



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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS
31 MARCH 2012

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

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

MANAGEMENT'S CERTIFICATION

I hereby certify that the attached unaudited condensed interim financial statements for the financial period ended 31 March 2012 have been prepared from the Bank's accounting and other records and that they are in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), International Accounting Standards ("IAS") 34, Interim Financial Reporting, Guidelines on Financial Reporting for Licenced Islamic Banks and Circular on the Application of FRS and Revised Financial Reporting for Islamic Banks issued by Bank Negara Malaysia in 2012.

SAW SAY PIN
Chief Financial Officer

Date : 24 April 2012

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

UNAUDITED CONDENSED STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2012

	<i>Note</i>	31 Mar 2012	31 Dec 2011	1 Jan 2011
		RM'000	RM'000	RM'000
Assets				
Cash and short-term funds	11	2,591,484	1,536,792	1,508,998
Financial Assets Held-for-Trading	12	501	216,716	148,006
Financial Investments Available-for-Sale	13	688,241	422,086	330,665
Financing and advances	14	7,829,175	7,546,346	4,636,276
Other assets	16	43,773	212,308	59,035
Statutory deposits with Bank Negara Malaysia		270,562	228,562	34,729
Equipment		17,982	18,926	16,425
Intangible assets		328	461	1,499
Deferred tax assets		29,241	15,182	18,002
Total Assets		11,471,287	10,197,379	6,753,635
Liabilities				
Deposits from customers	17	7,303,204	5,476,252	3,782,536
Deposits and placements from banks and other financial institutions	18	3,037,961	3,740,525	2,084,599
Bills and acceptances payable		10,154	7,600	5,531
Other liabilities	19	147,741	102,105	91,670
Provision for taxation		25,863	6,838	4,448
Total Liabilities		10,524,923	9,333,320	5,968,784
Shareholder's Equity				
Share capital		50,000	50,000	50,000
Reserves		896,364	814,059	734,851
Total Shareholder's Equity		946,364	864,059	784,851
Total Liabilities and Shareholder's Equity		11,471,287	10,197,379	6,753,635
Commitments and Contingencies	27	5,943,791	5,535,558	1,823,148

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 5 to 23 attached to the unaudited condensed interim financial statements.

The financial statements were approved by the Board of Directors on 24 April 2012.

HSBC AMANAH MALAYSIA BERHAD
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**UNAUDITED CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE
INCOME FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012**

	<i>Note</i>	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Income derived from investment of depositors' funds and others	20	158,976	93,679
Income derived from investment of shareholder's funds	21	26,681	23,337
Impairment losses on financing	22	(25,175)	(21,215)
Total distributable income		160,482	95,801
Income attributable to depositors	23	(62,101)	(31,355)
Total net income		98,381	64,446
Personnel expenses	24	(9,482)	(8,029)
Other overheads and expenditures	25	(37,983)	(27,654)
Profit before taxation		50,916	28,763
Taxation		(12,745)	(6,413)
Profit for the period		38,171	22,350
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve			
Change in fair value		(339)	(371)
Income tax relating to components of other comprehensive income		85	92
Other comprehensive income for the period, net of tax		(254)	(279)
Total comprehensive income for the period		37,917	22,071
Profit attributable to the owner of the Bank		38,171	22,350
Total comprehensive income attributable to owner of the Bank		37,917	22,071
Basic earnings per RM0.50 ordinary share		38.2 sen	22.4 sen

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UNAUDITED CONDENSED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012

