



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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
30 SEPTEMBER 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 September 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 : 23 October 2013

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

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AT 30 SEPTEMBER 2013

	<i>Note</i>	30 Sep 2013 RM'000	31 Dec 2012 RM'000 Restated
Assets			
Cash and short-term funds	10	3,289,853	1,650,386
Financial assets held-for-trading	11	89,752	182,509
Financial investments available-for-sale	12	1,147,348	1,265,283
Financing and advances	13	9,162,714	8,483,879
Derivative financial assets		74,309	19,232
Other assets	15	152,114	131,988
Statutory deposits with Bank Negara Malaysia	16	377,062	343,561
Equipment		25,165	27,839
Intangible assets		15	29
Deferred tax assets		6,611	41,473
Tax recoverable		26,378	-
Total assets		14,351,321	12,146,179
Liabilities			
Deposits from customers	17	10,815,821	8,639,809
Deposits and placements from banks and other financial institutions	18	1,505,270	1,763,316
Bills and acceptances payable		18,189	15,426
Derivative financial liabilities		119,976	43,284
Other liabilities	19	252,599	141,257
Provision for taxation		-	3,307
Multi-Currency Sukuk Programme	20	500,000	500,000
Total liabilities		13,211,855	11,106,399
Equity			
Share capital		50,000	50,000
Reserves		1,089,466	989,780
Total equity attributable to owner of the Bank		1,139,466	1,039,780
Total liabilities and equity		14,351,321	12,146,179
Commitments and Contingencies	28	10,849,838	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 unaudited condensed interim financial statements were approved by the Board of Directors on 23 October 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 SEPTEMBER 2013

	Note	Third Quarter		Year-To-Date Ended	
		30 Sep 2013 RM'000	30 Sep 2012 RM'000 Restated	30 Sep 2013 RM'000	30 Sep 2012 RM'000 Restated
Income derived from investment of depositors' funds and others	21	151,552	163,540	441,817	468,895
Income derived from investment of shareholder's funds	22	29,688	38,260	96,680	97,439
Impairment losses on financing	23	(11,878)	(39,324)	(58,526)	(108,638)
Total distributable income		169,362	162,476	479,971	457,696
Income attributable to depositors	24	(66,427)	(63,406)	(188,159)	(183,232)
Total net income		102,935	99,070	291,812	274,464
Personnel expenses	25	(10,126)	(7,715)	(28,570)	(26,839)
Other overheads and expenditures	26	(40,169)	(46,684)	(129,683)	(130,888)
Profit before taxation		52,640	44,671	133,559	116,737
Income tax expense		(11,797)	(6,186)	(31,115)	(21,142)
Profit for the period		40,843	38,485	102,444	95,595
Other comprehensive income					
Fair value reserve					
Change in fair value		(45)	(750)	(3,859)	(265)
Amount transferred to profit or loss		108	-	108	-
Income tax relating to components of other comprehensive income		(16)	196	938	75
Other comprehensive income for the period, net of income tax		47	(554)	(2,813)	(190)
Total comprehensive income for the period		40,890	37,931	99,631	95,405
Profit attributable to the owner of the Bank		40,843	38,485	102,444	95,595
Total comprehensive income attributable to the owner of the Bank		40,890	37,931	99,631	95,405
Basic earnings per RM0.50 ordinary share		40.8 sen	38.5 sen	102.4 sen	95.6 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 SEPTEMBER 2013

	←		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
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	-	-	-	-	-	-	95,595	95,595	
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)	-	-	95,595	95,405	
Transactions with the owner (the ultimate holding company), recorded directly in equity									
Share based payment transactions	-	-	-	-	368	-	-	368	
Other transactions, recorded directly in equity									
Reclassification of profit equalisation reserve to equity	-	-	-	-	-	5,360	-	5,360	
Balance at 30 September	50,000	610,000	50,000	(42)	1,063	5,360	286,420	1,002,801	
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	-	-	-	-	-	-	102,444	102,444	
Other comprehensive income, net of income tax									
Fair value reserve:									
Net change in fair value	-	-	-	(2,813)	-	-	-	(2,813)	
Total other comprehensive income	-	-	-	(2,813)	-	-	-	(2,813)	
Total comprehensive income for the period	-	-	-	(2,813)	-	-	102,444	99,631	
Transactions with the owner (the ultimate holding company), recorded directly in equity									
Share based payment transactions	-	-	-	-	64	-	(9)	55	
Balance at 30 September	50,000	610,000	50,000	(2,279)	1,225	-	430,520	1,139,466	

