figures (Cont'd)

Restatement of Comparative Figures (Cont'd)

(i) Reclassification to conform to current period's presentation (Cont'd)

	Second Quarter		Half Year To	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
b) Income Derived from Investment of Shareholder's Funds	32,550	31,739	59,179	59,444
<i>(of which the affected components are disclosed below) :</i>				
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	8,904	8,647	20,197	20,943
- Recoveries from impaired financing	281	4	528	18
Financial investments available-for-sale	314	309	471	476
Money at call and deposit with financial institutions	786	722	2,107	2,131
	10,285	9,682	23,303	23,568
<u>Other operating income</u>				
Fees and commission	18,373	18,165	31,228	31,228
c) Other Overheads and Expenditures	46,221	46,221	84,204	84,204
<i>(of which the affected components are disclosed below) :</i>				
Promotion and marketing related expenses	4,347	4,347	8,950	8,950
Advertising and promotion	2,562	3,494	5,353	5,353
Marketing	1,785	853	3,597	3,597
General administrative expenses	37,251	37,251	66,333	66,333
Intercompany expenses	29,640	27,603	59,408	53,258
Auditors' remuneration				
<u>Audit fees</u>				
KPMG Malaysia	27	42	55	85
<u>Non-audit services</u>				
KPMG Malaysia	57	42	105	75
Others	7,103	9,140	5,988	12,138

(ii) Restatement upon revision of collective impairment provision model used

(Regulatory Reserve Provision being replaced with revised Collective Impairment Provision model)

Statement of profit or loss and other comprehensive income for the financial period ended 30 June 2012

	Second Quarter		Half Year To	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
a) Impairment Losses on Financing	30,509	36,290	69,314	61,465
Impairment charges on financing:				
Collective impairment				
- Provided	38,961	28,346	87,402	56,585
- Written back	(6,077)	(318)	(10,983)	(1,938)
Regulatory reserve				
- Provided	-	10,637	-	13,923
b) Income tax expense	(5,563)	(4,980)	(14,956)	(17,725)

30 Comparative Figures (Cont'd)

Restatement of Comparative Figures (Cont'd)

iii) Restatement to conform with the revised Capital Adequacy Framework

	RM'000 As restated	RM'000 As previously stated
Capital Adequacy at 31 December 2012		
Total Tier 1 capital	997,887	996,434
Total Tier 2 capital	87,727	87,727
Capital base	<u>1,085,614</u>	<u>1,084,161</u>
Core Capital ratio	-	10.8%
Common Equity Tier 1 and Core Capital ratio	10.827%	-
Risk-Weighted Capital ratio	11.779%	11.8%

31 Performance Review

Profit before taxation for the half year ended 30 June 2013 increased by RM8.9 million or 12.3% against history. The improvement was largely attributed to lower impairment losses on financing of RM22.7 million on lower collective impairment charges for personal financing. This was partially offset by higher operating expenses of RM4.6 million arising from costs related to the operating expenses of 7 new branches opened in second half of 2012.

Meanwhile, income derived from investment of depositors' funds and others and shareholder's funds declined by RM7.3 million or 2.0% largely due to lower trading income.

Balance sheet size increased by RM1.6 billion or 13.0%, driven by higher placements with financial institutions and customer deposits. The Bank's common equity tier 1 and core capital ratios and risk-weighted capital ratio remained strong at 11.6% and 12.5% respectively.

32 Business Prospects

The Malaysian economy rose at a modest pace of 4.1% y-o-y in 1Q 2013, the slowest pace of growth since 2009. The external environment remains volatile, with its prolonged weakness beginning to take its toll on emerging economies. Nevertheless in Malaysia, the local economy continues to be propped up by domestic demand, mitigating the continued moderation in external demand. Bank Negara Malaysia has maintained its forecast of a growth expansion of between 5.0% -6.0% in 2013. Similarly, the local financial and insurance sectors are expected to remain resilient in 2013, though growth and margins for these sectors would be under increased pressure from heightened competition and the enforcement of additional responsible financing practices by Bank Negara Malaysia.

The focus in 2013 will be to increase the bank's current share of high quality assets via a relationship-based approach, by increasing value added offerings, building on cross referrals and cross selling of various banking products (with a special emphasis on wealth management services) to the Bank's existing customers. The Bank will also capitalise on the HSBC Group's international connectivity for cross border trade initiatives, and will engage with relevant Government bodies for early identification of inbound investments.

The Bank is currently guided by both HSBC Group's global standards and local regulatory requirements in Risk and Compliance and will continue to improve the effectiveness and efficiency of its business model in 2013 under the backdrop of these standards and requirements.