	←		<i>Non-distributable</i>			→		<i>Distributable</i>	<i>Total</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>		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2011									
Balance as at 1 January 2011	50,000	610,000	50,000	(136)	335	-	74,652	784,851	
Total comprehensive income for the period									
Net profit for the period	-	-	-	-	-	-	22,350	22,350	
Transfer to Statutory Reserve	-	-	-	-	-	-	-	-	
Other comprehensive income, net of income tax									
Fair value reserve:									
Net change in fair value	-	-	-	(279)	-	-	-	(279)	
Total other comprehensive income	-	-	-	(279)	-	-	-	(279)	
Total comprehensive income for the period	-	-	-	(279)	-	-	22,350	22,071	
Transactions with ultimate holding company, recorded directly in equity									
Share based payment transactions	-	-	-	-	55	-	-	55	
Balance as at 31 March 2011	50,000	610,000	50,000	(415)	390	-	97,002	806,977	
2012									
Balance as at 1 January 2012	50,000	610,000	50,000	148	695	-	153,216	864,059	
Effect of convergence to MFRS	-	-	-	-	-	-	38,982	38,982	
Balance as at 1 January 2012, restated	50,000	610,000	50,000	148	695	-	192,198	903,041	
Total comprehensive income for the period									
Net profit for the period	-	-	-	-	-	-	38,171	38,171	
Other comprehensive income, net of income tax									
Fair value reserve:									
Net change in fair value	-	-	-	(254)	-	-	-	(254)	
Total other comprehensive income	-	-	-	(254)	-	-	-	(254)	
Total comprehensive income for the period	-	-	-	(254)	-	-	38,171	37,917	
Transactions with ultimate holding company, recorded directly in equity									
Share based payment transactions	-	-	-	-	46	-	-	46	
Other transactions, recorded directly in equity									
Reclassification of profit equalisation reserve to equity	-	-	-	-	-	5,360	-	5,360	
Balance as at 31 March 2012	50,000	610,000	50,000	(106)	741	5,360	230,369	946,364	

The unaudited condensed interim financial statements should be read in conjunction with the audited financial statements of the Bank for the financial year ended 31 December 2011 and the accompanying explanatory notes on pages 5 to 23 attached to the unaudited condensed interim financial statements.

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UNAUDITED CONDENSED CASH FLOW STATEMENT
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2012

	31 Mar 2012	31 Mar 2011
	RM'000	RM'000
Profit before taxation	50,916	28,763
Adjustments for non-operating and non-cash items	45,064	1,990
Operating profit before working capital changes	95,980	30,753
Changes in working capital:		
Net changes in operating assets	59,921	(306,019)
Net changes in operating liabilities	1,172,578	407,469
Taxation paid	(6,500)	(4,000)
Net cash generated from operating activities	1,321,979	128,203
Net cash used in investing activities	-	3,716
Net cash generated from financing activities	(267,287)	-
	(267,287)	3,716
Net changes in cash and cash equivalents	1,054,692	131,919
Cash and cash equivalents at beginning of the period	1,536,792	1,508,998
Cash and cash equivalents at end of the period	2,591,484	1,640,917
Analysis of cash and cash equivalents		
Cash and short-term funds	2,591,484	1,640,917

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
AT 31 MARCH 2012

1 General Information

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

The principal activities of the Bank are Islamic banking and related financial services.

There were no significant changes in these activities during the financial period.

2 Basis of Preparation

The unaudited condensed interim financial statements for the financial period ended 31 March 2012 have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), as modified by Bank Negara Malaysia’s (“BNM”) guidelines and with International Accounting Standards (“IAS”) 34, Interim Financial Reporting. The unaudited condensed interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the audited financial statements of the Bank as at and for the financial year ended 31 December 2011. The explanatory notes attached in the unaudited condensed interim financial statements provide an explanation of events and transactions that are significant for an understanding of the changes in the financial position and performance of the Bank since the financial year ended 31 December 2011.

The Bank’s unaudited condensed interim financial statements include the financial statements of the Bank. The audited financial statements of the Bank as at and for the year ended 31 December 2011 were prepared under Financial Reporting Standards (FRSs). Since the previous annual audited financial statements as at 31 December 2011 were issued, the Bank has adopted the Malaysian Financial Reporting Standards (“MFRS”) framework issued by the Malaysian Accounting Standards Board (“MASB”) with effect from 1 January 2012. This MFRS framework was introduced by the MASB in order to fully converge Malaysia’s existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain FRSs.

This is the Bank’s first condensed interim financial statements covered by the MFRS framework and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. The MFRS did not result in any material financial impact to the Bank other than the financial impact arising from the change in accounting policy on the impairment of collectively assessed financing and advances, and the fair valuation of structured deposits, as the accounting policies adopted under the previous FRS framework were already in line with the requirements of the MFRS framework. The change in accounting policy on impairment of collectively assessed financing and advances is as described in Note 2 (a). A detailed explanation of how the transition to MFRSs has affected the reported financial position, financial performance and cash flows of the Bank is provided in Note 28.

The Bank has early adopted the amendments to MFRS 101, Presentation of Financial Statements which is originally effective for annual periods beginning on or after 1 July 2012. The early adoption of the amendments to MFRS 101 has no impact on the financial statements other than the presentation format of the statement of profit or loss and other comprehensive income.