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 STATEMENTS OF CASH FLOW
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2013

	30 Sep 2013	30 Sep 2012
	RM'000	RM'000
Profit before income tax expense	133,559	116,737
Adjustments for non-operating and non-cash items	7,919	6,672
Operating profit before working capital changes	141,478	123,409
Changes in working capital:		
Net changes in operating assets	(694,791)	(1,550,911)
Net changes in operating liabilities	2,108,763	2,566,101
Income tax paid	(25,000)	(17,333)
Net cash generated from operations	1,530,450	1,121,266
Net cash generated from/(used in) investing activities	109,017	(517,476)
	109,017	(517,476)
Net changes in cash and cash equivalents	1,639,467	603,790
Cash and cash equivalents at beginning of the period	1,650,386	1,536,792
Cash and cash equivalents at end of the period	3,289,853	2,140,582
Analysis of cash and cash equivalents		
Cash and short-term funds	3,289,853	2,140,582

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 unaudited condensed interim financial statements were approved by the Board of Directors on 23 October 2013.

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Explanatory notes to the Unaudited Condensed Interim Financial Statements at 30 September 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 September 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 September 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 Bank Negara Malaysia requirements on Shariah related disclosure. 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 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)
- 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)
- Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 132, Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
- Amendments to MFRS 134, Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
- 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)
- Amendments to MFRS 136, Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to MFRS 139, Financial Instruments: Recognition and Measurement, Novation of Derivatives and Continuation of Hedge Accounting

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 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.

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 September 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 September 2013, except for those arising from the change in accounting treatment as disclosed in Note 29.

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 September 2013.

8 Dividend

No dividend was declared nor paid during the financial period ended 30 September 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 Sep 2013	31 Dec 2012
	RM'000	RM'000
Cash and balances with banks and other financial institutions	269,853	150,386
Money at call and interbank placements maturing within one month	3,020,000	1,500,000
	3,289,853	1,650,386

11 Financial Assets Held-for-Trading

	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	89,752	-
Malaysian Government treasury bills	-	182,509
	89,752	182,509

12 Financial Investments Available-for-Sale

	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	1,122,348	1,216,651
Negotiable instruments of deposit	25,000	25,001
Bankers' acceptances and Islamic accepted bills	-	23,631
	1,147,348	1,265,283

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

Maturing within one year	503,958	303,905
More than one year to three years	149,963	331,801
More than three years to five years	298,129	145,412
Over five years	195,298	484,165
	1,147,348	1,265,283

13 Financing and Advances

(i) By type and Shariah contracts

	Sale-based contracts				Lease-based contracts		Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Bai Bithaman Ajil	Bai Al-Inah	Bai Al-Dayn	Ijarah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
30 Sep 2013	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	-	-	80,493	-	-	-	-	-	80,493
Term financing									
House financing	-	5,428	70	-	-	-	2,521,213	-	2,526,711
Hire purchase receivables	-	-	-	-	-	262,858	-	-	262,858
Lease receivables	-	-	-	-	2,576	-	-	-	2,576
Other term financing	2,841,532	284,134	476,636	2,113	-	-	1,321,583	-	4,925,998
Trust receipts	45,096	-	-	-	-	-	-	-	45,096
Claims on customers under acceptance credits	554,582	-	-	185,496	-	-	-	15,837	755,915
Staff financing	103	-	2,402	-	-	-	40,669	-	43,174
Credit/ charge cards	-	-	-	-	-	-	-	454,965	454,965
Revolving credit	232,501	-	-	-	-	-	-	-	232,501
Gross financing and advances	3,673,814	289,562	559,601	187,609	2,576	262,858	3,883,465	470,802	9,330,287
Less: Allowance for impaired financing:									
Collective allowances for impairment									(129,104)
Individual allowances for impairment									(38,469)
Total net financing and advances									9,162,714