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

MFRS/Interpretations	Effective date
- Amendments to MFRS 7, Financial Instruments: Disclosures	1 Jan 2013
- MFRS 10, Consolidated Financial Statements	1 Jan 2013
- MFRS 11, Joint Arrangements	1 Jan 2013
- MFRS 12, Disclosure of Interests in Other Entities	1 Jan 2013
- MFRS 13, Fair Value Measurement	1 Jan 2013
- MFRS 119, Employee Benefits (2011)	1 Jan 2013
- MFRS 127, Separate Financial Statements (2011)	1 Jan 2013
- MFRS 128, Investments in Associates and Joint Ventures (2011)	1 Jan 2013
- IC Interpretation 20, Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013
- Amendments to MFRS 132, Financial Instruments: Presentation	1 Jan 2014
- MFRS 9, Financial Instruments (2009)	1 Jan 2015
- MFRS 9, Financial Instruments (2010)	1 Jan 2015

2 Basis of Preparation (Cont'd)

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

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

The adoption of MFRS 9 will result in a change in accounting policy. The Bank is currently examining the financial impact of adopting MFRS 9. IC Interpretation 20 is not expected to have any impact on the financial statements of the Bank as it is not relevant to the operations of the Bank. The initial application of the other standards and amendments are not expected to have any material financial impact on the financial statements of the Bank.

(a) Change in accounting policy

(i) *Impairment of collectively assessed financing and advances*

Prior to the transition to MFRS 139, the Bank had maintained collective impairment provision at 1.5% of total outstanding financing and advances, net of individual impairment provision, in line with Bank Negara Malaysia's transitional provisions under its Guidelines on Classification and Impairment Provisions for Loans/Financing. Upon the transition to MFRS 139 on 1 January 2012, these transitional provisions, which were allowed under the previous FRS framework, were removed and the Bank has applied the requirements of MFRS 139 in the determination of collective impairment provision, of which the revised accounting policy is described below.

Collectively assessed financing and advances

Impairment is assessed on a collective basis in two circumstances:

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

Individually significant financing and advances

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

The collective impairment allowance is determined after taking into account:

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

Homogeneous groups of financing and advances

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

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

2 Basis of Preparation (Cont'd)

(a) Change in accounting policy (Cont'd)

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

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

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

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

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

(ii) Regulatory Reserves

Regulatory reserves is an overlay provision on top of the collective impairment provision based on the collective impairment models.

3 Significant Accounting Policies

Except as described below, the accounting policies applied by the Bank in these condensed interim financial statements are the same as those applied by the Bank in its annual financial statements for the year ended 31 December 2011.

(a) Profit Equalisation Reserves (PER)

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

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

4 Auditors' Report On Preceding Annual Financial Statements

The audit report on the audited financial statements for the financial year ended 31 December 2011 was not subject to any qualification.

5 Seasonality or Cyclical Factors

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

6 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 31 March 2012.

7 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 of financing and advances, the valuation of financial instruments and the impairment of available-for-sale financial investments

There were no material changes in estimates of amounts reported in prior financial year that have a material effect on the financial results and position of the Bank for the financial period ended 31 March 2012, except for those arising from the change in accounting treatment as disclosed in Note 28.

8 Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale or repayment of debt and equity securities during the financial period ended 31 March 2012.

9 Dividend

No dividend was declared nor paid during the financial period ended 31 March 2012.

10 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.

11 Cash and Short-Term Funds

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Cash and balances with banks and other financial institutions	137,404	113,412
Money at call and interbank placements maturing within one month	<u>2,454,080</u>	<u>1,423,380</u>
	<u>2,591,484</u>	<u>1,536,792</u>

12 Financial Assets Held-for-Trading

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	<u>501</u>	<u>216,716</u>

13 Financial Investments Available-for-Sale

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
At fair value		
Money market instruments:		
Malaysian Government Islamic bonds	617,762	397,082
Negotiable instruments of deposit	50,001	25,004
Bankers' acceptances and Islamic accepted bills	<u>20,478</u>	<u>-</u>
	<u>688,241</u>	<u>422,086</u>

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

Maturing within one year	301,749	206,016
More than one year to three years	<u>386,492</u>	<u>216,070</u>
	<u>688,241</u>	<u>422,086</u>

14 Financing And Advances

(i) By type

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Cash line	65,263	49,753
Term financing		
House financing	1,641,760	1,272,351
Hire purchase receivables	300,226	258,634
Lease receivables	115	129
Other term financing	4,894,877	4,629,180
Trust receipts	27,046	25,137
Claims on customers under acceptance credits	592,353	1,054,878
Staff financing	24,769	20,378
Credit/ charge cards	367,796	365,947
Revolving credit	179,644	168,726
	<u>8,093,849</u>	<u>7,845,113</u>
Less: Unearned income	(109,969)	(114,198)
	<u>7,983,880</u>	<u>7,730,915</u>
Less: Allowance for impaired financing:		
- Collective allowances for impairment	(41,926)	(115,300)
- Individual allowances for impairment	(35,479)	(69,269)
- Regulatory reserves	(77,300)	-
Total net financing and advances	<u>7,829,175</u>	<u>7,546,346</u>

(ii) By contract

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	539,069	496,370
Ijarah (<i>lease</i>)	110	123
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	274,500	234,425
Murabahah (<i>cost-plus</i>)	2,708,306	2,660,992
Musharakah (<i>profit and loss sharing</i>)	2,221,500	1,707,395
Bai Al-Inah (<i>sell and buy back</i>)	1,405,191	1,573,752
Bai Al-Dayn (<i>sale of debt</i>)	172,572	292,850
Ujrah (<i>fee-based</i>)	662,632	765,008
	<u>7,983,880</u>	<u>7,730,915</u>

(iii) By type of customer

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Domestic business enterprises		
Small medium enterprises	1,555,090	1,755,146
Others	2,231,057	2,319,437
Government and statutory bodies	22,147	25,086
Individuals	3,489,469	3,217,167
Other domestic entities	2,751	2,934
Foreign entities	683,366	411,145
	<u>7,983,880</u>	<u>7,730,915</u>

14 Financing And Advances (Cont'd)

(iv) By profit rate sensitivity

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Fixed rate		
House financing	13,657	14,812
Hire purchase receivables	274,500	234,425
Other financing	2,516,877	3,076,876
Variable rate		
House financing	1,756,683	1,309,663
Other financing	3,422,163	3,095,139
	<u>7,983,880</u>	<u>7,730,915</u>

(v) By maturity structure

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Maturing within one year	3,692,085	3,877,009
More than one year to three years	704,209	674,185
More than three years to five years	1,077,966	1,173,785
Over five years	2,509,620	2,005,936
	<u>7,983,880</u>	<u>7,730,915</u>

(vi) By sector

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Agriculture, hunting, forestry & fishing	519,946	495,346
Mining and quarrying	152,899	158,056
Manufacturing	1,244,000	1,539,219
Electricity, gas and water	74,066	76,628
Construction	245,052	256,840
Real estate	461,968	394,054
Wholesale & retail trade, restaurants & hotels	355,992	360,928
Transport, storage and communication	398,382	407,268
Finance, insurance and business services	181,510	180,895
Household - Retail	3,671,176	3,360,543
Others	678,889	501,138
	<u>7,983,880</u>	<u>7,730,915</u>

(vii) By purpose

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Purchase of landed property:		
Residential	1,608,985	1,254,170
Non-residential	69,596	63,002
Purchase of transport vehicles	1,496	1,578
Purchase of fixed assets excluding land & building	51,851	57,469
Consumption Credit	2,058,321	2,102,850
Construction	245,052	256,840
Working Capital	3,422,090	3,699,306
Other Purpose	526,489	295,700
	<u>7,983,880</u>	<u>7,730,915</u>

14 Financing And Advances (Cont'd)

(viii) By geographical distribution

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Northern Region	1,408,283	1,417,862
Southern Region	1,219,221	1,114,121
Central Region	4,662,472	4,396,499
Eastern Region	693,904	802,433
	<u>7,983,880</u>	<u>7,730,915</u>

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

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

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

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

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

15 Impaired Financing

(i) Movements in impaired financing and advances

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
At beginning of period/year	125,688	70,810
Classified as impaired during the period/year	51,215	169,700
Reclassified as performing	(5,886)	(492)
Amount recovered	(37,180)	(40,326)
Amount written off	(950)	(83,291)
Other movements	1,958	9,287
At end of period/year	<u>134,845</u>	<u>125,688</u>
Less: Individual allowances for impairment	(35,479)	(69,269)
Collective allowance for impairment	(15,495)	-
Net impaired financing and advances	<u>99,366</u>	<u>56,419</u>