	Sale-based contracts				Lease-based contracts		Equity-based contracts	Ujrah	Total
	Commodity Murabahah	Bai Bithaman Ajil	Bai Al-Inah	Bai Al-Dayn	Ijarah	Ijarah Thumma Al-Bai	Diminishing Musharakah		
31 Dec 2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line	-	-	62,737	-	-	-	-	-	62,737
Term financing									
House financing	-	7,570	79	-	-	-	2,087,248	-	2,094,897
Hire purchase receivables	-	-	-	-	-	269,517	-	-	269,517
Lease receivables	-	-	-	-	2,777	-	-	-	2,777
Other term financing	2,297,767	378,935	813,331	1,938	-	-	1,130,623	-	4,622,594
Trust receipts	49,217	-	-	-	-	-	-	-	49,217
Claims on customers under acceptance credits	484,991	-	-	258,057	-	-	-	118,859	861,907
Staff financing	676	-	2,330	-	-	-	38,067	-	41,073
Credit/ charge cards	-	-	-	-	-	-	-	442,771	442,771
Revolving credit	211,621	-	-	-	-	-	-	-	211,621
Gross financing and advances	3,044,272	386,505	878,477	259,995	2,777	269,517	3,255,938	561,630	8,659,111
Less: Allowance for impaired financing:									
Collective allowances for impairment									(144,853)
Individual allowances for impairment									(30,379)
Total net financing and advances									8,483,879

13 Financing and Advances (Cont'd)

(ii) By type of customer

	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
Domestic business enterprises		
Small medium enterprises	1,759,337	1,712,652
Others	2,666,868	2,418,532
Government and statutory bodies	20,010	20,193
Individuals	4,388,870	4,037,832
Other domestic entities	1,781	1,648
Foreign entities	493,421	468,254
	<u>9,330,287</u>	<u>8,659,111</u>

(iii) By profit rate sensitivity

	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
Fixed rate		
House financing	8,984	10,327
Hire purchase receivables	262,858	269,517
Other financing	2,009,472	2,360,678
Variable rate		
House financing	3,241,573	2,668,365
Other financing	3,807,400	3,350,224
	<u>9,330,287</u>	<u>8,659,111</u>

(iv) By maturity structure

	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
Maturing within one year	3,983,800	3,769,152
More than one year to three years	579,313	626,054
More than three years to five years	737,767	765,104
Over five years	4,029,407	3,498,801
	<u>9,330,287</u>	<u>8,659,111</u>

(v) By sector

	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
		Restated
Agriculture, hunting, forestry & fishing	376,756	562,445
Mining and quarrying	126,157	151,227
Manufacturing	1,172,276	1,162,846
Electricity, gas and water	92,311	100,845
Construction	646,946	266,430
Real estate	621,748	558,642
Wholesale & retail trade, restaurants & hotels	675,646	605,763
Transport, storage and communication	274,989	305,380
Finance, takaful and business services	247,864	234,389
Household - Retail	4,831,014	4,356,938
Others	264,580	354,206
	<u>9,330,287</u>	<u>8,659,111</u>

13 Financing and Advances (Cont'd)

(vi) By purpose

	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Purchase of landed property:		
- Residential	2,410,803	1,966,090
- Non-residential	75,050	74,027
Purchase of transport vehicles	1,545	1,487
Purchase of fixed assets excluding land & building	38,125	49,562
Consumption credit	2,416,344	2,387,506
Construction	646,946	255,241
Working capital	3,668,406	3,754,209
Other purpose	73,068	170,989
	9,330,287	8,659,111

(vii) By geographical distribution

	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Northern Region	1,455,704	1,642,810
Southern Region	1,420,430	1,321,642
Central Region	5,851,401	5,082,757
Eastern Region	602,752	611,902
	9,330,287	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.

(viii) 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 Sep 2013 RM'000	31 Dec 2012 RM'000
Term financing	663,905	632,121
Less: Individual allowance for impaired financing	-	-
Total net financing and advances	663,905	632,121

	Credit Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Commitments and Contingencies			
- at 30 Sep 2013	-	-	-
- at 31 Dec 2012	-	-	-
		Principal	Risk
		RM'000	weighted
			RM'000
Total RWA for Credit Risk			
- at 30 Sep 2013		663,905	663,905
- at 31 Dec 2012		632,121	632,121

14 Impaired Financing

(i) Movements in impaired financing and advances

	30 Sep 2013 RM'000	31 Dec 2012 RM'000
At beginning of period/year	129,418	125,688
Classified as impaired during the period/year	196,079	230,701
Reclassified as performing	(57,575)	(23,715)
Amount recovered	(34,237)	(65,354)
Amount written off	(91,741)	(116,486)
Other movements	20,025	(21,416)
At end of period/year	<u>161,969</u>	<u>129,418</u>
Less: Individual allowance for impairment	(38,469)	(30,379)
Collective allowance for impairment (impaired portion)	<u>(52,312)</u>	<u>(57,126)</u>
Net impaired financing and advances	<u>71,188</u>	<u>41,913</u>

(ii) Movements in allowance for impaired financing

	30 Sep 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	106,517	159,920
Amount released	(32,364)	(6,644)
Amount written off	(89,708)	(110,956)
Discount unwind	(194)	18
Other movement	-	(2,670)
At end of period/year	<u>129,104</u>	<u>144,853</u>

	30 Sep 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	31,119	32,088
Amount recovered	(25,883)	(18,053)
Amount written off	(3,044)	(1,370)
Other movement	6,247	(14,684)
Discount unwind	(349)	(583)
At end of period/year	<u>38,469</u>	<u>30,379</u>

(iii) By contract

	30 Sep 2013 RM'000	31 Dec 2012 RM'000 Restated
Bai Bithaman Ajil (<i>deferred payment sale</i>)	561	597
Bai Al-Dayn	2,028	2,401
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	8,934	9,251
Commodity Murabahah (<i>cost-plus</i>)	28,896	7,672
Diminishing Musharakah (<i>diminishing partnership</i>)	50,411	39,454
Bai Al-Inah (<i>sell and buy back</i>)	55,663	54,397
Ujrah (<i>fee-based</i>)	15,476	15,646
	<u>161,969</u>	<u>129,418</u>

(iv) By sector

	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Agriculture, hunting, forestry & fishing	9	84
Manufacturing	8,189	7,594
Construction	2,706	-
Wholesale & retail trade, restaurants & hotels	4,397	6,913
Transport, storage and communication	982	829
Finance, takaful and business services	420	420
Household - Retail	145,075	113,578
Others	191	-
	<u>161,969</u>	<u>129,418</u>

14 Impaired Financing (Cont'd)

(v) **By purpose**

	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
Purchase of landed property:		
- Residential	59,224	45,439
- Non-residential	102	108
Purchase of transport vehicles	17	60
Consumption credit	85,834	68,079
Construction	2,706	-
Working capital	13,401	15,046
Other purpose	685	686
	<u>161,969</u>	<u>129,418</u>

(vi) **By geographical distribution**

	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
Northern Region	48,333	36,631
Southern Region	27,107	30,106
Central Region	81,394	57,037
Eastern Region	5,135	5,644
	<u>161,969</u>	<u>129,418</u>