(ii) Movements in allowance for impaired financing

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Collective allowance for impairment		
At beginning of period/year	115,300	70,655
- effect of convergence to MFRS	(74,389)	-
At beginning of period (restated)/year	<u>40,911</u>	<u>70,655</u>
Made during the period/year	28,239	46,890
Amount released	(1,620)	(2,245)
Amount written off	(25,516)	-
Discount unwind	(88)	-
At end of period/year	<u>41,926</u>	<u>115,300</u>

15 Impaired Financing (Cont'd)

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

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Individual allowance for impairment		
At beginning of period/year	69,269	41,858
- effect of convergence to MFRS	(36,288)	-
At beginning of period (restated)/year	32,981	41,858
Made during the period/year	3,173	97,590
Amount recovered	(1,556)	(4,144)
Amount written off	(939)	(75,628)
Other movement	1,820	9,593
At end of period/year	<u>35,479</u>	<u>69,269</u>
Regulatory reserves		
At beginning of period/year	-	-
- effect of regulatory reserve provision	74,014	-
At beginning of period (restated)/year	74,014	-
Made during the period/year	3,286	-
At end of period/year	<u>77,300</u>	<u>-</u>

(iii) By contract

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Bai Bithaman Ajil (<i>deferred payment sale</i>)	665	779
Ijarah Thumma Al-Bai (AITAB) (<i>hire purchase</i>)	4,497	4,552
Murabahah (<i>cost-plus</i>)	7,404	7,420
Musharakah (<i>profit and loss sharing</i>)	21,763	19,385
Bai Al-Inah (<i>sell and buy back</i>)	88,493	83,315
Ujrah (<i>fee-based</i>)	12,023	10,237
	<u>134,845</u>	<u>125,688</u>

(iv) By sector

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Agriculture, hunting, forestry & fishing	173	-
Manufacturing	8,868	9,068
Wholesale & retail trade, restaurants & hotels	4,277	4,281
Household - Retail	121,527	112,339
	<u>134,845</u>	<u>125,688</u>

(v) By purpose

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Purchase of landed property:		
Residential	20,356	19,032
Non-residential	111	111
Consumption credit	101,168	93,304
Working Capital	12,879	12,910
Other purpose	331	331
	<u>134,845</u>	<u>125,688</u>

(vi) By geographical distribution

	31 Mar 2012 RM'000	31 Dec 2011 RM'000
Northern Region	35,676	32,022
Southern Region	27,407	23,057
Central Region	65,039	64,135
Eastern Region	6,723	6,474
	<u>134,845</u>	<u>125,688</u>

16 Other Assets

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Revaluation gain on equity related contracts (Note 27)	23,328	30,985
Income receivable	4,840	6,691
Amount due from holding company	89	161,007
Other receivables, deposits and prepayments	15,516	13,625
	43,773	212,308

17 Deposits From Customers

(i) By type of deposit

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Non-Mudharabah Fund		
Demand deposits	838,117	673,829
Savings deposits	779,269	822,480
Term deposits	5,447,554	3,780,189
Negotiable instruments of deposits	58,932	15,400
Others	179,332	184,354
	7,303,204	5,476,252

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

	RM'000	RM'000
Due within six months	4,845,706	3,217,397
More than six months to one year	590,184	548,110
More than one year to three years	70,596	30,082
	5,506,486	3,795,589

(ii) By type of customer

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Government and statutory bodies	86,890	86,624
Business enterprises	2,152,051	1,690,893
Individuals	4,236,002	3,076,632
Others	828,261	622,103
	7,303,204	5,476,252

18 Deposits and Placements from Banks and Other Financial Institutions

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Mudharabah Fund		
Licensed banks	3,030,419	3,261,118
Bank Negara Malaysia	7,542	48,405
Other financial institutions	-	431,002
	3,037,961	3,740,525

19 Other Liabilities

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Derivative financial liabilities	10,114	10,561
Profit payable	31,922	19,051
Amounts due to holding company/ related companies	57,019	14,237
Profit equalisation reserve	1,340	6,700
Other creditors and accruals	47,346	51,556
	147,741	102,105

Included in other creditors and accruals is undistributed charity funds of RM67,000. The source of this fund is from excess compensation account.