15 Other Assets

	30 Sep 2013	31 Dec 2012
	RM'000	RM'000
Income receivable	11,143	16,387
Amount due from holding company/ related companies	129,063	96,723
Other receivables, deposits and prepayments	11,908	18,878
	<u>152,114</u>	<u>131,988</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 Sep 2013 RM'000	31 Dec 2012 RM'000
Non-Mudharabah Fund		
Demand deposits		
- Wadiah	1,203,565	769,786
- Wakalah	82,592	28,108
Savings deposits		
- Wadiah	598,755	516,172
- Wakalah	580,442	426,700
Fixed return investment deposits		
- Murabahah	6,321,094	5,446,258
Islamic repurchase agreements	-	
- Bai Al-Inah	196,573	223,467
Negotiable instruments of deposits		
- Wakalah	16,272	80,434
- Wakalah with Commodity Wa'ad	457,266	-
Others		
- Hybrid	108,624	105,169
- Wakalah	54,187	59,841
- Murabahah	1,196,451	983,874
	<u>10,815,821</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	5,554,456	4,697,623
More than six months to one year	845,808	709,464
More than one year to three years	94,731	58,711
More than three years to five years	299,637	60,894
	<u>6,794,632</u>	<u>5,526,692</u>

(ii) By type of customer

	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Government and statutory bodies	90,565	86,997
Business enterprises	2,094,694	2,053,853
Individuals	6,646,233	5,252,261
Others	1,984,329	1,246,698
	<u>10,815,821</u>	<u>8,639,809</u>

18 Deposits and Placements from Banks and Other Financial Institutions

	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Mudharabah Fund		
Licensed banks	1,497,536	1,753,541
Bank Negara Malaysia	7,734	9,775
	<u>1,505,270</u>	<u>1,763,316</u>

19 Other Liabilities

	Note	30 Sep 2013 RM'000	31 Dec 2012 RM'000
Profit payable		46,421	41,915
Amounts due to holding company/ related companies		28,644	33,776
Profit equalisation reserve	(a)	1,340	1,340
Other creditors and accruals	(b)	176,194	64,226
		252,599	141,257

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

	30 Sep 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 Sep 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	71	32
Use of charity funds		
Contribution to non-profit organisations	(101)	(70)
At end of period/year	2	32

20 Multi-Currency Sukuk Programme

	30 Sep 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

	Third Quarter		Year-To-Date Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of:				
(i) general investment deposits	116,051	112,094	335,243	328,853
(ii) specific investment deposits	5,241	29,798	26,224	79,075
(iii) other deposits	30,260	21,648	80,350	60,967
	151,552	163,540	441,817	468,895
(i) Income derived from investment of general investment deposits				
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 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	93,742	96,565	276,513	284,431
- Recoveries from impaired financing	1,776	2,372	5,871	7,287
Financial investments available-for-sale	2,783	1,368	12,096	5,748
Money at call and deposit with financial institutions	17,830	11,789	40,843	31,387
	116,131	112,094	335,323	328,853
<u>Other operating income</u>				
Net loss from sale of financial investments available-for-sale	(80)	-	(80)	-
	(80)	-	(80)	-
	116,051	112,094	335,243	328,853

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

	Third Quarter		Year-To-Date Ended	
	30 Sep 2013 RM'000	30 Sep 2012 RM'000	30 Sep 2013 RM'000	30 Sep 2012 RM'000
(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	2,738	8,288	12,339	23,271
Financial investments available-for-sale	5,009	3,956	12,650	7,830
	<u>7,747</u>	<u>12,244</u>	<u>24,989</u>	<u>31,101</u>
<u>Other operating income</u>				
Fees and commission	644	1,219	2,793	2,388
Net gains from dealing in foreign currency	6,743	4,208	15,737	11,497
Net gain from sale of financial assets held-for-trading and other financial instruments	3,808	16,342	14,255	38,802
Net gain from trading in derivatives	229	50	355	2,335
Net profit paid for financial assets held-for-trading and other financial instruments	(13,405)	(4,610)	(30,297)	(6,077)
Net unrealised (loss)/gain from revaluation of financial assets held-for-trading	(525)	345	(1,608)	(971)
	<u>(2,506)</u>	<u>17,554</u>	<u>1,235</u>	<u>47,974</u>
	<u>5,241</u>	<u>29,798</u>	<u>26,224</u>	<u>79,075</u>
The above fees and commissions were derived from the following major contributors:				
Guarantee fees	284	268	810	832
Service charges and fees	19	724	78	1,022
Credit facilities	284	78	1,290	325
	<u>284</u>	<u>78</u>	<u>1,290</u>	<u>325</u>
	30 Sep 2013 RM'000	30 Sep 2012 RM'000	30 Sep 2013 RM'000	30 Sep 2012 RM'000
(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	24,507	18,653	66,274	52,731
- Recoveries from impaired financing	471	459	1,407	1,351
Financial investments available-for-sale	771	272	2,899	1,066
Money at call and deposit with financial institutions	4,530	2,264	9,789	5,819
	<u>30,279</u>	<u>21,648</u>	<u>80,369</u>	<u>60,967</u>
<u>Other operating income</u>				
Net loss from sale of financial investments available-for-sale	(19)	-	(19)	-
	<u>(19)</u>	<u>-</u>	<u>(19)</u>	<u>-</u>
	<u>30,260</u>	<u>21,648</u>	<u>80,350</u>	<u>60,967</u>