20 Income Derived from Investment of Depositors' Funds and Others

	31 Mar 2012	31 Mar 2011
	RM'000	RM'000
Income derived from investment of:		
(i) general investment deposits	106,295	65,926
(ii) specific investment deposits	32,077	10,638
(iii) other deposits	20,604	17,115
	158,976	93,679

(i) Income derived from investment of general investment deposits

	31 Mar 2012	31 Mar 2011
	RM'000	RM'000
<u>Finance income and hibah:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	94,125	59,116
- Recoveries from impaired financing	106	8
Financial investments available-for-sale	1,282	-
Money at call and deposit with financial institutions	10,782	6,802
	106,295	65,926

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

	31 Mar 2012	31 Mar 2011
	RM'000	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	7,405	4,700
Financial investments available-for-sale	2,695	2,563
Accretion of discount less amortisation of premium	(70)	(51)
	10,030	7,212
<u>Other operating income</u>		
Fees and commission	619	206
Net gain from dealing in foreign currency	3,489	1,241
Net gain from sale of financial assets held-for-trading and other financial instruments	17,321	787
Net (loss)/ gain from derivatives	(366)	359
Net unrealised gain/ (loss) from revaluation of financial assets held-for-trading	660	(153)
Net profit earned from financial assets held-for-trading	324	986
	22,047	3,426
	32,077	10,638
The above fees and commissions were derived from the following major contributors:		
Service charges and fees	168	206
Credit facilities	149	-
	31 Mar 2012	31 Mar 2011
	RM'000	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	18,246	15,347
- Recoveries from impaired financing	21	2
Financial investments available-for-sale	248	-
Money at call and deposit with financial institutions	2,089	1,766
	20,604	17,115

21 Income Derived from Investment of Shareholder's Funds

	31 Mar 2012 RM'000	31 Mar 2011 RM'000
<u>Finance income and hibah:</u>		
Financing and advances		
- Profit earned other than recoveries from impaired financing	11,573	11,091
- Recoveries from impaired financing	13	1
Financial investments available-for-sale	158	-
Money at call and deposit with financial institutions	1,326	1,276
	<u>13,070</u>	<u>12,368</u>
<u>Other operating income:</u>		
Fees and commission	12,855	10,404
Shared-service fees from holding company	680	508
Other income	76	57
	<u>13,611</u>	<u>10,969</u>
	<u>26,681</u>	<u>23,337</u>
The above fees and commissions were derived from the following major contributors:		
Service charges and fees	4,011	4,253
Cards	4,028	3,333
Agency fees	2,402	1,736

22 Impairment Losses on Financing

	31 Mar 2012 RM'000	31 Mar 2011 RM'000
Impairment charges on financing:		
(a) Individual impairment		
- Provided	3,173	19,959
- Written back	(1,556)	(445)
(b) Collective impairment		
- Provided	28,239	4,394
- Written back	(1,620)	-
(c) Regulatory reserve		
- Provided	3,286	-
Impaired financing		
- Recovered	(6,493)	(4,844)
- Written off	146	2,151
	<u>25,175</u>	<u>21,215</u>

23 Income Attributable to Depositors

	31 Mar 2012	31 Mar 2011
	RM'000	RM'000
Deposits from customers		
- Mudharabah Fund	-	12,144
- Non-Mudharabah Fund	43,379	8,410
Deposits and placements of banks and other financial institutions		
- Mudharabah Fund	17,682	10,208
Others	1,040	593
	62,101	31,355

24 Personnel Expenses

	31 Mar 2012	31 Mar 2011
	RM'000	RM'000
Salaries, allowances and bonuses	7,505	6,750
Employees Provident Fund contributions	1,050	1,019
Other staff related costs	927	260
	9,482	8,029

25 Other Overheads and Expenditures

	31 Mar 2012	31 Mar 2011
	RM'000	RM'000
Promotion and marketing related expenses	4,603	259
Establishment related expenses		
Depreciation of equipment	1,737	1,310
Amortisation of intangible assets	134	-
Information technology costs	226	151
Hire of Equipment	12	12
Rental of premises	1,758	1,226
Others	431	53
	4,298	2,752
General administrative expenses		
Shared-service fees to immediate holding company	25,655	22,478
Auditors' remuneration		
<u>Audit fees</u>		
KPMG Malaysia	43	25
<u>Non-audit services</u>		
KPMG Malaysia	33	13
Professional fees	353	480
Others	2,998	1,647
	29,082	24,643
	37,983	27,654

26 Capital Adequacy

	31 Mar 2012	31 Dec 2011
	RM'000	RM'000
Tier 1 capital		
Paid-up ordinary share capital	50,000	50,000
Share premium	610,000	610,000
Retained profits	191,354	153,216
Statutory reserve	50,000	50,000
	<u>901,354</u>	863,216
Deferred tax adjustments	(30,194)	(678)
Total Tier 1 capital	<u>871,160</u>	<u>862,538</u>
Tier 2 capital		
Collective impairment allowance	26,431	115,300
Regulatory reserve	77,300	-
Total Tier 2 capital	<u>103,731</u>	<u>115,300</u>
Capital base	<u>974,891</u>	<u>977,838</u>
Core capital ratio	10.0%	10.5%
Risk-weighted capital ratio	11.2%	11.9%

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

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

	31 Mar 2012		31 Dec 2011	
	Principal RM'000	Risk-weighted RM'000	Principal RM'000	Risk-weighted RM'000
Total RWA for credit risk	13,376,081	8,009,780	11,629,129	7,546,956
Total RWA for market risk	-	56,292	-	100,942
Total RWA for operational risk	-	618,327	-	580,027
	<u>13,376,081</u>	<u>8,684,399</u>	<u>11,629,129</u>	<u>8,227,925</u>

27 Commitments and Contingencies

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

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
31 Mar 2012				
Direct credit substitutes	525,162	-	525,162	469,941
Transaction-related contingent items	558,886	-	279,443	256,630
Short-term self-liquidating trade-related contingencies	19,684	-	3,937	3,381
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	1,570,938	-	314,188	297,580
- Maturity exceeding one year	85,110	-	42,555	41,162
Unutilised credit card lines	891,409	-	178,282	133,711
Sell and buy back agreement	241,659	-	241,659	241,659
Equity related contracts				
- One year to less than five years	250,759	7,855	27,595	8,131
Profit rate related contracts				
- One year to less than five years	1,529,971	13,916	71,745	40,396
Foreign exchange related contracts				
- Less than one year	270,213	1,557	5,932	4,177
	5,943,791	23,328	1,690,498	1,496,768

Note 16

	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount * RM'000	Risk weighted amount * RM'000
31 Dec 2011				
Direct credit substitutes	461,660	-	461,660	404,287
Transaction-related contingent items	531,060	-	265,530	257,691
Short-term self-liquidating trade-related contingencies	32,928	-	6,586	4,745
Irrevocable commitments to extend credit				
- Maturity not exceeding one year	1,314,320	-	262,864	246,185
- Maturity exceeding one year	133,435	-	26,687	26,251
Unutilised credit card lines	885,773	-	177,155	132,866
Sell and buy back agreement	192,401	-	192,401	192,401
Equity related contracts				
- One year to less than five years	206,474	5,192	21,710	5,138
Profit rate related contracts				
- One year to less than five years	1,551,362	24,102	73,052	41,410
Foreign exchange related contracts				
- Less than one year	226,145	1,691	5,783	4,003
	5,535,558	30,985	1,493,428	1,314,977

Note 16

28 Explanation of transition to MFRSs

As stated in note 2, these are the Bank's first interim financial statements prepared in accordance with MFRSs.

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

(i) Reconciliation of financial position

		FRSs	Effect of transition to MFRSs 1 Jan 2012	MFRSs
	<i>Note</i>	RM'000	RM'000	RM'000
Assets				
Cash and short-term funds		1,536,792	-	1,536,792
Financial Assets Held-for-Trading		216,716	-	216,716
Financial Investments Available-for-Sale		422,086	-	422,086
Financing and advances	28(ii)(a)	7,546,346	36,663	7,583,009
Other assets	28(ii)(b)	212,308	(10,535)	201,773
Statutory deposits with Bank Negara Malaysia		228,562	-	228,562
Equipment		18,926	-	18,926
Intangible assets		461	-	461
Deferred tax assets	28(ii)(c)	15,182	14,964	30,146
Total Assets		<u>10,197,379</u>	<u>41,092</u>	<u>10,238,471</u>
Liabilities				
Deposits from customers	28(ii)(b)	5,476,252	(2,652)	5,473,600
Deposits and placements from banks and other financial institutions		3,740,525	-	3,740,525
Bills and acceptances payable		7,600	-	7,600
Other liabilities	28(ii)(b)	102,105	(9,007)	93,098
Provision for taxation	28(ii)(c)	6,838	13,769	20,607
Total Liabilities		<u>9,333,320</u>	<u>2,110</u>	<u>9,335,430</u>
Shareholder's Equity				
Share capital		50,000	-	50,000
Reserves	28(ii)(d)	814,059	38,982	853,041
Total Shareholder's Equity		<u>864,059</u>	<u>38,982</u>	<u>903,041</u>
Total Liabilities and Shareholder's Equity		<u>10,197,379</u>	<u>41,092</u>	<u>10,238,471</u>