22 Income Derived from Investment of Shareholder's Funds

	Third Quarter		Year-To-Date Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
<u>Finance income:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	9,815	12,495	30,916	32,692
- Recoveries from impaired financing	184	309	657	837
Financial investments available-for-sale	277	190	1,352	661
Money at call and deposit with financial institutions	1,910	1,501	4,567	3,608
	12,186	14,495	37,492	37,798
<u>Other operating income</u>				
Fees and commission	16,593	22,940	56,346	54,168
Net loss from sale of financial assets held-for-trading and other financial instruments	(9)	-	(9)	-
Shared-service fees from holding company	859	762	2,668	5,279
Other income	59	63	183	194
	17,502	23,765	59,188	59,641
	29,688	38,260	96,680	97,439
The above fees and commissions were derived from the following major contributors:				
Service charges and fees	4,181	8,944	14,846	17,085
Cards	6,643	6,441	20,295	16,545
Agency fees	4,043	4,599	12,971	11,237

23 Impairment Losses on Financing

	Third Quarter		Year-To-Date Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Impairment charges on financing:				
(a) Individual impairment				
- Provided	11,359	10,749	31,119	20,702
- Written back	(9,601)	(6,743)	(25,883)	(11,695)
(b) Collective impairment				
- Provided	29,995	42,593	106,517	129,995
- Written back	(13,251)	(1,629)	(32,364)	(12,612)
Impaired financing				
- Recovered	(7,505)	(5,928)	(23,052)	(18,243)
- Written off	881	282	2,189	491
	11,878	39,324	58,526	108,638

24 Income Attributable to Depositors

	Third Quarter		Year-To-Date Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
- Non-Mudharabah Fund	51,645	45,498	143,694	133,330
Deposits and placements of banks and other financial institutions				
- Mudharabah Fund	9,510	17,543	29,218	49,115
Others	5,272	365	15,247	787
	66,427	63,406	188,159	183,232

25 Personnel Expenses

	Third Quarter		Year-To-Date Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Salaries, allowances and bonuses	8,330	6,009	23,229	21,057
Employees Provident Fund contributions	1,329	953	3,379	3,214
Other staff related costs	467	753	1,962	2,568
	10,126	7,715	28,570	26,839

26 Other Overheads and Expenditures

	Third Quarter		Year-To-Date Ended	
	30 Sep 2013	30 Sep 2012	30 Sep 2013	30 Sep 2012
	RM'000	RM'000	RM'000	RM'000
Promotion and marketing related expenses				
Advertising and promotion	2,686	1,920	10,298	7,273
Marketing	706	3,167	3,357	6,764
	3,392	5,087	13,655	14,037
Establishment related expenses				
Depreciation of equipment	2,563	2,003	7,741	5,415
Amortisation of intangible assets	6	109	17	364
Information technology costs	742	341	1,652	839
Hire of equipment	4	15	27	41
Rental of premises	1,948	1,941	5,942	5,573
Equipment written off	-	-	14	-
Others	699	890	1,991	1,988
	5,962	5,299	17,384	14,220
General administrative expenses				
Intercompany expenses	27,609	30,981	90,323	90,389
Auditors' remuneration				
<u>Audit fees</u>				
KPMG Malaysia	30	28	90	83
<u>Non-audit services</u>				
KPMG Malaysia	75	13	150	118
Professional fees	235	500	1,093	1,277
Others	2,866	4,776	6,988	10,764
	30,815	36,298	98,644	102,631
	40,169	46,684	129,683	130,888