28 Explanation of transition to MFRSs (Cont'd)

(ii) Explanation of transition to MFRSs

Notes to reconciliation of financial position

(a) Financing and advances

The changes that affected financing and advances are as follows:

	Note	RM'000
Adjustment to collective impairment ("CIP")	15(ii)	74,389
Adjustment to individual impairment ("IIP")	15(ii)	36,288
Provision for regulatory reserves	15(ii)	<u>(74,014)</u>
<i>Adjustment to increase retained earnings</i>	28(ii)(d)	<u>36,663</u>

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

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

	Note	RM'000
Other assets:		
Decrease in derivative financial assets	16	(10,535)
Other liabilities:		
Decrease in derivative financial liabilities	19	(9,007)
Deposit from customers:		
Decrease in structured deposits	18(i)	<u>(2,652)</u>
<i>Adjustment to increase retained earnings</i>	28(ii)(d)	<u>1,124</u>

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

(c) Deferred tax assets and provision for taxation

	Note	RM'000
Deferred tax assets		
Deferred tax assets recognised on collective impairment provisions		833
Deferred tax assets recognised on regulatory reserves provision		(15,797)
Provision for taxation		
Increased provision for tax liability upon positive fair valuation of structured deposits		281
Increased provision for tax liability upon decrease in CIP and IIP		13,488
<i>Adjustment to decrease retained earnings</i>	28(ii)(d)	<u>(1,195)</u>

The decrease in collective impairment provision resulted in higher deferred tax recognised.

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

(d) Retained earnings

	Note	RM'000
Financing and advances	28(ii)(a)	36,663
Other assets, other liabilities and deposits from customers	28(ii)(b)	1,124
Deferred tax assets and provision for taxation	28(ii)(c)	<u>1,195</u>
<i>Adjustment to increase retained earnings</i>		<u>38,982</u>

29 Performance Review

The Bank recorded a profit before taxation of RM50.9 million for the three months ended 31 March 2012, an increase of RM22.1m or 76.7% against history. Total income derived from the investment of depositors and shareholders fund increased by RM68.6 million or 58.6%, offset by higher income attributable to depositors (RM30.7 million or 98.1%) and operating expenses (RM11.8 million or 33.0%).

The improvement in income from investment of depositors and shareholder's fund was principally due to a RM2.9 billion or 58.3% growth in gross financing and advances from March 2011. Higher customer deposits (RM3.2 billion or 79.2% from March 2011) contributed to the increase in income attributable to depositors.

Balance sheet size increased by RM4.3 billion or 59.7% against 31 March 2011, mainly on higher financing and advances and deposits. The introduction of new and improved products and services coupled with an expanded branch network contributed to this growth.

30 Business Prospects

The Malaysian economy recorded a steady pace of growth of 5.1% in 2011 (2010: 7.2%), despite the challenging international economic environment. Malaysia's economic growth improved due to stronger domestic demand. Domestic demand registered a strong growth of 8.2% in 2011 (2010: 6.3%), driven by both household and business spending, and higher public sector consumption.

Amid the more challenging external environment, Malaysia's economy is projected to experience a steady pace of growth of 4 - 5% in 2012. Domestic demand is expected to remain resilient and will continue to be the anchor for growth. The upward revision of public sector wages and the one-off financial assistance to low and middle-income groups announced in the 2012 Budget will spur consumer spending whilst private investment will be supported by domestic-oriented industries and the ongoing implementation of projects under the Economic Transformation Programme (ETP).

In 2012, the focus will remain on growing the Premier and Advance propositions. The Bank intends to increase its current share of high quality assets via the relationship-based approach, by increasing value added offerings, building on cross referrals and cross selling of various banking products (with emphasis on wealth management services) to the Bank's existing customers.

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