27 Capital Adequacy

	30 Sep 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	389,676	328,085
Other reserves	48,186	51,874
Regulatory adjustments	(5,866)	(42,072)
Total Common Equity Tier 1 capital	<u>1,091,996</u>	<u>997,887</u>
Tier 2 capital		
Collective impairment allowance (unimpaired portion)	<u>76,792</u>	<u>87,727</u>
Total Tier 2 capital	<u>76,792</u>	<u>87,727</u>
Total Capital	<u>1,168,788</u>	<u>1,085,614</u>
Common Equity Tier 1 and Core Capital ratio	11.576%	10.827%
Risk-Weighted Capital ratio	12.390%	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 Sep 2013		31 Dec 2012	
	Principal	Risk-weighted	Principal	Risk-weighted
	RM'000	RM'000	RM'000	RM'000
Total RWA for credit risk	16,335,699	8,517,580	14,058,135	8,397,856
Total RWA for market risk	-	82,205	-	72,469
Total RWA for operational risk	-	833,605	-	746,473
	<u>16,335,699</u>	<u>9,433,390</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.

28 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 Sep 2013				
Direct credit substitutes	410,707	-	410,707	359,612
Transaction-related contingent items	788,668	-	394,334	295,925
Short-term self-liquidating trade-related contingencies	35,012	-	7,002	4,717
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	1,916,020	-	383,204	344,823
- Maturity exceeding one year	736,589	-	368,294	295,514
Unutilised credit card lines	1,001,583	-	200,317	150,237
Foreign exchange related contracts				
- Less than one year	1,283,758	11,254	38,879	26,789
- Over five years	97,815	4,395	15,155	12,465
Profit rate related contracts				
- Less than one year	55,500	145	236	118
- One year to less than five years	2,484,454	50,965	122,101	64,566
- Over five years	550,000	2,230	29,730	21,740
Equity related contracts				
- Less than one year	995,223	334	62,887	30,936
- One year to less than five years	494,509	4,986	45,425	18,946
	10,849,838	74,309 ^	2,078,271	1,626,388
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

* 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).

^ The positive fair value of derivative contracts is disclosed in the statement of financial position as derivative financial assets.

29 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
a) 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>
b) Impaired Financing		
<u>By contract</u>		
Bai Bithaman Ajil (<i>deferred payment sale</i>)	597	597
Bai Al-Dayn	2,401	-
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	9,251	9,251
Commodity Murabahah (<i>cost-plus</i>)	7,672	10,073
Diminishing Musharakah (<i>diminishing partnership</i>)	39,454	39,454
Bai Al-Inah (<i>sell and buy back</i>)	54,397	54,397
Ujrah (<i>fee-based</i>)	15,646	15,646
	<u>129,418</u>	<u>129,418</u>

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

	Third Quarter		Year-To-Date Ended	
	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	163,540	111,999	468,895	328,863
<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	96,565	98,724	284,431	291,436
- Recoveries from impaired financing	2,372	127	7,287	290
Financial investments available-for-sale	1,368	1,367	5,748	5,749
Money at call and deposit with financial institutions	11,789	11,781	31,387	31,388
	<u>112,094</u>	<u>111,999</u>	<u>328,853</u>	<u>328,863</u>

29 Comparative Figures (Cont'd)

Restatement of Comparative Figures (Cont'd)

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

Statement of profit or loss and other comprehensive income for the financial period ended 30 September 2012 (Cont'd)

	Third Quarter		Year-To-Date Ended	
	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 (Cont'd)				
<i>(of which the affected components are disclosed below) :</i>				
(ii) Income derived from investment of other deposits				
<u>Finance income and hibah:</u>				
Financing and advances				
- Profit earned other than recoveries from impaired financing	18,653	19,073	52,731	54,030
- Recoveries from impaired financing	459	24	1,351	54
Financial investments available-for-sale	272	271	1,066	1,066
Money at call and deposit with financial institutions	2,264	2,262	5,819	5,819
	<u>21,648</u>	<u>21,630</u>	<u>60,967</u>	<u>60,969</u>
b) Income Derived from Investment of Shareholder's Funds	<u>38,260</u>	<u>38,372</u>	<u>97,439</u>	<u>97,427</u>
<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	12,495	12,888	32,692	33,486
- Recoveries from impaired financing	309	16	837	33
Financial investments available-for-sale	190	193	661	661
Money at call and deposit with financial institutions	1,501	1,510	3,608	3,606
	<u>14,495</u>	<u>14,607</u>	<u>37,798</u>	<u>37,786</u>
<u>Other operating income</u>				
Fees and commission	18,373	22,940	31,228	54,168
c) Other Overheads and Expenditures	<u>46,221</u>	<u>46,221</u>	<u>84,204</u>	<u>84,204</u>
<i>(of which the affected components are disclosed below) :</i>				
General administrative expenses	36,298	36,298	102,631	102,631
Intercompany expenses	30,981	27,569	90,389	80,827
Others	4,776	8,188	10,764	20,326

(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 September 2012

	Third Quarter		Year-To-Date Ended	
	RM'000 As restated	RM'000 As previously stated	RM'000 As restated	RM'000 As previously stated
a) Impairment Losses on Financing	<u>39,324</u>	<u>36,290</u>	<u>108,638</u>	<u>94,109</u>
Impairment charges on financing:				
Collective impairment				
- Provided	42,593	28,346	129,995	91,004
- Written back	(1,629)	(318)	(12,612)	(2,463)
Regulatory reserve				
- Provided	-	10,637	-	15,930
- Written back	-	(1,617)	-	(1,617)
b) Income tax expense	<u>(6,186)</u>	<u>(4,980)</u>	<u>(21,142)</u>	<u>(17,725)</u>

29 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%

30 Performance Review

Profit before taxation for the financial period ended 30 September 2013 increased by RM16.8 million or 14.4% against history. The improvement was largely attributed to lower impairment losses on financing of RM50.1 million on lower collective impairment charges for personal financing. This was partially offset by lower income derived from the investment of depositors' funds and others and shareholder's funds (-RM27.8million) and higher income attributable to depositors (+RM4.9million).

Income derived from investment of depositors' funds and others and shareholder's funds declined by RM27.8 million or 4.9% largely due to lower trading income. Meanwhile, income attributable to depositors was higher due to growth in customer deposits (+RM2.1billion or 23.7% against history).

Balance sheet size increased by RM2.2 billion or 18.2%, driven by higher customer deposits which has been partly deployed to customer advances and the surplus funds were placed out in the interbank market. The Bank's common equity tier 1 and core capital ratios and risk-weighted capital ratio remained strong at 11.6% and 12.4% respectively.

31 Business Prospects

The Malaysian economy rose at a modest pace of 4.2% y-o-y in 1H 2013, significantly lower than that registered during the same period last year (1H 2012: 5.4%). The domestic economy grew by 4.1% in 1Q and improved slightly to 4.2% in 2Q. The prolonged weakness in the external environment has had a dampening effect on many emerging economies, prompting Bank Negara Malaysia to revise downwards the overall growth of the Malaysian economy to 4.5% - 5.0% from 5% - 6% earlier. Domestically, the increase in public consumption has mitigated the continued moderation in external demand, and is expected to continue being the buffer against external weakness, as it remains supported by higher Government spending on infrastructure projects, supplies and services, coupled with sustained civil service emoluments.

The focus in the final quarter of 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 put more emphasis on secured financing on the retail end, while at the same time capitalising 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 under the backdrop of these standards and requirements.